

\$74,136,696 (Approximate)
Federal National Mortgage Association



Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 1995-W2

The Guaranteed REMIC Pass-Through Certificates offered hereby (the “Certificates”) will represent beneficial ownership interests in Fannie Mae REMIC Trust 1995-W2 (the “Trust”). The assets of the Trust will consist of first lien, single-family, fixed- and adjustable-rate, amortizing residential mortgage loans (the “Mortgage Loans”) having the characteristics described herein.

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

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

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 (1)	Principal Type (2)	Interest Rate	Interest Type (2)	CUSIP Number	Final Distribution Date
1A.....	\$53,490,000	PT	(3)	W	31359LSQ9	May 2022
2A.....	8,905,000	PT	(4)	W	31359LSR7	July 2017
3A.....	11,739,000	PT	(5)	W	31359LSS5	September 2017
R.....	2,696	CPT	(6)	W	31359LST3	May 2022

- (1) Subject to a permitted variance of plus or minus 5% in the aggregate.
- (2) See “Description of the Certificates—Class Definitions and Abbreviations,” “—Distributions of Interest” and “—Distributions of Principal” herein.
- (3) The 1A Class will bear interest at a rate per annum equal to the Weighted Average Net Mortgage Rate (as defined herein) of the Group 1 Mortgage Loans (as defined herein). The 1A Class will bear interest during the initial Interest Accrual Period at a per annum rate equal to approximately 7.610%. See “Description of the Certificates—Distributions of Interest” herein.
- (4) The 2A Class will bear interest at a rate per annum equal to the Weighted Average Net Mortgage Rate of the Group 2 Mortgage Loans (as defined herein). The 2A Class will bear interest during the initial Interest Accrual Period at a per annum rate equal to approximately 6.183%. See “Description of the Certificates—Distributions of Interest” herein.
- (5) The 3A Class will bear interest at a rate per annum equal to the Weighted Average Net Mortgage Rate of the Group 3 Mortgage Loans (as defined herein). The 3A Class will bear interest during the initial Interest Accrual Period at a per annum rate equal to approximately 5.590%. See “Description of the Certificates—Distributions of Interest” herein.
- (6) The R Class will bear interest at a rate per annum described herein under “Description of the Certificates—Distributions of Interest.”

The Certificates will be offered by Bear, Stearns & Co. Inc. (the “Dealer”) from time to time in negotiated transactions, at varying prices to be determined at the time of sale.

The Certificates will be offered by the Dealer, subject to 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, except for the R Class, will be available through the book-entry facilities of The Depository Trust Company on or about May 30, 1995 (the “Settlement Date”). It is expected that the R Class in registered, certificated form will be available for delivery at the offices of the Dealer, 245 Park Avenue, New York, New York 10167, on or about the Settlement Date.

Bear, Stearns & Co. Inc.
 May 5, 1995

(Cover continued from previous page)

The yields to investors in each Class will be sensitive to the rate of principal payments of the Mortgage Loans in the related Mortgage Loan Group (as defined herein) and, in the case of the 2A and 3A Classes, the level of COFI (as defined herein). Such yields will also be sensitive to 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 generally may be prepaid at any time without penalty, and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time.
- Slight variations in Mortgage Loan characteristics could substantially affect the weighted average lives and yields of some or all of the Classes.
- In the case of any Certificates purchased at a discount to their principal amounts, a slower than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of any Certificates purchased at a premium to their principal amounts, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield.

See “Yield and Prepayment Considerations” herein.

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

- The rate of principal distributions of the Certificates is uncertain and investors may be unable to reinvest the distributions thereon at yields equaling the yields on the Certificates. See “Yield and Prepayment Considerations—Reinvestment Risk” herein.
- The actual final payment of any Class may occur earlier, and could occur much earlier, than the Final Distribution Date for such Class specified on the cover page. See “Yield and Prepayment Considerations—Weighted Average Lives of the Certificates” herein.
- Investors whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities may be subject to restrictions on investment in 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.

The Dealer intends to make a 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 salable.

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

An election will be made to treat the Trust as a “real estate mortgage investment conduit” (“REMIC”) pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). The R Class will be subject to transfer restrictions. See “Description of the Certificates—Certain Characteristics of the R Class” and “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 Bear, Stearns & Co. Inc. by writing or calling its Prospectus Department at One MetroTech Center North, Brooklyn, New York 11201 (telephone 212-272-1581).

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REFERENCE SHEET

This reference sheet is not a summary of the REMIC transaction and it does not contain complete information about the Certificates. Investors should purchase the Certificates only after reading this Prospectus 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 summary 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 mortgage rate, weighted average age, WAM and, with respect to the Group 2 and Group 3 Mortgage Loans, weighted average months to rate change.

Interest Rates

The Certificates will bear interest at the respective per annum interest rates described on the cover hereof or, in the case of the R Class, described herein.

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

Component Class

	<u>Original Principal Balance</u>	<u>Interest Type</u>
R1 Component	\$961	W
R2 Component	874	W
R3 Component	861	W

See “Description of the Certificates—Distributions of Principal—*Components*” herein.

Distributions of Principal

Group 1 Principal Distribution Amount

To the R1 Component and the 1A Class, in that order, to zero.

Group 2 Principal Distribution Amount

To the R2 Component and the 2A Class, in that order, to zero.

Group 3 Principal Distribution Amount

To the R3 Component and the 3A Class, in that order, to zero.

See “Description of the Certificates—Distributions of Principal” herein.

Weighted Average Lives (years) *

<u>Class</u>	<u>% of PSA Prepayment Assumption**</u>				
	<u>0%</u>	<u>75%</u>	<u>150%</u>	<u>200%</u>	<u>300%</u>
1A	5.8	4.8	4.1	3.7	3.0

<u>Class</u>	<u>% of CPR Prepayment Assumption**</u>				
	<u>0%</u>	<u>10%</u>	<u>15%</u>	<u>20%</u>	<u>25%</u>
2A	13.8	6.8	5.1	4.0	3.2
3A	13.7	6.7	5.1	4.0	3.2

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

** For a description of the PSA and CPR Prepayment Assumptions, see “Yield and Prepayment Considerations—Prepayment Assumptions 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 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 May 1, 1995 (the “Trust Agreement”), executed by the Federal National Mortgage Association (“Fannie Mae”) in its corporate capacity and in its capacity as trustee (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 the Mortgage Loans, and will in the aggregate evidence the entire beneficial ownership interest in the distributions of principal and interest thereon. The Certificates (other than the R Class) will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust.

Authorized Denominations. The Certificates, other than the R Certificate, will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. The R Certificate will be issued as a single certificate.

Characteristics of Certificates. The Certificates, other than the R Certificate, 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.

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

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

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, (ii) the scheduled installments of principal of the Mortgage Loans, whether or not actually received, together with the full Stated Principal Balance (as defined herein) of any foreclosed Mortgage Loan, whether or not such balance is actually recovered, and (iii) the principal balance of each Class of Certificates in full no later than the applicable Final Distribution Date, whether or not sufficient funds are available in the Certificate Account. If Fannie Mae were unable to perform these guaranty obligations,

distributions to Certificateholders would consist solely of payments and other recoveries on the Mortgage Loans and, accordingly, delinquencies and defaults on the Mortgage Loans would 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.

REMIC Trust Factors. As soon as practicable following the 23rd 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 Trust will consist of approximately 3,554 mortgage loans (collectively, the “Mortgage Loans”) having an aggregate principal balance of approximately \$74,136,696 (subject to a variance of plus or minus 5% in the aggregate) as of May 1, 1995 (the “Issue Date”). The Mortgage Loans were originated or purchased by one or more institutions approved by Fannie Mae on the basis of certain criteria, which may include depth of mortgage origination experience, servicing experience and financial capacity. The seller and servicer of the Mortgage Loans will be a party with Fannie Mae to a sale and servicing agreement dated as of May 1, 1995 (the “Sale and Servicing Agreement”).

The Mortgage Loans consist of first lien, single family, fixed- and adjustable-rate, amortizing mortgage loans. Each Mortgage Loan is evidenced by a promissory note or similar evidence of indebtedness (a “Mortgage Note”) that is secured by a first 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.”

Each Mortgage Loan provides for payments by the obligor on the related Mortgage Note (the “borrower”) as of a scheduled day in each month that is fixed at the time of origination. In addition, each Mortgage Loan provides that interest is charged to each related borrower at the rate of interest set forth or calculated as provided in the related Mortgage Note (the “Mortgage Interest Rate”) on the outstanding principal balance thereof calculated on the basis of a 360-day year consisting of twelve 30-day months. Scheduled monthly payments by a borrower 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.

As of the Issue Date and calculated by aggregate principal balance, approximately 72% of the Mortgage Loans are fixed-rate mortgage loans (the “Group 1 Mortgage Loans”), approximately 12% of the Mortgage Loans are adjustable-rate mortgage loans with rates that adjust every six months (the “Group 2 Mortgage Loans”) and approximately 16% of the Mortgage Loans are adjustable-rate mortgage loans with rates that adjust annually (the “Group 3 Mortgage Loans”).

As of the Issue Date, approximately 48% of the Group 1 Mortgage Loans (by aggregate principal balance) are either insured by the Federal Housing Administration or partially guaranteed by the

Department of Veterans Affairs. None of the Group 2 or Group 3 Mortgage Loans is FHA-insured or VA-guaranteed.

Set forth below is certain summary information regarding the assumed characteristics of the Group 1, Group 2 and Group 3 Mortgage Loans, aggregated on the basis of the specified characteristics as of the Issue Date (without giving effect to prepayments received on the Group 1 Mortgage Loans on or after April 1, 1995). Such summary information has been aggregated on the basis of the assumed characteristics specified below and is not intended to reflect actual or assumed individual Mortgage Loan characteristics.

Group 1 Mortgage Loans

<u>Principal Balance</u>	<u>Weighted Average Net Mortgage Rate</u>	<u>Weighted Average Mortgage Rate</u>	<u>Weighted Average Age (in months)</u>	<u>WAM (in months)</u>
\$ 2,457	4.415	5.250	370	50
2,702	4.429	5.250	371	12
10,419	4.540	5.250	357	61
2,802	4.550	5.250	355	5
5,721	4.790	5.500	350	68
14,424	4.881	5.659	345	14
7,404	5.040	5.750	344	75
17,811	5.044	5.750	344	15
389,330	5.281	6.000	332	28
8,961	5.290	6.000	322	38
12,857	5.315	6.000	266	91
141,346	5.360	5.875	16	164
64,102	5.495	6.010	18	102
186,134	5.585	6.100	17	135
164,172	5.615	6.130	18	161
90,081	5.685	6.200	19	161
139,506	5.685	6.200	14	87
73,343	5.690	6.500	18	282
173,968	5.715	6.230	19	101
28,651	5.785	6.300	13	167
5,545	5.920	6.750	321	30
127,107	5.925	6.440	24	84
39,083	5.931	6.750	321	39
38,062	5.985	6.500	14	166
172,026	6.005	6.520	13	167
505,994	6.054	6.750	318	41
107,360	6.137	6.750	319	32
17,187	6.235	6.750	32	14
78,473	6.316	7.000	274	28
1,195,738	6.317	7.000	282	64
67,889	6.335	6.850	22	119(1)
178,324	6.335	6.850	22	130
9,544,444	6.338	7.000	271	87
64,956	6.360	6.875	19	152
50,608	6.360	6.875	23	157
167,503	6.405	6.920	15	165
29,091	6.415	7.000	22	158
39,397	6.485	7.000	12	168
93,319	6.673	7.188	29	151
11,843	6.690	7.375	268	80
59,878	6.725	7.240	29	125
35,143	6.725	7.240	26	153
144,919	6.725	7.240	30	150
75,651	6.725	7.240	32	148

(1) Assumed weighted average remaining term to scheduled balloon payment of 107 months.

Group 1 Mortgage Loans (continued)

<u>Principal Balance</u>	<u>Weighted Average Net Mortgage Rate</u>	<u>Weighted Average Mortgage Rate</u>	<u>Weighted Average Age (in months)</u>	<u>WAM (in months)</u>
\$ 20,541	6.725	7.240	28	105
76,077	6.725	7.240	31	149
61,308	6.735	7.250	12	168
264,561	6.772	7.287	13	155
293,740	6.782	7.295	30	133
34,869	6.795	7.500	304	22
988,158	6.801	7.500	301	56
765,515	6.819	7.500	226	131
56,242	6.839	7.524	254	81
322,454	6.860	7.375	24	156
134,622	6.985	7.500	12	168
56,857	6.985	7.500	37	143
90,790	6.985	7.500	28	152
406,050	7.096	7.754	254	93
86,189	7.101	7.750	240	53
1,482,603	7.102	7.750	235	123
40,694	7.177	7.774	242	30
69,987	7.235	7.750	29	151
118,871	7.235	7.750	11	169
715,031	7.255	7.780	30	150
306,488	7.315	8.000	285	67
179,538	7.326	8.000	260	87
62,387	7.360	7.875	26	154
72,745	7.375	7.890	10	170
567,492	7.400	8.000	237	123
11,156	7.415	8.000	240	18
128,367	7.475	7.990	39	139
33,947	7.475	7.990	37	138
170,895	7.475	7.990	38	123
64,336	7.485	8.000	33	327(1)
1,261	7.565	8.250	254	14
706,568	7.592	8.246	254	98
449,337	7.595	8.250	235	119
41,520	7.607	8.250	253	56
176,308	7.675	8.190	35	145
1,830,093	7.801	8.500	294	62
3,810,088	7.817	8.501	255	100
47,322	7.831	8.500	278	27
34,210	7.855	8.370	36	325
2,351,453	7.863	8.500	226	131
13,598	7.940	9.000	219	80
335,548	7.942	8.500	208	151
175,268	7.985	8.500	39	141
705,677	8.100	8.706	176	91
3,150,641	8.122	8.768	219	131
2,080,869	8.225	8.801	210	150
348,264	8.231	8.789	147	63
17,050	8.243	8.842	178	21
792,555	8.292	9.013	137	86
59,544	8.315	9.000	83	241
2,307,147	8.358	9.008	226	130
30,330	8.360	9.000	217	27
2,848,838	8.377	9.020	210	150
31,083	8.404	9.000	235	50
99,819	8.440	9.875	102	78
163,259	8.485	9.000	55	302

(1) Assumed weighted average remaining term to scheduled balloon payment of 51 months.

Group 1 Mortgage Loans (continued)

<u>Principal Balance</u>	<u>Weighted Average Net Mortgage Rate</u>	<u>Weighted Average Mortgage Rate</u>	<u>Weighted Average Age (in months)</u>	<u>WAM (in months)</u>
\$ 233,107	8.650	9.214	112	85
4,768	8.665	9.250	219	12
67,025	8.690	9.250	100	38
295,153	8.692	9.308	150	126
1,151,722	8.721	9.317	204	156
6,966	8.815	9.500	198	24
23,939	8.815	9.500	66	294
219,335	8.849	9.500	198	131
2,393,559	8.856	9.513	197	158
32,852	8.869	9.500	162	85
32,872	8.871	9.500	140	49
32,575	8.985	9.500	95	265
279,275	9.123	9.742	108	127
53,058	9.133	9.676	134	60
339,266	9.160	9.745	119	83
547,645	9.166	9.798	196	155
945,155	9.229	9.901	60	299
152,049	9.239	9.896	68	266
130,732	9.305	10.000	100	89
30,736	9.315	10.000	67	293
28,060	9.315	10.000	71	237
105,003	9.360	9.875	106	224
231,083	9.389	10.000	76	278
20,176	9.440	10.000	172	142
9,070	9.440	9.750	168	36
163,345	9.448	10.000	172	165
43,637	9.597	10.338	93	87
31,093	9.665	10.500	177	139
68,967	9.667	10.250	184	132
197,911	9.707	10.250	190	165
33,690	9.815	10.500	69	291
186,223	9.937	10.500	180	162
10,285	9.985	10.500	80	100
109,384	10.121	10.712	121	87
171,186	10.225	10.750	185	165
92,997	10.252	11.000	131	66
40,355	10.485	11.000	185	172
55,696	10.602	11.250	178	162
19,895	10.815	11.500	182	143
21,465	10.815	11.500	173	152
42,928	11.065	11.750	142	158
38,102	11.940	12.500	138	156
26,844	12.190	12.750	168	157
65,668	12.235	12.750	171	141
10,009	12.485	13.000	175	183
20,208	<u>12.815</u>	<u>13.500</u>	<u>175</u>	<u>153</u>
	7.610*	8.248*	207*	120*

* Weighted average of the rates or periods appearing in the applicable column, weighted on the basis of the assumed Principal Balances specified herein.

Group 2 Mortgage Loans

Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Age (in months)	WAM (in months)	Weighted Average Months to Rate Change
\$ 57,832	5.870	6.500	95	85	1
49,812	5.870	6.500	95	265	1
3,245,159	5.880	6.510	98	262	1
1,325,027	5.965	6.595	97	263	2
148,194	5.995	6.625	99	261	3
273,366	6.120	6.750	94	266	2
449,634	6.245	6.875	99	261	4
519,538	6.245	6.875	95	265	1
42,641	6.245	6.875	115	245	5
412,138	6.458	7.088	100	260	4
817,998	6.495	7.125	99	261	5
75,023	6.620	7.250	108	252	6
132,597	6.620	7.250	97	263	5
1,084,365	6.712	7.342	97	263	6
272,550	<u>7.120</u>	<u>7.750</u>	<u>96</u>	<u>264</u>	<u>6</u>
	6.183*	6.813*	98*	261*	3*

* Weighted average of the rates or periods appearing in the applicable column, weighted on the basis of the assumed Principal Balances specified herein.

Group 3 Mortgage Loans

Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Age (in months)	WAM (in months)	Weighted Average Months to Rate Change
\$ 125,344	5.249	5.879	106	254	2
475,779	5.286	5.916	105	255	3
83,755	5.346	5.976	104	256	4
1,279,202	5.370	6.000	95	265	1
1,860,820	5.370	6.000	94	266	2
1,086,840	5.370	6.000	92	268	4
1,638,113	5.370	6.000	93	267	3
179,864	5.424	6.054	103	257	5
578,361	5.480	6.110	102	258	6
85,357	5.495	6.125	119	241	1
84,840	5.557	6.187	107	253	1
326,637	5.565	6.195	101	259	7
93,106	5.594	6.224	118	242	2
110,648	5.620	6.250	93	267	3
958,755	5.659	6.289	100	260	8
76,627	5.674	6.304	103	257	5
89,937	5.730	6.360	114	246	6
275,049	5.807	6.437	99	261	9
182,060	5.815	6.445	113	247	7
120,034	5.909	6.539	111	249	8
127,864	5.989	6.619	98	262	10
118,574	6.065	6.695	115	245	5
179,992	6.159	6.789	112	248	8
243,619	6.237	6.867	110	250	10
520,811	6.245	6.875	97	263	11
134,608	6.307	6.937	111	249	9
579,560	6.370	7.000	96	264	12
123,708	<u>6.620</u>	<u>7.250</u>	<u>96</u>	<u>264</u>	<u>12</u>
	5.590*	6.220*	98*	262*	5*

* Weighted average of the rates or periods appearing in the applicable column, weighted on the basis of the assumed Principal Balances specified herein.

Adjustable-Rate Mortgage Loans

General

The Group 2 and Group 3 Mortgage Loans (together, the “ARMs”) bear interest at rates that will vary in response to the Eleventh District Cost of Funds Index (“COFI”), as described below, and will adjust periodically at 6-month intervals, in the case of the Group 2 Mortgage Loans, and 12-month intervals, in the case of the Group 3 Mortgage Loans. The actual Mortgage Interest Rate at any time borne by an ARM will, subject to any applicable adjustment caps, be equal to the sum of a specified percentage, or “Mortgage Margin,” and the COFI value then applicable thereto, which sum then may be rounded (as provided in the related Mortgage Note) to the nearest, next lowest or next highest one-eighth of 1%. The ARMs generally contain provisions limiting the amount by which rates may be adjusted upward or downward. The ARMs provide for periodic adjustments of scheduled payments in order to fully amortize the Mortgage Loan by its stated maturity. Each of the ARMs will provide for payment adjustments in the month following any interest rate change, each such adjusted payment being in the amount necessary to pay interest at the Mortgage Interest Rate in effect during the month immediately prior to the month in which the first payment in the new amount is due and to fully amortize the outstanding principal balance of the ARM on a level debt service basis over the remainder of its term.

Limitations on Rate Adjustments

Substantially all of the ARMs contain provisions limiting the amount by which rates may be adjusted. Typically, the Mortgage Interest Rate for each such ARM, when adjusted on each interest rate change date, may not be more than a specified percentage amount greater or less than the initial Mortgage Interest Rate, in the case of the first change date, and, in the case of any subsequent change date, the Mortgage Interest Rate that was in effect immediately preceding such change date. Substantially all of the Group 2 Mortgage Loans provide for adjustments not to exceed 1% on each such change date, and all of the Group 3 Mortgage Loans provide for adjustments not to exceed 2% on each such date. In addition, the Mortgage Interest Rate for an ARM is generally also subject to lifetime maximum and minimum caps (typically not more than a specified percentage greater or less than the initial Mortgage Interest Rate, which percentage ranges from approximately 4.525% to 5.750%), as specified in the related Mortgage Note or as otherwise established by the Lender.

In addition to the features described above, the ARMs are expected to have the interest rate characteristics reflected in the table below at the Issue Date.

	<u>Group 2 Mortgage Loans</u>	<u>Group 3 Mortgage Loans</u>
Mortgage Interest Rates		
Range	6.50% to 7.75%	5.88% to 7.25%
Weighted Average(1)	6.81%	6.22%
Net Mortgage Margins		
Range	1.62% to 2.25%	1.62% to 2.12%
Weighted Average(1)	1.93%	1.66%
Maximum Mortgage Interest Rates		
Range	12.75% to 14.63%	12.90% to 16.50%
Weighted Average(1)	13.17%	13.34%
Minimum Mortgage Interest Rates		
Range	1.75% to 4.88%	2.25% to 6.50%
Weighted Average(1)	2.22%	5.08%
Months to Rate Adjustment		
Range	1 to 6 months	1 to 12 months
Weighted Average(1)	3 months	5 months

(1) Weighted on the basis of the Stated Principal Balances of the Mortgage Loans in the related Mortgage Loan Group at the Issue Date.

The Mortgage Interest Rate for an ARM will change over time due to changes in the level of COFI, but cannot be determined solely on the basis of applicable COFI values and Mortgage Margins because the Mortgage Interest Rate for substantially all of the ARMs is restricted by periodic and lifetime adjustment caps. The weighted average of the Mortgage Interest Rates for ARMs within a Mortgage Loan Group will be subject to the same restrictions on rate adjustments. In addition, differences in the amortization schedules, prepayment rates and maturity dates of ARMs with differing maximum and minimum Mortgage Interest Rates will cause the range of Mortgage Interest Rates and the weighted average of the Mortgage Interest Rates for ARMs within a Mortgage Loan Group to change over time.

The “Net Mortgage Margin” for an ARM at any time is equal to the related Mortgage Margin for such ARM less 0.63%. The range of Net Mortgage Margins as well as the weighted average of the Net Mortgage Margins applicable to a Mortgage Loan Group will be affected by applicable periodic and lifetime adjustment caps, and will also be subject to differences in the amortization schedules, prepayment rates and maturity dates of ARMs with differing Net Mortgage Margins, which differences will cause the range of Net Mortgage Margins, as well as the weighted average of the Net Mortgage Margins, to change over time.

The “Maximum Mortgage Interest Rate” and “Minimum Mortgage Interest Rate” of an ARM are the maximum and minimum Mortgage Interest Rates, respectively, applicable to such ARM, given lifetime interest rate adjustment caps. The range of Maximum and Minimum Mortgage Interest Rates, as well as the weighted average of the Maximum and Minimum Mortgage Interest Rates applicable to the ARMs within a Mortgage Loan Group, will be subject to differences in the amortization schedules, prepayment rates and maturity dates of ARMs with differing Maximum and Minimum Mortgage Interest Rates, and such differences will cause the range of Maximum and Minimum Mortgage Interest Rates and the weighted average of the Maximum and Minimum Mortgage Interest Rates of the ARMs within a Mortgage Loan Group to change over time.

The “Months to Rate Adjustment” for an ARM equals the number of months from the Issue Date which will elapse before the Mortgage Interest Rate on such ARM is subject to adjustment as described in “Adjustable-Rate Mortgage Loans—*General*” above. The weighted average of the

Months to Rate Adjustment for ARMs within a Mortgage Loan Group will vary over time due to differences in the amortization schedules, prepayment rates and maturity dates of ARMs with different numbers of months to rate adjustment.

Determination of Weighted Average Net Mortgage Rate

At any time, interest for any month will accrue on the 2A and 3A Classes at a rate that equals the then applicable Weighted Average Net Mortgage Rates for the Group 2 and Group 3 Mortgage Loans, respectively. If the Mortgage Interest Rates for all ARMs in a Mortgage Loan Group are not affected by an interest rate cap, the Weighted Average Net Mortgage Rate will at any such time be equal, before giving effect to any rounding, to the sum of (x) the weighted average of the then applicable COFI values and (y) the weighted average of the individual Mortgage Margins, net of 0.63%. However, as indicated above, the Weighted Average Net Mortgage Rate for a Mortgage Loan Group cannot be determined solely on the basis of applicable COFI values and Net Margins because the Mortgage Interest Rates for substantially all of the ARMs in each of the related Mortgage Loan Groups are restricted by periodic and/or lifetime adjustment caps. In addition, differences in the amortization schedules, prepayment rates and maturity dates of ARMs with differing Net Mortgage Rates will cause the Weighted Average Net Mortgage Rate for a Mortgage Loan Group to change over the life of that Mortgage Loan Group. In any case, the Weighted Average Net Mortgage Rate for Group 2 Mortgage Loans or Group 3 Mortgage Loans will always be equal to the weighted average of the Mortgage Interest Rates of the ARMs in the related Mortgage Loan Group net of 0.63%.

Interest Rate Change Dates

Because the ARMs in a Mortgage Loan Group have varying interest rate change dates, the Weighted Average Net Mortgage Rate for any month will be calculated based on Mortgage Interest Rates that have been determined based on varying COFI values. For instance, with respect to a Mortgage Loan Group that contains ARMs with both March 1 and August 1 annual interest rate change dates and a 45-day “look-back” period, interest will accrue on the related Class during the month of August with respect to the March 1 interest rate change date ARMs on the basis of the index value most recently available 45 days prior to March 1, and with respect to the August 1 interest rate change date ARMs on the basis of the COFI value most recently available 45 days prior to August 1. This results in the likelihood of a Weighted Average Net Mortgage Rate that represents a weighted average of the different Net Mortgage Rates of the ARMs included therein. See the table contained herein under the heading “The Mortgage Loans—General” for additional information regarding the interest rate change dates.

COFI

The Eleventh District Cost of Funds Index is designed to represent the monthly weighted average cost of funds for savings institutions in Arizona, California, and Nevada that are member institutions of the Eleventh Federal Home Loan Bank District (the “Eleventh District”). The Eleventh District Cost of Funds Index for a particular month reflects the interest costs paid on all types of funds held by Eleventh District member institutions and is calculated by dividing the cost of funds by the average of the total amount of those funds outstanding at the end of that month and of the prior month and annualizing and adjusting the result to reflect the actual number of days in the particular month. If necessary, before these calculations are made, the component figures are adjusted by the Federal Home Loan Bank of San Francisco (“FHLBSF”) to neutralize the effect of events such as member institutions leaving the Eleventh District or acquiring institutions outside the Eleventh District. The Eleventh District Cost of Funds Index is weighted to reflect the relative amount of each type of funds held at the end of the relevant month. The major components of funds of Eleventh District member institutions are: (i) savings deposits, (ii) time deposits, (iii) FHLBSF advances, (iv) repurchase agreements and (v) all other borrowings. Because the component funds represent a variety of maturities whose costs may react in different ways to changing conditions, the Eleventh District Cost of Funds Index does not necessarily reflect current market rates.

A number of factors affect the performance of the Eleventh District Cost of Funds Index, which may cause it to move in a manner different from indices tied to specific interest rates, such as United States Treasury Bills or LIBOR. Because the liabilities upon which the Eleventh District Cost of Funds Index is based were issued at various times under various market conditions and with various maturities, the Eleventh District Cost of Funds Index may not necessarily reflect the prevailing market interest rates on new liabilities of similar maturities. Moreover, as stated above, the Eleventh District Cost of Funds Index is designed to represent the average cost of funds for Eleventh District savings institutions for the month prior to the month in which it is due to be published. Additionally, the Eleventh District Cost of Funds Index may not necessarily move in the same direction as market interest rates at all times, since as longer term deposits or borrowings mature and are renewed at prevailing market interest rates, the Eleventh District Cost of Funds Index is influenced by the differential between the prior and the new rates on those deposits or borrowings. In addition, movements of the Eleventh District Cost of Funds Index, as compared to other indices tied to specific interest rates, may be affected by changes instituted by the FHLBSF in the method used to calculate the Eleventh District Cost of Funds Index.

The FHLBSF publishes the Eleventh District Cost of Funds Index in its monthly Information Bulletin. Any individual may request regular receipt by mail of Information Bulletins by writing the Federal Home Loan Bank of San Francisco, P.O. Box 7948, 600 California Street, San Francisco, California 94120, or by calling (415) 616-1000. The current Eleventh District Cost of Funds Index may also be obtained by calling the FHLBSF at (415) 616-2600.

Listed below are historical values of the Eleventh District Cost of Funds Index since January 1985 as reported by the FHLBSF:

<u>Month (1)</u>	<u>Year</u>										
	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>
January	4.747%	3.710%	4.360%	6.002%	7.858%	8.369%	8.125%	7.615%	7.396%	8.770%	10.217%
February	4.925	3.687	4.333	5.800	7.848	8.403	8.346	7.647	7.448	8.964	10.160
March	5.007	3.629	4.245	5.611	7.654	8.258	8.423	7.509	7.314	8.744	9.976
April		3.672	4.171	5.427	7.501	8.211	8.648	7.519	7.245	8.587	9.872
May		3.726	4.103	5.290	7.329	8.171	8.797	7.497	7.223	8.441	9.704
June		3.804	4.050	5.258	7.155	8.086	8.923	7.618	7.274	8.374	9.565
July		3.860	3.998	5.069	6.998	8.109	8.844	7.593	7.275	8.196	9.365
August		3.945	3.958	4.874	6.845	8.075	8.763	7.659	7.277	8.018	9.273
September		4.039	3.881	4.805	6.714	8.091	8.807	7.847	7.394	7.901	9.129
October		4.187	3.823	4.597	6.566	8.050	8.643	7.828	7.444	7.717	9.027
November		4.307	3.822	4.508	6.414	8.044	8.595	7.914	7.562	7.602	9.036
December		4.589	3.879	4.432	6.245	7.963	8.476	8.022	7.645	7.509	8.867

(1) The Eleventh District Cost of Funds Index reflects the weighted average cost of funds of the members of the Eleventh District for the month indicated. It is usually announced by the FHLBSF on the last working day of the month following the month in which the cost of funds was incurred.

Additional Mortgage Loan Characteristics

General

The Mortgage Loans will be permanent loans (as opposed to construction and land development loans) secured by Mortgages on properties comprised primarily of single-family dwelling units, including units in condominium projects and planned unit developments. Each Mortgage Loan will be subject to and must comply with the terms of the current Fannie Mae Selling Guide unless Fannie Mae grants an exception with respect to certain requirements. Each Mortgage Loan will be documented by the appropriate FNMA/FHLMC Uniform Instrument in effect at the time of origination, or an FHA or VA mortgage instrument or other instrument acceptable to Fannie Mae, and will comply with all applicable federal and local laws, including laws relating to usury, equal credit opportunity, and disclosure.

There is no requirement that Mortgage Loans be payable on the first day of the month in order to be eligible for inclusion in the Trust. The Mortgage Loans generally must have had maturities of not more than 30 years from their date of origination.

Maximum Loan Amounts

Pursuant to the requirements of the Fannie Mae Selling Guide, first lien conventional mortgage loans secured by residential property (as compared to cooperative share loans) 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).

Maximum Loan-to-Value Ratios

The maximum loan-to-value ratio at the time of purchase for a conventional mortgage loan secured by a first mortgage on an owner-occupied one-family property (other than a second home) that does not secure any subordinate financing is generally 95% (90% in the case of adjustable-rate mortgage loans). Where such property also secures subordinate financing, the maximum combined loan-to-value ratio of the first lien and second lien is 90%. In the case of a conventional mortgage loan secured by a first mortgage on an owner-occupied one-family second home that does not secure any subordinate financing, the maximum loan-to-value ratio is 80%. Where such second home property also secures subordinate financing, the maximum combined loan-to-value ratio of the first lien and second lien is 90%.

The maximum combined loan-to-value ratio of the first lien and any second lien at the time of purchase is (i) 90% in the case of an owner-occupied two-family property, (ii) 80% in the case of an owner-occupied three- to four-family property, and (iii) 70% in the case of an investment property. In the case of a financing (*i.e.*, where the mortgage is not made at the time of purchase) of a property, regardless of property type, the maximum combined loan-to-value ratio of the first lien and any second lien at the time of financing is 80%.

First lien conventional mortgage loans (other than multifamily mortgage loans) with loan-to-value ratios exceeding 80% must, at a minimum, have the principal amount of the indebtedness in excess of 80% of the value of the related mortgaged property insured or guaranteed by a qualified insurer. Any mortgage insurer must be licensed to transact a mortgage guaranty insurance business in the state where the related mortgaged property is located and be acceptable to Fannie Mae as a mortgage insurer. As an alternative, Lenders may (i) contract with Fannie Mae to repurchase such conventional mortgage loans for such period and under such circumstances as Fannie Mae may require in the event the conventional mortgage loans are in default or (ii) retain a participation interest of not less than 10% in such conventional mortgage loans.

Additional Considerations

Pursuant to the requirements of the Fannie Mae Selling Guide, each Lender that sells a conventional mortgage loan to Fannie Mae must assume responsibility for underwriting such conventional mortgage loan using the same underwriting criteria, as from time to time in effect, that must be met by mortgage loans eligible for Fannie Mae portfolio purchases. As provided above, exceptions to these underwriting criteria (including the maximum loan-to-value ratio limitations) may be granted by Fannie Mae from time-to-time. After delivery of the conventional mortgage loans,

Fannie Mae will conduct reviews of the quality of credit and property underwriting used in the origination of certain randomly selected conventional mortgage loans.

DESCRIPTION OF THE CERTIFICATES

Book-Entry Procedures

General

The Certificates, other than the R Certificate, 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 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 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 Paying Agent 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:

<u>Interest Type*</u>	<u>Classes</u>
Weighted Average Coupon	1A, 2A, 3A and R

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

General. The Certificates will bear interest at the respective per annum interest rates described on the cover or, in the case of the R Class, described below. Interest on the Certificates is calculated on the basis of a 360-day year consisting of twelve 30-day months and is distributable monthly on each

Distribution Date, commencing in the month after the Settlement Date. Interest to be distributed on each Certificate on a Distribution Date will consist of one month's interest on the outstanding principal balance of such Certificate immediately prior to such Distribution Date.

The "Weighted Average Net Mortgage Rate" for any Distribution Date and Mortgage Loan Group is the weighted average of the Net Mortgage Rates in effect with respect to the Mortgage Loans in such Mortgage Loan Group during the calendar month preceding the month of such Distribution Date, weighted on the basis of the respective Stated Principal Balances of such Mortgage Loans immediately prior to such preceding calendar month. The "Net Mortgage Rate" for any Mortgage Loan and calendar month is (i) in the case of a Group 1 Mortgage Loan, the Mortgage Interest Rate therefor less an amount ranging from 0.31% to 1.44% and (ii) in the case of a Group 2 Mortgage Loan or a Group 3 Mortgage Loan, the Mortgage Interest Rate therefor less 0.63%.

Interest will accrue on the R Class at a rate per annum calculated as the weighted average of the per annum interest rates borne by the R1, R2 and R3 Components based on their respective principal balances immediately prior to the related Distribution Date. The R1, R2 and R3 Components will bear per annum interest rates equal to the Weighted Average Net Mortgage Rates for the Group 1 Mortgage Loans, Group 2 Mortgage Loans and Group 3 Mortgage Loans, respectively.

See "The Mortgage Loans—General" herein for a further description of the Mortgage Loans.

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

<u>Classes</u>	<u>Interest Accrual Period</u>
All 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:

<u>Principal Type*</u>	<u>Classes</u>
Pass-Through Component	1A, 2A and 3A R

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

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

<u>Designation</u>	<u>Original Principal Balance</u>
R1 Component	\$961
R2 Component	874
R3 Component	861

Components are not separately transferable from the related Class of Certificates. Since such Components are not divisible, the payment characteristics of such Class will reflect a combination of the payment characteristics of the related Components.

Principal Distribution Amount

Principal will be distributed monthly on the Certificates in an amount (the "Principal Distribution Amount") equal to the sum of (i) the aggregate amount of principal due on the Mortgage Loans during the period beginning on the second day of the month preceding the month of such distribution

and ending on the first day of the month of such distribution (each, a “Due Period”), (ii) the Stated Principal Balance of any Mortgage Loan that was liquidated or prepaid in full during the month preceding the month of such distribution (or, with respect to the Group 1 Mortgage Loans, during the two months preceding the month of such distribution, in the case of the first Distribution Date), including for this purpose any Mortgage Loan that is delinquent, in whole or in part, with respect to at least three consecutive installments of principal and interest and that Fannie Mae has elected to repurchase as described herein, (iii) the Stated Principal Balance of any Mortgage Loan that Fannie Mae has otherwise elected to repurchase under the circumstances described in “Collection and Other Servicing Procedures” below and (iv) the amount of any partial prepayment of any Mortgage Loan received during the month preceding the month of such distribution (or, with respect to the Group 1 Mortgage Loans, during the two months preceding the month of such distribution, in the case of the first Distribution Date). References herein to the Stated Principal Balance of a Mortgage Loan or to the aggregate Stated Principal Balance of all Mortgage Loans are to the principal balance or aggregate principal balance, as the case may be, utilized by Fannie Mae in calculating the then-outstanding principal balances of Certificates. Such Stated Principal Balances may differ from actual principal balances for a number of reasons, including supplemental payments by Fannie Mae on delinquent Mortgage Loans pursuant to its guaranty obligations and delays in the distribution of certain Mortgage Loan receipts.

Group 1 Principal Distribution Amount

On each Distribution Date, the portion of the Principal Distribution Amount that is attributable to the Group 1 Mortgage Loans will be distributed first as principal of the R1 Component and then as principal of the 1A Class, until the principal balances thereof are reduced to zero.

Group 2 Principal Distribution Amount

On each Distribution Date, the portion of the Principal Distribution Amount that is attributable to the Group 2 Mortgage Loans will be distributed first as principal of the R2 Component and then as principal of the 2A Class, until the principal balances thereof are reduced to zero.

Group 3 Principal Distribution Amount

On each Distribution Date, the portion of the Principal Distribution Amount that is attributable to the Group 3 Mortgage Loans will be distributed first as principal of the R3 Component and then as principal of the 3A Class, until the principal balances thereof are reduced to zero.

The timing for the distributions of principal payments (including prepayments and liquidation proceeds) is subject to the receipt of information about such principal payments from the servicer of such Mortgage Loan in sufficient time to allow the published monthly factors to reflect such prepayment. See “General—*REMIC Trust Factors*” herein. In the event that timely information is not available, Fannie Mae will distribute such payments on the Distribution Date in the next month. For purposes of distributions, a Mortgage Loan will be considered to have been prepaid in full if, in Fannie Mae’s reasonable judgment, the full amount finally recoverable on account of such Mortgage Loan has been received, whether or not such full amount is equal to the principal balance of the Mortgage Loan.

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.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
PRINCIPAL TYPES		
CPT	Component	A Class that consists of two or more segments or components.
PT	Pass-Through	A Class that is designed to receive principal payments based on actual or scheduled payments on the underlying Mortgage Loans.
INTEREST TYPES		
W	Weighted Average Coupon	A Class whose interest rate represents an effective weighted average interest rate that may change from period to period.

Structuring 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”):

- payments on all Mortgage Loans are due and received on the first day of each month;
- each year consists of twelve 30-day months;
- the Mortgage Loans in the related Mortgage Loan Group prepay at the constant percentages of the Prepayment Assumption specified in the related table;
- the Group 1 Mortgage Loans have an aggregate scheduled balance of \$53,490,961 at the Issue Date;
- the level of COFI is and at all times remains at 5.007%;
- the closing date for the sale of the Certificates is the Settlement Date; and
- the first Distribution Date for the Certificates occurs in the month following the Settlement Date.

Certain Characteristics of the R Class

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

The R Class will be subject to certain transfer restrictions. An R Certificate may not be transferred to a “disqualified organization” or any person who would hold an R Certificate on behalf of a disqualified organization. For purposes of the preceding sentence, a transfer includes any transfer of record or beneficial ownership, whether pursuant to a purchase, a default under a secured lending agreement or otherwise. The term “disqualified organization” includes the United States, any state or political subdivision thereof, any foreign government, any international organization, or any agency or instrumentality of the foregoing (other than certain taxable instrumentalities), any cooperative organization furnishing electric energy or providing telephone service to persons in rural areas, or any organization (other than a farmers’ cooperative) that is exempt from federal income tax, unless such organization is subject to the tax on unrelated business income. Each transferee of an R Certificate

will be required to execute an affidavit, in a form acceptable to Fannie Mae, that: (i) it is not a disqualified organization, (ii) it is not acquiring the R Certificate for the account of a disqualified organization, (iii) it consents to any amendment of the Trust Agreement that shall be deemed necessary by Fannie Mae (upon advice of counsel) to constitute a reasonable arrangement to ensure that the R Certificate will not be owned directly or indirectly by a disqualified organization, (iv) no purpose of the acquisition of the R Certificate is to avoid or impede the assessment or collection of tax, (v) it understands that it may incur tax liabilities in excess of any cash flows generated by the R Certificate, (vi) it intends to pay taxes associated with holding the R Certificate as they become due, and (vii) it will not transfer such R Certificate unless (a) it has received from the transferee an affidavit containing these same seven representations and (b) as of the time of the transfer, it does not have actual knowledge that such affidavit is false. See “Certain Federal Income Tax Consequences—Sales of Certificates—*Residual Certificates Transferred to or Held by Disqualified Organizations*” below. Such transferee also must deliver a properly executed Internal Revenue Service (“IRS”) Form W-9 on which such transferee provides its taxpayer identification number. In addition, a pass-through entity (including a nominee) that holds the R Certificate may be subject to additional taxes if a disqualified organization is a record holder therein.

In addition, no transfer of record or beneficial ownership of an R Certificate (whether pursuant to a purchase, a default under a secured lending agreement or otherwise) will be allowed to any person that is not a “U.S. Person” without the written consent of Fannie Mae. The term “U.S. Person” means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust that is subject to U.S. federal income tax regardless of the source of its income.

Under regulations issued by the Treasury Department on December 23, 1992 (the “Regulations”), a transfer of a “noneconomic residual interest” to a U.S. Person will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. The R Class will constitute a noneconomic residual interest under the Regulations. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” and “—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*.”

The Regulations provide that a significant purpose to impede the assessment or collection of tax exists if, at the time of the transfer, a transferor of an R Certificate has “improper knowledge” (*i.e.*, either knew, or should have known, that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the Trust). A transferor is presumed not to have improper knowledge if (i) the transferor conducts, at the time of a transfer, a reasonable investigation of the financial condition of the transferee and, as a result of the investigation, the transferor finds that the transferee has historically paid its debts as they come due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future; and (ii) the transferee makes certain representations to the transferor in the affidavit relating to disqualified organizations discussed above. Transferors of an R Certificate should consult with their own tax advisors for further information regarding such transfers.

The Holder of the R Class will be considered to be the Holder of the “residual interest” in the Trust. See “Certain Federal Income Tax Consequences—REMIC Election.” Fannie Mae will provide to such Holder (i) such information as is necessary to enable it to prepare its federal income tax returns and (ii) any reports regarding the R Class that may be required under the Code.

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 in

the related Mortgage Loan Group, the actual characteristics of such Mortgage Loans and, in the case of the 2A and 3A Classes, the level of COFI. 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 on the related Mortgage Loans and, if applicable, future levels of COFI.

The timing of changes in the rate of principal payments (including prepayments) and, if applicable, the level of COFI, may significantly affect the yield to an investor, even if the average rate of principal prepayments or the average level of COFI is consistent with such investor's expectations. In general, the earlier the payment of principal or, if applicable, change in the level of COFI, 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) or the level of COFI occurring at a rate or level higher (or lower) than the rate or level 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) or the level of COFI.

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.

Provided that timely information is available, all principal payments (including prepayments and liquidation proceeds) will be passed through to Certificateholders in the month following the month of receipt. In the event that timely information is not available, such principal payments will be distributed on the Distribution Date in the next month.

Reinvestment Risk

Because the Mortgage Loans underlying the Certificates may be prepaid at any time, 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 the Certificates is related directly to the rate of payments of principal of the Mortgage Loans in the related Mortgage Loan Group, 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, Fannie Mae). Generally, if the actual rate of payments on the Mortgage Loans in any Mortgage Loan Group is slower than the rate anticipated by an investor who purchased a related 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 in any Mortgage Loan Group is faster than the rate anticipated by an investor who purchased a related 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 resultant prepayments, if they involve the Mortgage Loans in any Mortgage Loan Group, will result in the distribution to related Certificateholders of the principal balances of the prepaid Mortgage Loans and their removal from the Trust. Lenders servicing the Mortgage Loans are not prohibited from advertising their availability to handle refinancings. Fannie Mae does not, however, permit the removal of Mortgage Loans from the Trust for the purpose of modifications.

In general, when the level of prevailing interest rates declines sufficiently relative to the interest rate on fixed-rate mortgage loans (and, to a lesser extent, adjustable-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. Additionally, certain rights of Fannie Mae, such as its option to purchase delinquent Mortgage Loans, may affect the rate of prepayment of the Mortgage Loans in the Trust. Accordingly, Fannie Mae is unable to estimate what the prepayment experience for the Mortgage Loans in the Trust will be. See the Information Statement for Fannie Mae's most recent mortgage loan prepayment experience of its portfolio.

Acceleration of mortgage payments as a result of transfers of the Mortgaged Property is another factor affecting prepayment rates. As described herein, certain of the Group 1 Mortgage Loans (representing approximately 48% of the Group 1 Mortgage Loans by principal balance) are either FHA-insured or VA-guaranteed and such Mortgage Loans may by their terms be assumed by the transferee of title to the underlying Mortgaged Property. However, the remainder of the Group 1 Mortgage Loans (representing approximately 52% of the Group 1 Mortgage Loans by principal balance at the Issue Date) are neither FHA-insured nor VA-guaranteed and 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. As described herein, Fannie Mae is required to exercise its right to accelerate the maturity of those Group 1 Mortgage Loans containing enforceable "due-on-sale" provisions upon certain transfers of the Mortgaged Property. However, certain state and federal laws limiting the enforcement of "due-on-sale" provisions remain in effect. See "The Trust Agreement—Collection and Other Servicing Procedures" herein.

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 life of each Class of Certificates will be influenced by, among other factors, the rate at which principal payments (including scheduled payments, principal prepayments, liquidations due to default, casualty and condemnation and payments made pursuant to any guaranty of payment by, or option to repurchase of, Fannie Mae) are made on the Mortgage Loans in the related Mortgage Loan Group. Prepayments on the Mortgage Loans in any Mortgage Loan Group will be applied to principal distributions on the related Classes of 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. Substantially all of the Mortgage Loans will provide for amortization of principal according to a schedule that, in the absence of prepayments, would result in repayment of the Mortgage Loan by its maturity date.

The Final Distribution Date for a particular Class is the date by which the principal balance is required to be fully paid and is specified on the cover page hereof. The Final Distribution Dates of the respective Classes have been determined so that distributions on the Mortgage Loans in the related Mortgage Loan Group will be sufficient to retire each such Class on or before its Final Distribution Date without the necessity of any call on Fannie Mae under its guaranty.

Prepayment Assumptions and Decrement Tables

Prepayment Assumptions. Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used herein with respect to the Group 1 Mortgage Loans is the Public Securities Association's standard prepayment model ("PSA"), which represents an assumed rate of prepayment each month of the then outstanding principal balance of a pool of new mortgage loans. 100% PSA assumes prepayment rates of 0.2% per annum of the then unpaid principal balance of such pool of mortgage loans in the first month of the life of such mortgage loans and an additional 0.2% per annum in each month thereafter (for example, 0.4% per annum in the second month) until the 30th month. Beginning in the 30th month and in each month thereafter during the life of such mortgage loans, 100% PSA assumes a constant prepayment rate of 6% per annum. Multiples may be calculated from this prepayment rate sequence. For example, 150% PSA assumes prepayment rates will be 0.3% per annum in month one, 0.6% per annum in month two, and increasing by 0.3% in each succeeding month until reaching a rate of 9% per annum in month 30 and remaining constant at 9% per annum thereafter. Similarly, 200% PSA assumes prepayment rates will be 0.4% per annum in month one, 0.8% per annum in month two, and increasing by 0.4% in each succeeding month until reaching a rate of 12% per annum in month 30 and remaining constant at 12% per annum thereafter. 0% PSA assumes no prepayments.

The model used herein with respect to the Group 2 and Group 3 Mortgage Loans is the "Constant Prepayment Rate" or "CPR" model. The CPR model represents an assumed *constant* rate of prepayment each month, expressed as a per annum percentage (for example, 15% CPR) of the then outstanding principal balance of the pool of mortgage loans.

Neither PSA nor CPR purports to be an historical description of the prepayment experience of any pool or 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 in any of the Mortgage Loan Groups will prepay at any constant percentage of PSA or CPR, as applicable, or at any other constant rate.

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 Assumptions 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 related Prepayment Assumption. Moreover, the diverse remaining terms to maturity of the Mortgage Loans in any Mortgage Loan Group (which may include a small number of recently originated Mortgage Loans) could produce slower or faster principal distributions than indicated in the tables at the specified *constant* percentages of the related Prepayment Assumption, even if the distributions of the weighted average maturities of such Mortgage Loans are identical to the distributions of the weighted average maturities specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding***

Date	1A Class % of PSA Prepayment Assumption					2A Class % of CPR Prepayment Assumption					3A Class % of CPR Prepayment Assumption				
	0%	75%	150%	200%	300%	0%	10%	15%	20%	25%	0%	10%	15%	20%	25%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
May 1996	91	87	83	81	75	98	88	83	78	74	98	88	83	78	73
May 1997	82	75	68	64	55	96	78	69	61	54	96	78	69	61	54
May 1998	73	63	55	50	40	94	68	58	48	40	94	68	58	48	40
May 1999	63	52	43	38	28	91	60	48	37	29	91	60	48	37	29
May 2000	52	42	33	28	19	89	52	39	29	21	89	52	39	29	21
May 2001	43	32	24	20	13	86	46	32	23	15	86	46	32	23	15
May 2002	33	24	17	14	8	83	40	27	17	11	83	40	27	17	11
May 2003	26	18	12	9	5	80	34	22	13	8	80	34	22	13	8
May 2004	20	13	9	6	3	76	30	18	10	6	76	29	18	10	6
May 2005	14	9	5	4	2	73	25	14	8	4	72	25	14	8	4
May 2006	9	5	3	2	1	69	22	12	6	3	68	21	11	6	3
May 2007	6	3	2	1	1	64	18	9	4	2	64	18	9	4	2
May 2008	3	2	1	1	*	60	15	7	3	1	59	15	7	3	1
May 2009	2	1	1	*	*	55	13	6	2	1	54	12	6	2	1
May 2010	2	1	1	*	*	50	10	4	2	1	49	10	4	2	1
May 2011	2	1	*	*	*	44	8	3	1	*	43	8	3	1	*
May 2012	2	1	*	*	*	38	6	2	1	*	37	6	2	1	*
May 2013	2	1	*	*	*	31	5	2	1	*	30	5	2	1	*
May 2014	1	1	*	*	*	24	3	1	*	*	23	3	1	*	*
May 2015	1	*	*	*	*	16	2	1	*	*	15	2	1	*	*
May 2016	1	*	*	*	*	8	1	*	*	*	7	1	*	*	*
May 2017	1	*	*	*	*	*	*	*	*	*	1	*	*	*	*
May 2018	*	*	*	*	*	0	0	0	0	0	0	0	0	0	0
May 2019	*	*	*	*	*	0	0	0	0	0	0	0	0	0	0
May 2020	*	*	*	*	*	0	0	0	0	0	0	0	0	0	0
May 2021	*	*	*	*	*	0	0	0	0	0	0	0	0	0	0
May 2022	*	*	*	*	*	0	0	0	0	0	0	0	0	0	0
May 2023	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	5.8	4.8	4.1	3.7	3.0	13.8	6.8	5.1	4.0	3.2	13.7	6.7	5.1	4.0	3.2

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

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

*** For a description of the Prepayment Assumptions utilized in these tables, see the discussion above.

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.

Transfer of Mortgage Loans to the Trust

The Mortgage Loans transferred to the Trust will be identified in a Fannie Mae Security Schedule appearing as an exhibit to the Trust Agreement. In addition, Fannie Mae in its capacity as Trustee of the Trust, will hold on behalf of Certificateholders the original Mortgage Note, endorsed in blank, and an assignment to Fannie Mae of the mortgage instrument. The assignments are in a form suitable for

recording and will be recorded. The document custody requirements described above are subject to change at any time; provided that any such change will not, in Fannie Mae's determination, materially or adversely affect the interests of Certificateholders.

At its option, Fannie Mae may choose to maintain the documents described above with one or more custodian institutions (which may include the Lender) supervised and regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the FDIC or the NCUA. Fannie Mae will review the Mortgage Loan Schedule prior to the issuance of the Certificates and will conduct random spot checks to confirm the sufficiency of the documents after issuance of the Certificates.

Although the above procedures are intended to protect the interests of the Holders of Certificates in the Mortgage Loans, the law applicable to a liquidation, reorganization, or similar proceeding involving the assets of a Lender or of Fannie Mae is unclear and as a result no opinion can be rendered as to the status of Certificateholders' interests in the event of any such proceeding. Fannie Mae's guaranty would, however, by its terms be available in the event of any such proceeding involving the assets of a Lender.

Servicing Through Lenders

Pursuant to the Trust Agreement, Fannie Mae is responsible for servicing and administering the Mortgage Loans but, in its discretion, is permitted to contract with the originator of each Mortgage Loan, or another eligible servicing institution, to perform such functions under the supervision of Fannie Mae as more fully described herein (each, a "Lender"). Any servicing contract or arrangement by Fannie Mae with a Lender for the direct servicing of Mortgage Loans is a contract solely between Fannie Mae and that Lender, and the Certificateholders are not deemed to be parties thereto and have no claims, rights, obligations, duties, or liabilities with respect to such Lender.

Except as otherwise agreed upon by Fannie Mae, Lenders will be obligated to perform diligently all services and duties customary to the servicing of mortgages, as well as those specifically prescribed by Fannie Mae. Fannie Mae will monitor the Lender's performance and has the right to remove any Lender for cause at any time it considers such removal to be in the best interest of Certificateholders. The duties performed by Lenders include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts, collection of insurance claims, and, if necessary, foreclosure.

An amount will be retained by Fannie Mae on a monthly basis on account of Trust expenses, which amount will be calculated at the rate of (i) not less than 0.31% per annum nor more than 1.44% per annum of the Stated Principal Balance of each Group 1 Mortgage Loan, (ii) 0.63% per annum of the Stated Principal Balance of each Group 2 Mortgage Loan and (iii) 0.63% per annum of the Stated Principal Balance of each Group 3 Mortgage Loan. Fannie Mae is also entitled to retain prepayment fees, late charges, assumption fees, and similar charges to the extent they are collected from borrowers. Fannie Mae will compensate Lenders in an amount up to, but never exceeding, the amount of interest retention described above, less a prescribed minimum amount to be retained by Fannie Mae for itself in consideration of its guaranty obligations and servicing responsibilities.

Distributions on Mortgage Loans, Deposits in the Certificate Account

Fannie Mae will deposit or credit to one or more accounts (collectively, the "Certificate Account") an amount equal to the sum of the distributions of the principal and interest on the Mortgage Loans in the Trust as the same are received.

Amounts credited to the Certificate Account as of a Distribution Date will be available to be distributed to Holders on such date to the extent of interest accrued and distributable on the related Certificates and principal distributions reflected in the REMIC Trust Factors. Any reinvestment

earnings on amounts so deposited will be used by Fannie Mae to pay the expenses of the Trust and will not be included in the calculation of amounts distributable to Certificateholders.

The Trust Agreement permits Fannie Mae as Trustee to maintain the Certificate Account either (i) as a trust account with an eligible depository institution (which account may contain other funds held by Fannie Mae in a trust capacity) or (ii) as part of Fannie Mae's general assets, with appropriate entries being made on its books and records designating the funds and investments credited to the Trust.

As noted above, Fannie Mae, as Trustee, has the option to maintain the Certificate Account as part of its general assets, by making appropriate entries on its books and records designating the funds and investments credited to the Trust. Although Fannie Mae is required to hold all such funds (and, upon deposit in the Certificate Account, the investment of such funds) for the account of Certificateholders in the Trust, the law applicable to a liquidation, reorganization or similar proceeding involving the assets of Fannie Mae is unclear and as a result no opinion can be rendered as to the status of Certificateholders' interest in such funds and investments in the event of any such proceeding.

Reports to Certificateholders

As soon as practicable following the 23rd calendar day of each month, Fannie Mae will publish or otherwise make available the REMIC 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 REMIC 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 Certificates 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 Internal Revenue Code of 1986, as amended (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.

Servicing Compensation and Payment of Certain Expenses by Fannie Mae

As compensation for its activities and obligations under the Trust Agreement, Fannie Mae will be entitled to retain the amounts applicable to interest that are described under "Servicing Through Lenders" above. In addition, Fannie Mae is entitled to retain any amounts by which the proceeds of the liquidation of a Mortgage Loan exceed (i) the Stated Principal Balance of that Mortgage Loan and (ii) interest thereon at the Mortgage Interest Rate through the end of the month of such liquidation. Fannie Mae will pay all expenses incurred by it in connection with its servicing activities, including, without limitation, the fees to Lenders, and is not entitled to reimbursement therefor out of the assets of the Trust.

Additional servicing compensation in the form of prepayment charges, assumption fees, late payment charges, or otherwise will be retained by Fannie Mae.

Collection and Other Servicing Procedures

Fannie Mae is responsible for servicing the Mortgage Loans and may, as set forth above, conduct such servicing through Lenders or through other Fannie Mae approved mortgage servicers. In connection with its servicing activities, Fannie Mae has full power and authority to do or cause to be done any and all things as it may deem necessary or appropriate in its sole discretion, including the foreclosure or comparable conversion of a defaulted Mortgage Loan. In lieu of undertaking any such foreclosure, Fannie Mae may, in its discretion and without obligation, repurchase from the Trust any

Mortgage Loan that is delinquent, in whole or in part, as to at least three consecutive installments of principal and interest. It is currently Fannie Mae's intention to exercise such option when available (although there can be no assurance that such policy will remain unchanged). The purchase price will be equal to the Stated Principal Balance of the delinquent Mortgage Loan together with accrued interest at the Net Mortgage Rate and will be distributed to Certificateholders in the same manner as full prepayments of Mortgage Loans. See "Description of Certificates—Distributions of Principal."

With respect to each Mortgage Loan, the Lender makes certain warranties to Fannie Mae concerning such matters as the recordation of the original Mortgage, the validity of the Mortgage Loan as a first lien on the Mortgaged Property, and compliance by such Mortgage Loans with applicable state and federal laws. In the event of a material breach of any such warranty or a material defect in the Mortgage Loan documentation, Fannie Mae may withdraw such Mortgage Loan from the Trust at a price equal to its Stated Principal Balance together with interest thereon at the Net Mortgage Rate. Alternatively, Fannie Mae may, at its option, substitute a new Mortgage Loan for a defective Mortgage Loan; provided, however, that no such substitution may take place more than two years subsequent to the date of the original issue of the Certificates, and any such substitute Mortgage Loan must satisfy certain eligibility criteria designed to assure that the nature of the Mortgage Loans generally will not be altered by any such substitution. Any amount by which the Stated Principal Balance of the defective Mortgage Loan exceeds the principal balance of the substitute Mortgage Loan (the substitute Mortgage Loan may not be larger than the Mortgage Loan it is replacing) will be passed through to Certificateholders.

Subject to the following paragraphs, Fannie Mae in its discretion may enforce or waive enforcement of any of the terms of any Mortgage Loan or enter into an agreement for the modification of any of the terms of any Mortgage Loan, or take any action or refrain from taking any action in servicing any Mortgage Loan. However, certain modifications are prohibited by the Trust Agreement, *e.g.*, reducing the Mortgage Interest Rate or extending the term of a Mortgage Loan (except as may be required by the terms of the Mortgage Note) or any other modification that would (i) cause the Trust to fail to qualify as a REMIC under the Code, (ii) cause any Mortgage Loan to cease to be a "qualified mortgage" within the meaning of section 860G(a)(3) of the Code, or (iii) result in the imposition of any tax on "prohibited transactions" or "contributions" as discussed under "Certain Federal Income Tax Consequences—Taxes on the Trust" herein. In such connection, Fannie Mae may waive any prepayment charge, assumption fee, or late payment charge or may exercise or refrain from exercising any "call option rider." Notwithstanding the foregoing, the decision by Fannie Mae to take or refrain from taking any such action must be consistent with then-current policies or practices employed by Fannie Mae respecting comparable mortgage loans held in its own portfolio and must be without consideration of the ownership status of the related Mortgage Loan.

Certain of the Group 1 Mortgage Loans (representing approximately 52% of the Group 1 Mortgage Loans by principal balance at the Issue Date) are neither FHA-insured nor VA-guaranteed. In connection with the transfer or prospective transfer of title to a Mortgaged Property securing any of the Group 1 Mortgage Loans specified in the preceding sentence, Fannie Mae is obligated to accelerate the maturity of the related Mortgage Loan where that Mortgage Loan contains a "due-on-sale" clause permitting acceleration under those conditions unless Fannie Mae is restricted by law from enforcing the "due-on-sale" clause. Such obligation will not apply to any Group 1 Mortgage Loan that is FHA-insured or VA-guaranteed and will not apply to any of the Group 2 and Group 3 Mortgage Loans.

In the event that, for any reason, Fannie Mae is not obligated to accelerate the maturity of a Mortgage Loan upon the transfer, or prospective transfer, of title to the underlying Mortgaged Property, Fannie Mae may enter into a transaction by which the obligor is released from liability on the related Mortgage Loan and the transferee assumes such liability, provided, however, that no such transaction shall provide for reduction of the Mortgage Interest Rate or, in the case of any adjustable-rate Mortgage Loan, provide for any change in any interest rate adjustment provision or provision

governing the calculation of scheduled payments if any such change would be adverse to the interests of Certificateholders.

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. In the event that Fannie Mae is unable to fulfill its continuing guaranty obligations, the Trust Agreement may be modified to provide for monthly distributions to be made from then-available Mortgage Loan payments and other recoveries in a manner similar to practices and procedures followed in the servicing of whole loans for institutional investors. See "Rights Upon Event of Default" below.

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 Mortgage Loans 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; (iv) to make provisions for the purpose of curing any ambiguity or correcting or supplementing any provision in the Trust Agreement, provided, in the case of any such supplementing, that such provisions do not adversely affect the interest of any Certificateholder; or (v) to modify the Trust Agreement to maintain the qualification of the Trust as a REMIC.

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 Mortgage Loans or other assets in the Trust that are required to be distributed on any Certificate, or without the consent of all Holders of any residual interest in the Trust, adversely affect the rights of the Holders of such residual interest.

Termination

The Trust Agreement terminates upon the final payment or liquidation of the last Mortgage Loan remaining in the Trust and distribution of all proceeds thereof. The Trust Agreement will terminate also upon repurchase by Fannie Mae, at its option, of all remaining Mortgage Loans in the Trust at a price equal to 100 percent of the Stated Principal Balance of each such Mortgage Loan together with one month's interest thereon at the Net Mortgage Rate, provided that Fannie Mae will not exercise such option unless the aggregate Stated Principal Balance of the remaining Mortgage Loans at the time of repurchase is less than one percent of the aggregate Stated Principal Balance of all the Mortgage Loans 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 discussion of the material anticipated federal income tax consequences to beneficial owners of the purchase, ownership and disposition of the Certificates offered hereby. The discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. The discussion below 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 Regulations provide some guidance regarding the federal income tax consequences associated with the purchase, ownership and disposition of the 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 Election

An election will be made to treat the Trust as a REMIC under the Code. Qualification as a REMIC requires ongoing compliance with certain conditions. Dewey Ballantine, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that, assuming compliance with the Trust Agreement, the Trust will be treated as a REMIC for federal income tax purposes. The Certificates (other than the R Class) will be designated as “regular interests” in the Trust (each a “Regular Certificate” and, together, the “Regular Certificates”), and the R Class will be designated as the “residual interest” in the Trust (the “Residual Certificate”).

The Trust will not be subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below. See “Taxes on the Trust” below. Generally, the total income of the Mortgage Loans in the Trust will be taxable to the beneficial owners of the Certificates, as described below.

Taxation of Beneficial Owners of Regular Certificates

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

Original Issue Discount

Certain Regular Certificates may be issued with “original issue discount” within the meaning of section 1273(a) of the Code. Regular 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 Regular Certificates, brokers and middlemen information with respect to the original issue discount accruing on the Regular Certificates.

In general, a Regular 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 Regular Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Regular 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 Settlement Date. The stated redemption price at maturity of a Regular 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 Regular 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 Regular 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 related Mortgage Loan Group prepays at a specified rate, by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the Regular 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 Regular Certificate and, when each such distribution is received, gain equal to the discount allocated to such distribution will be recognized. The prepayment assumption applicable to the Group 1 Mortgage Loans is 150 percent of the PSA model and the prepayment assumption applicable to the Group 2 and Group 3 Mortgage Loans is 15 percent of the CPR model (each a "Prepayment Assumption"). See, "Yield and Prepayment Considerations—Prepayment Assumptions and Decrement Tables" herein.

Section 1272(a)(6) of the Code contains special original issue discount rules applicable to the Regular Certificates. Under these rules, (i) it is anticipated that the amount and rate of accrual of original issue discount on a Regular Certificate will be based on the related 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. The Prepayment Assumptions would satisfy such a requirement. Fannie Mae makes no representation, however, that the Mortgage Loan Groups underlying the Certificates will prepay at the rate reflected in the Prepayment Assumptions 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 Regular Owner must include in gross income the sum of the "daily portions" of original issue discount on its Regular Certificate for each day during its taxable year on which it held such Certificate. For this purpose, in the case of an original Regular Owner, 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 Regular 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 will 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 OID Regulations define and provide special rules to determine the amount and accrual of original issue discount and qualified stated interest on variable rate debt instruments ("VRDIs"). Fannie Mae intends to apply these rules to the accrual of original issue discount on the Regular Certificates. If a VRDI is issued with original issue discount, the rate of accrual of the original issue

discount is determined by first substituting an equivalent fixed rate for the variable rate. 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 Regular 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 yield to maturity of the Regular Certificate, calculated as of the Settlement Date, giving effect to the Prepayment Assumption, (ii) events (including actual prepayments) that have occurred prior to the end of the accrual period, (iii) the Prepayment Assumption and (iv) an assumption that the equivalent fixed rate for each Regular Certificate is the rate of interest borne by such Regular Certificate during its initial Interest Accrual Period. The adjusted issue price of a Regular Certificate at any time will equal the issue price of such Certificate, increased by the aggregate amount of previously accrued original issue 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 Regular Certificate that purchases such 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

A purchaser of a Regular Certificate that purchases such Certificate at a cost greater than its remaining stated redemption price at maturity will be considered to have purchased such 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 a Regular Owner makes such an election, the amount of any interest payment that must be included in such Regular 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 Regular Owner, the election will also apply to all bonds (as well as all REMIC regular interests) the interest on which is not excludible from gross income ("Fully Taxable Bonds") held by the Regular 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 a Regular 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

A Regular Owner that purchases a Regular Certificate at a market discount, that is, at a purchase price less than the remaining stated redemption price at maturity of such Certificate, or in the case of

a Regular 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 Regular Certificate, and recognize ordinary income to the extent such distribution does not exceed the aggregate amount of accrued market discount on such Certificate that was not previously included in income. With respect to Regular Certificates that have 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.*” A Regular Owner that incurs or continues indebtedness to acquire a Regular 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 Regular 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 Regular Certificate. Fannie Mae will make available, as required by the IRS, to Holders of Regular Certificates information necessary to compute the accrual of market discount.

Notwithstanding the above rules, market discount on a Regular 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 Regular Certificate by the subsequent purchaser. If market discount on a Regular Certificate is treated as zero under this rule, the actual amount of market discount must be allocated to the remaining principal distributions on the Regular Certificate and, when each such distribution is received, gain equal to the discount allocated to such distribution will be recognized.

Special Election

For any Regular Certificate acquired on or after April 4, 1994, the OID Regulations permit a Regular Owner to elect to include in gross income all “interest” that accrues on the Regular 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. A Regular 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.

Taxation of Beneficial Owners of the Residual Certificate

Daily Portions

Except as indicated below, a beneficial owner of a Residual Certificate (“Residual Owner”) generally will be required to report its daily portion of the taxable income or net loss of the Trust for each day during a calendar quarter that the Residual Owner owned such Residual Certificate. For this purpose, the daily portion shall be determined by allocating to each day in the calendar quarter its ratable portion of the taxable income or net loss of the Trust for such quarter and by allocating the amount so allocated among the Residual Owners (on such day) in accordance with their percentage interests on such day. Any amount included in the gross income or allowed as a loss of the Residual Owner by virtue of this paragraph will be treated as ordinary income or loss.

The requirement that each Residual Owner report its daily portion of the taxable income or net loss of the Trust will continue until there are no Certificates of any Class outstanding, even though the Residual Owner is not entitled to receive any distributions of principal or interest on its Residual Certificate.

Taxable Income or Net Loss of the Trust

The taxable income or net loss of the Trust will be the income from the “qualified mortgages” it holds and any reinvestment earnings less deductions allowed to the Trust. Such taxable income or net loss for a given calendar quarter will be determined in the same manner as for an individual having the calendar year as the taxable year and using the accrual method of accounting, with certain modifications. The first modification is that a deduction will be allowed for accruals of interest (including any original issue discount, but without regard to the investment interest limitation in section 163(d) of the Code) on the Regular Certificates (but not the Residual Certificate), even though Regular Certificates are, for non-tax purposes, certificates of beneficial ownership rather than indebtedness of the Trust. Second, market discount or premium equal to the difference between the aggregate principal balances of the qualified mortgages and the basis to the Trust therein generally will be included in income (in the case of discount) or deductible (in the case of premium) by the Trust as it accrues under a constant yield method, taking into account the Prepayment Assumption. The basis to the Trust in qualified mortgages is the aggregate of the issue prices of all the Regular and Residual Certificates in the Trust on the Settlement Date. If, however, a substantial amount of a Class of Regular or Residual Certificates has not been sold to the public, then the fair market value of all the Regular or Residual Certificates in that Class as of the date of this Prospectus should be substituted for the issue price. Third, no item of income, gain, loss or deduction allocable to a prohibited transaction (see “Taxes on the Trust—*Prohibited Transactions*” below) will be taken into account. Fourth, the Trust generally may not deduct any item that would not be allowed in calculating the taxable income of a partnership by virtue of section 703(a)(2) of the Code. Finally, the limitation on miscellaneous itemized deductions imposed on individuals by section 67 of the Code will not be applied at the Trust level to any administrative fees, such as servicing and guaranty fees. (See, however, “*Pass-Through of Servicing and Guaranty Fees to Individuals*” below.) In addition, under the Regulations, any expenses that are incurred in connection with the formation of the Trust and the issuance of the Regular and Residual Certificates will not be treated as expenses of the Trust for which a deduction is allowed. If the deductions allowed to the Trust exceed its gross income for a calendar quarter, such excess will be a net loss for the Trust for that calendar quarter. The Regulations also provide that any gain or loss to the Trust from the disposition of any asset, including a qualified mortgage or “permitted investment” (as defined in section 860G(a)(5) of the Code) will be treated as ordinary gain or loss.

A Residual Owner may be required to recognize taxable income without being entitled to receive a corresponding amount of cash. This could occur, for example, if the qualified mortgages are considered to be purchased by the Trust at a discount, some or all of the Regular Certificates are issued at a discount, and the discount included as a result of a prepayment on a Mortgage Loan that is used to pay principal on the Regular Certificates exceeds the Trust’s deduction for unaccrued original issue discount relating to such Regular Certificates. Taxable income may also be greater in earlier years because interest expense deductions, expressed as a percentage of the outstanding principal amount of the Regular Certificates, may increase over time as the earlier Classes of Regular Certificates are paid, whereas interest income with respect to any given Mortgage Loan expressed as a percentage of the outstanding principal amount of that Mortgage Loan, will remain constant over time.

Basis Rules and Distributions

A Residual Owner has an initial basis in its Residual Certificate equal to the amount paid for such Residual Certificate. Such basis is increased by amounts included in the income of the Residual Owner and decreased by distributions and by any net loss taken into account with respect to such Residual Certificate. A distribution on a Residual Certificate to a Residual Owner is not included in gross income to the extent it does not exceed such Residual Owner’s basis in the Residual Certificate (adjusted as described above) and, to the extent it exceeds the adjusted basis of the Residual Certificate, shall be treated as gain from the sale of the Residual Certificate.

A Residual Owner is not allowed to take into account any net loss for any calendar quarter to the extent such net loss exceeds such Residual Owner's adjusted basis in its Residual Certificate as of the close of such calendar quarter (determined without regard to such net loss). Any loss disallowed by reason of this limitation may be carried forward indefinitely to future calendar quarters and, subject to the same limitation, may be used only to offset income from the Residual Certificate.

Excess Inclusions

Any excess inclusions with respect to a Residual Certificate are subject to certain special tax rules. With respect to a Residual Owner, the excess inclusion for any calendar quarter is defined as the excess (if any) of the daily portions of taxable income over the sum of the "daily accruals" for each day during such quarter that such Residual Certificate was held by such Residual Owner. The daily accruals are determined by allocating to each day during a calendar quarter its ratable portion of the product of the "adjusted issue price" of the Residual Certificate at the beginning of the calendar quarter and 120 percent of the "Federal long-term rate" in effect on the Settlement Date, based on quarterly compounding, and properly adjusted for the length of such quarter. For purposes of determining the portion of the taxable income of the Trust that generally will not be treated as excess inclusions, the rate to be used is 8.76%. For this purpose, the adjusted issue price of a Residual Certificate as of the beginning of any calendar quarter is equal to the issue price of the Residual Certificate, increased by the amount of daily accruals for all prior quarters and decreased by any distributions made with respect to such Residual Certificate before the beginning of such quarter. The issue price of a Residual Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Residual Certificates was sold. The Federal long-term rate is a blend of current yields on Treasury securities having a maturity of more than nine years, computed and published monthly by the IRS.

For Residual Owners that are thrift institutions described in section 593 of the Code, income from a Residual Certificate generally may be offset by losses from other activities. Under the Regulations, such an organization is treated as having applied its allowable deductions for the year first to offset income that is not an excess inclusion and then to offset that portion of its income that is an excess inclusion. For other Residual Owners, any excess inclusions cannot be offset by losses from other activities. For Residual Owners that are subject to tax only on unrelated business taxable income (as defined in section 511 of the Code), an excess inclusion of such Residual Owner is treated as unrelated business taxable income. With respect to variable contracts (within the meaning of section 817 of the Code), a life insurance company cannot adjust its reserve to the extent of any excess inclusion, except as provided in regulations. The Regulations indicate that if a Residual Owner is a member of an affiliated group filing a consolidated income tax return, the taxable income of the affiliated group cannot be less than the sum of the excess inclusions attributable to all residual interests in REMICs held by members of the affiliated group. For a discussion of the effect of excess inclusions on certain foreign investors that own Residual Certificates, see "Foreign Investors—*Residual Certificates*" below.

The Regulations provide that an organization to which section 593 of the Code applies and which is the beneficial owner of a Residual Certificate may not use its allowable deductions to offset any excess inclusions with respect to such Certificate if such Certificate does not have "significant value." For this purpose, a Residual Certificate has significant value under the Regulations if (i) its issue price is at least 2% of the aggregate of the issue prices of all the Regular and Residual Certificates in the Trust and (ii) its "anticipated weighted average life" is at least 20% of the "anticipated weighted average life" of the Trust. Because the R Class will not have significant value under the Regulations, an organization to which section 593 of the Code applies and which is a Residual Owner may not use its allowable deductions to offset any "excess inclusions" with respect to such Certificate.

In determining whether a Residual Certificate has significant value, the anticipated weighted average life of such Certificate is based on the Prepayment Assumption and is determined as described in "Yield and Prepayment Considerations—Weighted Average Lives of the Certificates" herein, except that all anticipated payments on such Certificate are taken into account, regardless of their

designation as principal or interest. The anticipated weighted average life of the Trust will be the weighted average of the anticipated weighted average lives of the Certificates. Such weighted average is determined under the formula described in “Yield and Prepayment Considerations—Weighted Average Lives of the Certificates” herein, with two distinctions. First, the formula is applied by treating all payments taken into account in computing the anticipated weighted average lives of the Regular and Residual Certificates in the Trust as principal payments on a single Regular Certificate. Second, for any Residual Certificate or for a Regular Certificate that is an Interest Only Class or for which the issue price of the Regular Certificate is greater than 125% of its specified principal amount, all anticipated payments on that Residual or Regular Certificate, regardless of their designation as principal or interest, are taken into account in computing the anticipated weighted average life of the Certificate.

The Treasury Department also has the authority to issue regulations that would treat all taxable income of the Trust as excess inclusions if the Residual Certificate does not have “significant value.” Although the Treasury Department did not exercise this authority in the Regulations, further regulations may contain such a rule. If such a rule were adopted, it is unclear whether the test for significant value that is contained in the Regulations and discussed in the two preceding paragraphs would be applicable. If no such rule is applicable, excess inclusions should be calculated as discussed above. The federal income tax consequences of any consideration paid to a transferee on the transfer of an R Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

In the case of any Residual Certificates that are held by a real estate investment trust, the aggregate excess inclusions with respect to such Residual Certificates reduced (but not below zero) by the real estate investment trust taxable income (within the meaning of section 857(b)(2) of the Code, excluding any net capital gain) will be allocated among the shareholders of such trust in proportion to the dividends received by such shareholders from such trust, and any amount so allocated will be treated as an excess inclusion with respect to a Residual Certificate as if held directly by such shareholder. Similar rules will apply in the case of regulated investment companies, common trust funds and certain cooperatives that hold a Residual Certificate.

Pass-Through of Servicing and Guaranty Fees to Individuals

A Residual Owner who is an individual will be required to include in income a share of the administrative fees of the Trust. A deduction for such fees will be allowed to such Owner only to the extent that such fees, along with certain of such Owner’s other miscellaneous itemized deductions exceed 2 percent of such Owner’s adjusted gross income. In addition, a Residual Owner may not be able to deduct any portion of such fees in computing such Residual Owner’s alternative minimum tax liability. A Residual Owner’s share of such fees will generally be determined by (i) allocating the amount of such expenses for each calendar quarter on a pro rata basis to each day in the calendar quarter, and (ii) allocating the daily amount among the Owners in proportion to their respective holdings on such day.

Special Tax Attributes

As a consequence of the qualification of the Trust as a REMIC, the Certificates generally will be treated as “qualifying real property loans” (within the meaning of section 593(d) of the Code) for mutual savings banks and domestic building and loan associations, “regular or residual interests in a REMIC” (within the meaning of section 7701(a)(19)(C)(xi) of the Code) for domestic building and loan associations, “real estate assets” (within the meaning of section 856(c)(5)(A) of the Code) for real estate investment trusts, and, except for the R Class, as “qualified mortgages” (within the meaning of section 860G(a)(3) of the Code) for other REMICs. If at any time during a calendar year less than 95 percent of the assets of the Trust consist of qualified mortgages, then the portion of the Regular and Residual Certificates that are qualifying assets under these Code sections during such calendar year may be limited to the portion of the assets of the Trust that are qualified mortgages.

Similarly, income on the Regular and Residual 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, the Trust should be treated as owning the assets represented by the qualified mortgages. The assets of the Trust will include, in addition to the Mortgage Loans, payments on the Mortgage Loans held pending distribution on the Regular and Residual Certificates and any reinvestment income thereon. Regular and Residual 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.

Taxes on the Trust

Prohibited Transactions

The Code imposes a tax on a REMIC equal to 100 percent of the net income derived from “prohibited transactions.” In general, a prohibited transaction means the disposition of a qualified mortgage other than pursuant to certain specified exceptions, the receipt of investment income from a source other than a Mortgage Loan or certain other permitted investments, the receipt of compensation for services, or the disposition of an asset purchased with the payments on the qualified mortgages for temporary investment pending distribution on the regular and residual interests.

Contributions to a REMIC after the Startup Day

The Code imposes a tax on a REMIC equal to 100 percent of the value of any property contributed to the REMIC after the “startup day” (generally the same as the Settlement Date). Exceptions are provided for cash contributions to a REMIC (i) during the three month period beginning on the startup day, (ii) made to a qualified reserve fund by a Holder of a residual interest, (iii) in the nature of a guarantee, (iv) made to facilitate a qualified liquidation or clean-up call, and (v) as otherwise permitted by Treasury regulations.

Net Income from Foreclosure Property

The Code imposes a tax on a REMIC equal to the highest corporate rate on “net income from foreclosure property.” The terms “foreclosure property” (which includes property acquired by deed in lieu of foreclosure) and “net income from foreclosure property” are defined by reference to the rules applicable to real estate investment trusts. Generally, foreclosure property would be treated as such for a period of two years, with possible extensions. Net income from foreclosure property generally means gain from the sale of foreclosure property that is inventory property and gross income from foreclosure property other than qualifying rents and other qualifying income for a real estate investment trust.

Application to the Trust

It is not anticipated that the Trust will engage in any transactions that will give rise to a tax on the Trust. In any event, pursuant to its guaranty obligations, Fannie Mae will make distributions on the Regular Certificates and Residual Certificates without offset or deduction for any tax imposed on the Trust.

Sales of Certificates

In General

Except as provided below, if a Regular or Residual Certificate is sold, the seller will recognize gain or loss equal to the difference between the amount realized in the sale and its adjusted basis in the Certificate. The adjusted basis of a Regular Certificate generally will equal the cost of such Certificate to the seller, increased by any original issue discount or market discount included in the seller’s gross income with respect to such Certificate and reduced by distributions on such 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 Certificate. The adjusted basis of a Residual Certificate is determined as described above under "Taxation of Beneficial Owners of Residual Certificates—*Basis Rules and Distributions.*" 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 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 Regular 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 Regular 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 Regular Owner's income. In addition, gain recognized on such a sale by a Regular Owner who purchased a Regular 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 Regular Owner, reduced by any market discount includible in income under the rules described above under "Taxation of Beneficial Owners of Regular Certificates—*Market Discount.*"

If a Residual Owner sells its Residual Certificate at a loss, the loss will not be recognized if, within six months before or after the sale of the Residual Certificate, such Residual Owner purchases another residual interest in any REMIC or any interest in a taxable mortgage pool (as defined in section 7701(i) of the Code) comparable to a residual interest in a REMIC. Such disallowed loss would be allowed upon the sale of the other residual interest (or comparable interest) if the rule referred to in the preceding sentence does not apply to that sale. While this rule may be modified by Treasury regulations, no such regulations have yet been published.

Residual Certificates Transferred to or Held by Disqualified Organizations

Section 860E(e) of the Code imposes a substantial tax, payable by the transferor (or, if a transfer is through a broker, nominee, or other middleman as the transferee's agent, payable by that agent) upon any transfer of a Residual Certificate to a disqualified organization and upon a pass-through entity (including regulated investment companies, real estate investment trusts, common trust funds, partnerships, trusts, estates, certain cooperatives, and nominees) that owns a Residual Certificate if such pass-through entity has a disqualified organization as a record holder. For purposes of the preceding sentence, a transfer includes any transfer of record or beneficial ownership, whether pursuant to a purchase, a default under a secured lending agreement or otherwise. The term "disqualified organization" is defined above under "Description of the Certificates—Certain Characteristics of the R Class."

A transferor of a Residual Certificate (or an agent of a transferee of a Residual Certificate, as the case may be) will be relieved of such tax liability if (i) the transferee furnishes to the transferor (or the transferee's agent) an affidavit that the transferee is not a disqualified organization, and (ii) the transferor (or the transferee's agent) does not have actual knowledge that the affidavit is false at the time of the transfer. Similarly, no such tax will be imposed on a pass-through entity for a period with respect to an interest therein owned by a disqualified organization if (i) the record holder of such interest furnishes to the pass-through entity an affidavit that it is not a disqualified organization, and (ii) during such period, the pass-through entity has no actual knowledge that the affidavit is false.

Termination

In general, no special tax consequences will apply to a Regular Owner upon the termination of the Trust by virtue of the final payment or liquidation of the last Mortgage Loan remaining in the Trust. If a Residual Owner's adjusted basis in its Residual Certificate at the time such termination occurs exceeds the amount of cash distributed to such Residual Owner in liquidation of its interest, then,

although the matter is not entirely free from doubt, it would appear that the Residual Owner is entitled to a loss equal to the amount of such excess.

Reporting and Other Administrative Matters

For purposes of the administrative provisions of the Code, the Trust will be treated as a partnership and the Residual Owner will be treated as a partner. Fannie Mae will prepare, sign and file federal income tax returns for the Trust, which returns are subject to audit by the IRS. Moreover, within a reasonable time after the end of each calendar year, Fannie Mae will furnish to each Holder that received a distribution during such year a statement setting forth the portions of any such distributions that constitute interest distributions, original issue discount, and such other information as is required by Treasury regulations and, with respect to the Holder of the Residual Certificate in the Trust, information necessary to compute the daily portions of the taxable income (or net loss) of the Trust for each day during such year. Fannie Mae will also act as the tax matters partner for the Trust, either in its capacity as an Owner of the Residual Certificate or in a fiduciary capacity. The Residual Owner, by the acceptance of the Residual Certificate, agrees that Fannie Mae will act as its fiduciary in the performance of any duties required of it in the event that it is the tax matters partner.

The Residual Owner is required to treat items on its return consistently with the treatment on the return of the Trust, unless the Residual Owner either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the Trust. The IRS may assert a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the Trust level. Fannie Mae does not intend to register the Trust as a tax shelter pursuant to section 6111 of the Code.

Backup Withholding

Distributions of interest and principal, as well as distributions of proceeds from the sale of Regular and Residual Certificates, 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

Regular Certificates

Distributions made on a Regular Certificate to, or on behalf of, a Regular 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 Regular 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 Regular Owner signs a statement under penalties of perjury that certifies that such Regular Owner is a Non-U.S. Person, and provides the name and address of such Regular Owner, and (c) the last U.S. Person in the chain of payment to the Regular Owner receives such statement from such Regular Owner or a financial institution holding on its behalf and does not have actual knowledge that such statement is false. Regular Owners should be aware that the IRS might take the position that this exemption does not apply to a Regular Owner that also owns 10 percent or more of the Residual Certificates or of the voting stock of Fannie Mae, or to a Regular Owner that is a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code.

Residual Certificates

Amounts distributed to a Residual Owner that is a Non-U.S. Person generally will be treated as interest for purposes of applying the 30 percent (or lower treaty rate) withholding tax on income that is not effectively connected with a U.S. trade or business. Temporary Treasury Regulations clarify that amounts not constituting excess inclusions that are distributed on a Residual Certificate to a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, subject to the same conditions applicable to distributions on Regular Certificates, as described above, but only to the extent that the obligations directly underlying the Trust were issued after July 18, 1984. In no case will any portion of REMIC income that constitutes an excess inclusion be entitled to any exemption from the withholding tax or a reduced treaty rate for withholding. See “Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions.*”

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.

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, 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, Brown & Wood, that the Certificates qualify as “guaranteed governmental mortgage pool certificates,” and thus the acquisition and holding of the Certificates by Plans should not be prohibited either by ERISA or related provisions of the Code.

PLAN OF DISTRIBUTION

Fannie Mae will acquire the Mortgage Loans from a Fannie Mae-approved seller/servicer in exchange for the Certificates pursuant to the Sale and Servicing Agreement. The Dealer, who has been retained by the seller/servicer, 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 Stroock & Stroock & Lavan, Seven Hanover Square, New York, New York 10004-2696.

No dealer, salesman or other person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this Prospectus 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 aforementioned document 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 aforementioned document 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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\$74,136,696
(Approximate)

**Federal National
Mortgage Association**



**Guaranteed REMIC
Pass-Through Certificates
Fannie Mae REMIC Trust 1995-W2**

PROSPECTUS

Bear, Stearns & Co. Inc.

May 5, 1995
