

\$490,000,000

Federal National Mortgage Association



Guaranteed REMIC Pass-Through Certificates Fannie Mae REMIC Trust 1996-7

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "Certificates") will represent beneficial ownership interests in one of two trust funds. The Certificates, other than the RL Class, will represent beneficial ownership interests in Fannie Mae REMIC Trust 1996-7 (the "Trust"). The assets of the Trust will consist of the "regular interests" in a separate trust fund (the "Lower Tier REMIC"). The assets of the Lower Tier REMIC will consist of two groups of Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the "Group 1 MBS" and "Group 2 MBS" and, together, the "MBS"). Each MBS will represent a beneficial interest in a pool (the "Pool") of first lien, single-family, fixed-rate residential mortgage loans (the "Mortgage Loans") having the characteristics described herein. The Certificates will be issued and guaranteed as to timely distribution of principal and interest by Fannie Mae.

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

(Cover continued on next page)

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	Principal Type(1)	Interest Rate	Interest Type(1)	CUSIP Number	Final Distribution Date	Class	Original Principal Balance	Principal Type(1)	Interest Rate	Interest Type(1)	CUSIP Number	Final Distribution Date
PA	\$ 62,533,000	PAC	6.00%	FIX	31359L Z 3 2	November 2004	E	\$ 46,720,000	SEQ	6.25%	FIX	31359L 2 E 4	April 2021
PB	18,968,000	PAC	6.00	FIX	31359L Z 4 0	March 2006	G	12,625,000	SEQ	7.425	FIX	31359L 2 F 1	April 2021
PC	39,263,000	PAC	6.00	FIX	31359L Z 5 7	July 2008	H	25,596,000	SEQ	6.50	FIX	31359L 2 G 9	December 2023
PD	24,579,000	PAC	6.25	FIX	31359L Z 6 5	October 2009	J	15,350,000	SEQ	6.50	FIX	31359L 2 H 7	September 2024
PE	34,768,000	PAC	6.25	FIX	31359L Z 7 3	April 2011	K	4,580,000	AD/SEQ	6.50	FIX	31359L 2 J 3	January 2001
PG	(2)	NTL	6.50	FIX/IO	31359L Z 8 1	March 2006	M	8,535,000	AD/SEQ	6.50	FIX	31359L 2 K 0	February 2007
PH	(2)	NTL	6.50	FIX/IO	31359L Z 9 9	April 2011	N	8,678,000	AD/SEQ	6.50	FIX	31359L 2 L 8	July 2011
A	49,589,000	CPT	6.50	FIX	31359L 2 A 2	August 2010	Z	12,916,000	Z	6.50	FIX	31359L 2 M 6	April 2026
B	10,300,000	SUP	6.50	FIX	31359L 2 B 0	April 2011	R	0	NPR	0	NPR	31359L 2 N 4	April 2026
C	10,000,000	SCH	6.50	FIX	31359L 2 C 8	December 2010	RL	0	NPR	0	NPR	31359L 2 P 9	April 2026
D	105,000,000	SEQ	6.50	FIX	31359L 2 D 6	February 2023							

- (1) See "Description of the Certificates—Class Definitions and Abbreviations" in the REMIC Prospectus and "Description of the Certificates—Distributions of Interest" and "—Distributions of Principal" herein.
- (2) The PG and PH Classes will be Notional Classes, will have no principal balances and will bear interest on their notional principal balances (initially, \$6,269,307 and \$5,302,807, respectively). The notional principal balances of the PG and PH Classes will be calculated based on the principal balances of certain PAC I Classes. See "Description of the Certificates—Distributions of Interest—Notional Classes" herein.

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

The Certificates will be offered by the Dealer, subject to receipt and acceptance by it and subject to its right to reject any order in whole or in part. It is expected that the Certificates, except for the R and RL Classes, will be available through the book-entry system of the Federal Reserve Banks on or about March 29, 1996 (the "Settlement Date"). It is expected that the R and RL Classes in registered, certificated form will be available for delivery at the offices of the Dealer, Three World Financial Center, New York, New York 10285, on or about the Settlement Date.

LEHMAN BROTHERS

February 9, 1996

(Cover continued from previous page)

The yields to investors in the PA, PB, PC, PD, PE, PG, PH, A, B and C Classes (the “Group 1 Classes”) will be sensitive in varying degrees to, among other things, the rate of distributions on the Group 1 MBS, which in turn will be directly related to the rate of principal payments of the related Mortgage Loans (the “Group 1 Mortgage Loans”) and the actual characteristics of such Mortgage Loans. The yields to investors in the D, E, G, H, J, K, M, N and Z Classes (the “Group 2 Classes”) will be sensitive in varying degrees to, among other things, the rate of distributions on the Group 2 MBS, which in turn will be directly related to the rate of principal payments of the related Mortgage Loans (the “Group 2 Mortgage Loans”) and the actual characteristics of such Mortgage Loans. Such yields will also be sensitive to the purchase price paid for the related Classes. 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.
- In the case of any Interest Only Class, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield and, in certain cases, an actual loss on the investment.

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

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

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

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

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

Elections will be made to treat the Lower Tier REMIC and the Trust as “real estate mortgage investment conduits” (“REMICs”) pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). The R and RL Classes will be subject to transfer restrictions. See “Description of the Certificates—Characteristics of the R and RL Classes” and “Certain Additional Federal Income Tax Consequences” herein, and “Description of the Certificates—Additional Characteristics of Residual Certificates” and “Certain Federal Income Tax Consequences” in the REMIC Prospectus.

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

- Fannie Mae’s Prospectus for Guaranteed REMIC Pass-Through Certificates dated April 7, 1994 (the “REMIC Prospectus”) which is attached to this Prospectus Supplement;
- Fannie Mae’s Prospectus for Guaranteed Mortgage Pass-Through Certificates dated January 15, 1996 (the “MBS Prospectus”); and
- Fannie Mae’s Information Statement dated March 31, 1995 and any supplements thereto (collectively, the “Information Statement”).

The MBS Prospectus and the Information Statement are incorporated herein by reference and may be obtained from Fannie Mae by writing or calling its MBS Helpline at 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 (telephone 1-800-BEST-MBS or 202-752-6547). Such documents may also be obtained from Lehman Brothers Inc. by writing or calling their Registration Department at 536 Broadhollow Road, Melville, New York 11747 (telephone 516-254-7106).

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REFERENCE SHEET

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

Assumed Mortgage Loan Characteristics (as of March 1, 1996)

Group 1 Mortgage Loans

<u>Approximate Principal Balance</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Calculated Loan Age (in months)</u>	<u>Approximate Weighted Average Coupon</u>
\$250,000,000	176	4	7.0%

Group 2 Mortgage Loans

<u>Approximate Principal Balance</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Calculated Loan Age (in months)</u>	<u>Approximate Weighted Average Coupon</u>
\$240,000,000	330	26	7.0%

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

Interest Rates

The Certificates will bear interest at the respective per annum interest rates set forth on the cover. Interest on the Z Class will not be distributed until the Distribution Date following the Distribution Date on which the principal balance of the N Class has been reduced to zero. See “Description of the Certificates—Distributions of Interest—*Accrual Class*.”

Notional Classes

The notional principal balance of each Notional Class will be equal to the indicated percentage of the outstanding principal balance of the following Classes immediately prior to the related Distribution Date:

<u>Class</u>	<u>Percentage of Principal Balance of Specified Classes</u>
PG	7.6923076923% of aggregate of PA and PB Classes
PH	7.6923076923% of PC Class
	3.8461538462% of aggregate of PD and PE Classes

See “Description of the Certificates—Distributions of Interest—*Notional Classes*” and “—Yield Considerations—*The PG and PH Classes*” herein.

Component Classes

	<u>Original Principal Balance</u>	<u>Principal Type</u>
PA1 Component	\$17,575,000	PAC
PA2 Component	44,958,000	PAC
A1 Component	18,333,000	PAC
A2 Component	31,256,000	SUP

Distributions of Principal

Group 1 Principal Distribution Amount

1. To the PAC Classes and Components, in the order and proportions set forth herein under “Description of the Certificates—Distributions of Principal,” until the aggregate of the principal balances thereof is reduced to the Aggregate Planned Balance for such Distribution Date.
2. To the A2 Component, to zero.
3. If the Group 1 Collateral Balance is less than the Group 1 Targeted Collateral Balance (each as defined herein under “Description of the Certificates—Distributions of Principal”) for such Distribution Date, to the C and B Classes, in that order, to zero.
4. If the Group 1 Collateral Balance is equal to or greater than the Group 1 Targeted Collateral Balance for such Distribution Date, to the C and B Classes as follows:
 - a. to the C Class, to its Scheduled Balance;
 - b. to the B Class, to zero; and
 - c. to the C Class, to zero.
5. To the PAC Classes and Components as in step 1 above, to zero.

Group 2 Principal Distribution Amount

Accrual Amount from Z Class

To the K, M and N Classes, in that order, to zero, and then to the Z Class.

Group 2 Cash Flow Distribution Amount

1. 59.5545321000% of such amount to the D Class, to zero.
2. Remaining amount in the following order:
 - a. to the E and G Classes, in proportion to their original principal balances, to zero; and
 - b. to the H, J, K, M, N and Z Classes, in that order, to zero.

Weighted Average Lives (years) *

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>175%</u>	<u>250%</u>	<u>500%</u>
PA	4.6	2.5	2.5	2.5	2.0
PB	7.9	4.5	4.5	4.5	3.0
PC	9.6	6.0	6.0	6.0	3.8
PD	11.2	8.0	8.0	8.0	5.0
PE	12.6	11.3	11.3	11.3	7.7
PG	5.4	3.0	3.0	3.0	2.2
PH	10.6	7.7	7.7	7.7	5.0

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>175%</u>	<u>350%</u>	<u>500%</u>
A	9.4	6.7	2.3	1.1	0.9
B	14.9	14.1	11.5	2.5	1.8

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>160%</u>	<u>350%</u>	<u>500%</u>
D	18.4	6.5	4.5	2.1	1.5
E and G	16.8	5.1	3.5	1.7	1.1
H	26.6	14.8	10.7	5.2	3.5
J	28.0	18.4	14.0	6.9	4.7
K	2.5	2.5	2.5	2.5	2.5
M	8.0	8.0	8.0	7.2	5.5
N	13.2	13.2	13.2	8.7	6.3
Z	29.2	23.4	20.0	12.8	9.3

<u>Class</u>	<u>PSA Prepayment Assumption</u>						
	<u>0%</u>	<u>100%</u>	<u>160%</u>	<u>175%</u>	<u>185%</u>	<u>350%</u>	<u>500%</u>
C	14.5	12.9	11.4	11.4	11.4	2.1	1.5

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

DESCRIPTION OF THE CERTIFICATES

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

General

Structure. The Trust and the Lower Tier REMIC will be created pursuant to a trust agreement dated as of March 1, 1996 (the “Trust Agreement”), executed by the Federal National Mortgage Association (“Fannie Mae”) in its corporate capacity and in its capacity as Trustee, and the Certificates in the Classes and aggregate original principal balances set forth on the cover hereof will be issued by Fannie Mae pursuant thereto. A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement.

The Certificates (other than the R and RL Classes) will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust. The interests in the Lower Tier REMIC other than the RL Class (the “Lower Tier Regular Interests”) will be designated as the “regular interests,” and the RL Class will be designated as the “residual interest,” in the Lower Tier REMIC.

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

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

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

The distribution to the Holders of the R and RL Classes of the proceeds of any remaining assets of the Trust and the Lower Tier REMIC, as applicable, will be made only upon presentation and surrender of the respective Certificates at the office of the Paying Agent. The Paying Agent initially will be State Street.

Authorized Denominations. The Certificates, other than the R and RL Certificates, will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. The R and RL Certificates will be issued as single certificates and will not have principal balances.

Distribution Dates. Distributions on the Certificates will be made on the 25th day of each month (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day), commencing in the month following the Settlement Date. See “Distributions of Interest—*General*” and “—Interest Accrual Period” and “Distributions of Principal—*Principal Distribution Amount*” herein.

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

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

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

The MBS

The MBS underlying the Certificates will have the aggregate unpaid principal balances and Pass-Through Rates set forth below and the general characteristics described in the MBS Prospectus. The MBS will provide that principal and interest on the Mortgage Loans will be passed through monthly, commencing on the 25th day of the month following the month of the initial issuance of the MBS (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day). The Mortgage Loans will be conventional Level Payment Mortgage Loans secured by a first mortgage or deed of trust on a one- to four-family (“single-family”) residential property and having an original maturity of up to 15 years, in the case of the Group 1 Mortgage Loans, and up to 30 years, in the case of the Group 2 Mortgage Loans, as described under “The Mortgage Pools” and “Yield Considera-

tions” in the MBS Prospectus. The characteristics of the MBS and Mortgage Loans as of March 1, 1996 (the “Issue Date”) are expected to be as follows:

Group 1 MBS

Aggregate Unpaid Principal Balance	\$250,000,000
MBS Pass-Through Rate	6.50%

Group 1 Mortgage Loans

Range of WACs (per annum percentages)	6.75% to 9.00%
Range of WAMs	100 months to 180 months
Approximate Weighted Average WAM	176 months
Approximate Weighted Average CAGE	4 months

Group 2 MBS

Aggregate Unpaid Principal Balance	\$240,000,000
MBS Pass-Through Rate	6.50%

Group 2 Mortgage Loans

Range of WACs (per annum percentages)	6.75% to 9.00%
Range of WAMs	241 months to 360 months
Approximate Weighted Average WAM	330 months
Approximate Weighted Average CAGE	26 months

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

Distributions of Interest

Categories of Classes

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

<u>Interest Type*</u>	<u>Classes</u>
Fixed Rate	All Classes other than R and RL Classes
Interest Only	PG and PH
Accrual	Z
No Payment Residual	R and RL

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

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

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

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

See “Yield Considerations” herein.

Accrual Class. The Z Class is an Accrual Class. Interest will accrue on the Accrual Class at the per annum rate set forth on the cover hereof; however, such interest will not be distributed until the Distribution Date following the Distribution Date on which the principal balance of the N Class has been reduced to zero. Interest so accrued and unpaid on the Accrual Class will be added as principal to the principal balance thereof on each Distribution Date. Distributions of principal of the Accrual Class will be distributed as described herein.

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

<u>Class</u>	<u>Percentage of Principal Balance of Specified Classes</u>
PG	7.6923076923% of aggregate of PA and PB Classes
PH	7.6923076923% of PC Class 3.8461538462% of aggregate of PD and PE Classes

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

Distributions of Principal

Categories of Classes and Components

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

<u>Principal Type*</u>	<u>Classes and Components</u>
Group 1	
PAC	PA1, PA2, PB, PC, PD, PE and A1
Scheduled	C
Support	A2 and B
Component	PA and A
Notional	PG and PH
Group 2	
Sequential Pay	D, E, G, H, J, K, M, N and Z
Accretion Directed	K, M and N
No Payment Residual	R and RL

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

Components. For purposes of calculating payments of principal, the PA and A Classes are comprised of two payment components having the designations and original principal balances set forth below, and therefore the payment characteristics of the PA and A Classes will reflect a combination of the payment characteristics of the applicable Components.

<u>Designation</u>	<u>Original Principal Balance</u>
PA1 Component	\$17,575,000
PA2 Component	44,958,000
A1 Component	18,333,000
A2 Component	31,256,000

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

Group 1 Principal Distribution Amount

Principal will be distributed monthly on the Group 1 Classes and Components in an amount (the “Group 1 Principal Distribution Amount”) equal to the aggregate distributions of principal concurrently made on the Group 1 MBS.

On each Distribution Date, the Group 1 Principal Distribution Amount will be distributed as principal of the Classes and Components specified below in the following order of priority:

- | | | |
|---|---|-------------------------------------|
| <p>(i) to the PAC Classes and Components, in the order and proportions set forth below, until the aggregate of the principal balances thereof is reduced to the Aggregate Planned Balance for such Distribution Date:</p> <p style="margin-left: 40px;">(A) concurrently, to the PA1 and A1 Components, in proportion to their original principal balances (or 48.9445248970% and 51.0554751030%, respectively); and</p> <p style="margin-left: 40px;">(B) sequentially, to the PA2 Component and the PB, PC, PD and PE Classes, in that order;</p> | } | PAC
Classes
and
Components |
|---|---|-------------------------------------|

- (ii) to the A2 Component, until the principal balance thereof is reduced to zero; } Support Component
- (iii) if the Group 1 Collateral Balance (as defined below) for such Distribution Date is less than the Group 1 Targeted Collateral Balance (as defined below) for such Distribution Date, sequentially, to the C and B Classes, in that order, without regard to the Scheduled Balance of the C Class and until the respective principal balances thereof are reduced to zero; and } Scheduled Class and Support Class
- (iv) if the Group 1 Collateral Balance for such Distribution Date is greater than or equal to the Group 1 Targeted Collateral Balance for such Distribution Date, to the C and B Classes, in the following order of priority:
 - (A) to the C Class, until the principal balance thereof is reduced to its Scheduled Balance for such Distribution Date; } Scheduled Class
 - (B) to the B Class, until the principal balance thereof is reduced to zero; and } Support Class
 - (C) to the C Class, without regard to its Scheduled Balance and until the principal balance thereof is reduced to zero; and } Scheduled Class
- (v) to the PAC Classes and Components, in the order set forth in clause (i) above, without regard to the Aggregate Planned Balances and until the respective principal balances thereof are reduced to zero. } PAC Classes and Components

The Group 1 Collateral Balance on any Distribution Date is equal to the aggregate unpaid principal balance as of the Issue Date of the Group 1 MBS delivered to the Lower Tier REMIC less the aggregate amount of principal distributed on the Group 1 MBS from the Issue Date up to and including such Distribution Date. The Group 1 Targeted Collateral Balance Schedule will be calculated by Fannie Mae based upon the actual characteristics of the Group 1 MBS delivered to the Lower Tier REMIC (the “Settlement Characteristics”), which characteristics will vary from the characteristics assumed herein. The Group 1 Targeted Collateral Balance Schedule will reflect the aggregate unpaid principal amount of Group 1 MBS for each Distribution Date assuming that the Group 1 Mortgage Loans prepay at a constant rate of approximately 185% PSA and that all of the Group 1 Mortgage Loans underlying each related Pool have the same interest rate and remaining term as the WAC (or current WAC, if available) and Adjusted WAM (or current WAM, if available) of such Pool. The Group 1 Targeted Collateral Balance Schedule will be included in the Final Data Statement to be made available shortly after formation of the Trust. Fannie Mae’s calculation of the Group 1 Targeted Collateral Balance Schedule will be final and binding on all persons regardless of any defect or alleged defect in the methodology or information used in making such calculation. The Preliminary Group 1 Targeted Collateral Balance Schedule, which is provided for illustrative purposes only, is set forth beginning on page S-26 hereof. Investors should note, however, that the Settlement Characteristics will differ from the characteristics assumed in preparing the Preliminary Group 1 Targeted Collateral Balance Schedule set forth herein.

Group 2 Principal Distribution Amount

Principal will be distributed monthly on the Group 2 Classes in an amount (the “Group 2 Principal Distribution Amount”) equal to the sum of (i) the aggregate distributions of principal concurrently made on the Group 2 MBS (the “Group 2 Cash Flow Distribution Amount”) plus (ii) any interest accrued and added on such Distribution Date to the principal balance of the Z Class.

Accrual Amount from Z Class

On each Distribution Date, the interest, if any, accrued and added to the principal balance of the Z Class will be distributed, sequentially, as principal of the K, M and N Classes, in that order, until the respective principal balances thereof are reduced to zero, and thereafter to the Z Class.

Accretion
Directed
and
Accrual
Classes

Group 2 Cash Flow Distribution Amount

On each Distribution Date, 59.5545321000% of the Group 2 Cash Flow Distribution Amount will be distributed as principal of the D Class, until the principal balance thereof is reduced to zero.

Sequential
Pay
Class

On each Distribution Date, the excess of the Group 2 Cash Flow Distribution Amount over the amount applied pursuant to the immediately preceding paragraph will be distributed as principal of the Classes specified below in the following order of priority:

(i) concurrently, to the E and G Classes, in proportion to their original principal balances (or 78.7260931839% and 21.2739068161%, respectively), until the principal balances thereof are reduced to zero; and

(ii) sequentially, to the H, J, K, M, N and Z Classes, in that order, until the respective principal balances thereof are reduced to zero.

Sequential
Pay
Classes

Structuring Assumptions

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

- the Group 1 Mortgage Loans bear interest at a rate of 7.0% per annum and have an original term to maturity of 180 months, a CAGE of 4 months and a remaining term to maturity of 176 months;
- the Group 2 Mortgage Loans bear interest at a rate of 7.0% per annum and have an original term to maturity of 360 months, a CAGE of 26 months and a remaining term to maturity of 330 months;
- the Mortgage Loans prepay at the *constant* percentages of PSA specified in the related table;
- the closing date for the sale of the Certificates is the Settlement Date; and
- the first Distribution Date for the Certificates occurs in the month following the Settlement Date.

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

Structuring Ranges. The Principal Balance Schedules have been prepared on the basis of the Pricing Assumptions and the assumption that the Group 1 Mortgage Loans prepay at a *constant* PSA rate within the Structuring Ranges set forth below.

<u>Principal Balance Schedule References</u>	<u>Related Classes and Components</u>	<u>Structuring Ranges</u>
Aggregate Planned Balance	PAC	Between 100% and 250%
Scheduled Balance	C	Between 160% and 185%

There is no assurance that the aggregate principal balance of the PAC Classes and Components or the principal balance of the C Class will conform on any Distribution Date to the applicable scheduled balances specified for such Distribution Date in the Principal Balance Schedules herein, or that distributions of principal on the related Classes and Components will begin or end on the respective Distribution Dates specified therein. Because any excess of the principal distribution on any Distribution Date over the amount necessary to reduce the applicable Classes and Components to the related scheduled balances will be distributed, the ability to so reduce such Classes and Components will not be enhanced by the averaging of high and low principal prepayments from month to month. In addition, even if prepayments occur at rates falling within the Structuring Ranges specified above, principal distributions may be insufficient to reduce the applicable Classes and Components to the related scheduled balances if such prepayments do not occur at a *constant* PSA rate. Moreover, because of the diverse remaining terms to maturity of the Group 1 Mortgage Loans (which may include recently originated Mortgage Loans), the Classes and Components specified above may not be reduced to the related scheduled balances, even if prepayments occur at a *constant* rate within the Structuring Ranges specified above.

Initial Effective Ranges. The Effective Range for the PAC Classes and Components is the range of prepayment rates (measured by *constant* PSA rates) that would reduce the aggregate principal balance of such Classes and Components to the Aggregate Planned Balance for each Distribution Date. The Effective Range for the C Class is the range of prepayment rates (measured by *constant* PSA rates) that would reduce such Class to its Scheduled Principal Balance on each Distribution Date. The Initial Effective Ranges set forth in the table below are based upon the assumed characteristics of the Group 1 Mortgage Loans specified in the Pricing Assumptions.

<u>Related Classes and Components</u>	<u>Initial Effective Ranges</u>
PAC	Between 100% and 250%
C	Between 160% and 185%

The actual Effective Ranges at any time will be based upon the actual characteristics of the Group 1 Mortgage Loans at such time, which are likely to vary (and may vary considerably) from the Pricing Assumptions. The actual Effective Ranges calculated on the basis of the actual characteristics likely will differ from the Initial Effective Ranges. As a result, the applicable Classes and Components might not be reduced to the related scheduled balances even if prepayments were to occur at a *constant* PSA rate within the Initial Effective Ranges (particularly if such rate were at the lower or higher end of such ranges). In addition, even if prepayments occur at rates falling within the actual Effective Ranges, principal distributions may be insufficient to reduce the applicable Classes and Components to the related scheduled balances if such prepayments do not occur at a *constant* PSA rate. It is highly unlikely that the Group 1 Mortgage Loans will prepay at any *constant* PSA rate. In general, the actual Effective Ranges may narrow, widen or shift upward or downward to reflect actual prepayment experience over time. The principal payment stability of the PAC Classes and Components and the Scheduled Class will be supported in part by the Support Class (and, in the case of the PAC Classes and Components, by the Support Component). When the Support Class and Component are retired, any outstanding PAC Classes and Components and the Scheduled Class may no longer have Effective Ranges and will be more sensitive to prepayments.

Principal Balance Schedules

<u>Distribution Date</u>	<u>Aggregate Planned Balance</u>	<u>C Class Scheduled Balance</u>
Initial Balance	\$198,444,000.00	\$10,000,000.00
April 1996	197,417,677.34	10,000,000.00
May 1996	196,346,355.74	10,000,000.00
June 1996	195,230,476.40	10,000,000.00
July 1996	194,070,505.52	10,000,000.00
August 1996	192,866,934.03	10,000,000.00
September 1996	191,620,277.27	10,000,000.00
October 1996	190,331,074.64	10,000,000.00
November 1996	188,999,889.22	10,000,000.00
December 1996	187,627,307.43	10,000,000.00
January 1997	186,213,938.57	10,000,000.00
February 1997	184,760,414.40	10,000,000.00
March 1997	183,267,388.71	10,000,000.00
April 1997	181,735,536.82	10,000,000.00
May 1997	180,165,555.10	10,000,000.00
June 1997	178,558,160.45	10,000,000.00
July 1997	176,914,089.76	10,000,000.00
August 1997	175,234,099.35	10,000,000.00
September 1997	173,518,964.43	10,000,000.00
October 1997	171,769,478.47	10,000,000.00
November 1997	169,986,452.62	10,000,000.00
December 1997	168,170,715.07	10,000,000.00
January 1998	166,323,110.42	10,000,000.00
February 1998	164,444,499.01	10,000,000.00
March 1998	162,535,756.28	10,000,000.00
April 1998	160,597,772.04	10,000,000.00
May 1998	158,631,449.81	10,000,000.00
June 1998	156,674,662.48	10,000,000.00
July 1998	154,727,360.63	10,000,000.00
August 1998	152,789,495.09	10,000,000.00
September 1998	150,861,016.96	10,000,000.00
October 1998	148,941,877.57	10,000,000.00
November 1998	147,032,028.50	10,000,000.00
December 1998	145,131,421.60	10,000,000.00
January 1999	143,240,008.95	10,000,000.00
February 1999	141,357,742.88	10,000,000.00
March 1999	139,484,575.96	10,000,000.00
April 1999	137,620,461.02	10,000,000.00
May 1999	135,765,351.11	10,000,000.00
June 1999	133,919,199.54	10,000,000.00
July 1999	132,081,959.85	10,000,000.00
August 1999	130,253,585.83	10,000,000.00
September 1999	128,434,031.48	10,000,000.00
October 1999	126,623,251.07	10,000,000.00
November 1999	124,821,199.08	10,000,000.00
December 1999	123,027,830.24	10,000,000.00
January 2000	121,243,099.51	10,000,000.00
February 2000	119,466,962.07	10,000,000.00
March 2000	117,699,373.34	10,000,000.00
April 2000	115,940,288.97	10,000,000.00
May 2000	114,189,664.83	10,000,000.00
June 2000	112,447,457.02	10,000,000.00

<u>Distribution Date</u>	<u>Aggregate Planned Balance</u>	<u>C Class Scheduled Balance</u>
July 2000	\$110,713,621.87	\$10,000,000.00
August 2000	108,988,115.94	10,000,000.00
September 2000	107,270,895.99	10,000,000.00
October 2000	105,561,919.03	10,000,000.00
November 2000	103,861,142.27	10,000,000.00
December 2000	102,168,523.14	10,000,000.00
January 2001	100,484,019.31	10,000,000.00
February 2001	98,807,588.65	10,000,000.00
March 2001	97,139,189.24	10,000,000.00
April 2001	95,478,779.40	10,000,000.00
May 2001	93,826,317.63	10,000,000.00
June 2001	92,181,762.69	10,000,000.00
July 2001	90,545,073.50	10,000,000.00
August 2001	88,916,209.22	10,000,000.00
September 2001	87,295,129.22	10,000,000.00
October 2001	85,681,793.08	10,000,000.00
November 2001	84,076,160.56	10,000,000.00
December 2001	82,478,191.68	10,000,000.00
January 2002	80,887,846.60	10,000,000.00
February 2002	79,305,085.74	10,000,000.00
March 2002	77,729,869.70	10,000,000.00
April 2002	76,162,159.27	10,000,000.00
May 2002	74,603,411.96	10,000,000.00
June 2002	73,069,744.76	10,000,000.00
July 2002	71,560,788.64	10,000,000.00
August 2002	70,076,179.79	10,000,000.00
September 2002	68,615,559.51	10,000,000.00
October 2002	67,178,574.19	10,000,000.00
November 2002	65,764,875.21	10,000,000.00
December 2002	64,374,118.87	10,000,000.00
January 2003	63,005,966.33	10,000,000.00
February 2003	61,660,083.55	10,000,000.00
March 2003	60,336,141.19	10,000,000.00
April 2003	59,033,814.60	10,000,000.00
May 2003	57,752,783.70	10,000,000.00
June 2003	56,492,732.96	10,000,000.00
July 2003	55,253,351.31	10,000,000.00
August 2003	54,034,332.07	10,000,000.00
September 2003	52,835,372.93	10,000,000.00
October 2003	51,656,175.85	10,000,000.00
November 2003	50,496,447.04	10,000,000.00
December 2003	49,355,896.85	10,000,000.00
January 2004	48,234,239.74	10,000,000.00
February 2004	47,131,194.25	10,000,000.00
March 2004	46,046,482.89	10,000,000.00
April 2004	44,979,832.13	10,000,000.00
May 2004	43,930,972.30	10,000,000.00
June 2004	42,899,637.59	10,000,000.00
July 2004	41,885,565.97	10,000,000.00
August 2004	40,888,499.12	10,000,000.00
September 2004	39,908,182.40	10,000,000.00
October 2004	38,944,364.80	10,000,000.00

<u>Distribution Date</u>	<u>Aggregate Planned Balance</u>	<u>C Class Scheduled Balance</u>
November 2004	\$ 37,996,798.88	\$10,000,000.00
December 2004	37,065,240.74	10,000,000.00
January 2005	36,149,449.93	10,000,000.00
February 2005	35,249,189.44	10,000,000.00
March 2005	34,364,225.64	10,000,000.00
April 2005	33,494,328.25	10,000,000.00
May 2005	32,639,270.24	10,000,000.00
June 2005	31,798,827.85	10,000,000.00
July 2005	30,972,780.50	10,000,000.00
August 2005	30,160,910.78	10,000,000.00
September 2005	29,363,004.37	10,000,000.00
October 2005	28,578,850.03	9,790,832.53
November 2005	27,808,239.51	9,580,093.98
December 2005	27,050,967.59	9,367,863.71
January 2006	26,306,831.95	9,154,219.38
February 2006	25,575,633.18	8,939,237.02
March 2006	24,857,174.72	8,722,991.06
April 2006	24,151,262.84	8,505,554.32
May 2006	23,457,706.58	8,286,998.04
June 2006	22,776,317.72	8,067,391.97
July 2006	22,106,910.74	7,846,804.31
August 2006	21,449,302.80	7,625,301.80
September 2006	20,803,313.65	7,402,949.69
October 2006	20,168,765.68	7,179,811.85
November 2006	19,545,483.79	6,955,950.68
December 2006	18,933,295.41	6,731,427.24
January 2007	18,332,030.47	6,506,301.22
February 2007	17,741,521.33	6,280,630.96
March 2007	17,161,602.78	6,054,473.48
April 2007	16,592,111.96	5,827,884.55
May 2007	16,032,888.40	5,600,918.63
June 2007	15,483,773.92	5,373,628.94
July 2007	14,944,612.62	5,146,067.49
August 2007	14,415,250.85	4,918,285.09
September 2007	13,895,537.19	4,690,331.35
October 2007	13,385,322.41	4,462,254.72
November 2007	12,884,459.41	4,234,102.53
December 2007	12,392,803.26	4,005,920.96
January 2008	11,910,211.09	3,777,755.11
February 2008	11,436,542.12	3,549,649.00
March 2008	10,971,657.59	3,321,645.58
April 2008	10,515,420.77	3,093,786.75
May 2008	10,067,696.90	2,866,113.39
June 2008	9,628,353.19	2,638,665.38
July 2008	9,197,258.74	2,411,481.62
August 2008	8,774,284.60	2,184,600.01
September 2008	8,359,303.66	1,958,057.51
October 2008	7,952,190.67	1,731,890.17
November 2008	7,552,822.19	1,506,133.08
December 2008	7,161,076.60	1,280,820.45
January 2009	6,776,834.01	1,055,985.60
February 2009	6,399,976.32	831,660.98

<u>Distribution Date</u>	<u>Aggregate Planned Balance</u>	<u>C Class Scheduled Balance</u>
March 2009	\$ 6,030,387.13	\$ 607,878.19
April 2009	5,667,951.73	384,667.97
May 2009	5,312,557.09	162,060.27
June 2009	4,964,091.84	0.00
July 2009	4,622,446.23	0.00
August 2009	4,287,512.10	0.00
September 2009	3,959,182.90	0.00
October 2009	3,637,353.60	0.00
November 2009	3,321,920.74	0.00
December 2009	3,012,782.37	0.00
January 2010	2,709,838.02	0.00
February 2010	2,412,988.70	0.00
March 2010	2,122,136.88	0.00
April 2010	1,837,186.45	0.00
May 2010	1,558,042.71	0.00
June 2010	1,284,612.37	0.00
July 2010	1,016,803.50	0.00
August 2010	754,525.51	0.00
September 2010	497,689.16	0.00
October 2010	246,206.53	0.00
November 2010 and thereafter	0.00	0.00

Yield Considerations

General. The yield to maturity for each Certificate will depend upon the purchase price thereof, the rate of principal payments, including prepayments, on the Group 1 or Group 2 Mortgage Loans, as applicable, and the actual characteristics of such Mortgage Loans. An investor should purchase Certificates only after performing an analysis of such Certificates based upon the investor's own assumptions as to future rates of prepayment.

There can be no assurance that the Mortgage Loans will have the characteristics assumed herein or will prepay at any of the rates assumed herein, or at any other particular rate. Because the rate of principal distributions on the Certificates will be related to the rate of amortization of the Group 1 or Group 2 Mortgage Loans, as applicable, which are likely to include Mortgage Loans with remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the rate of principal distribution on the Certificates is likely to differ from the rate anticipated by an investor, even if all Mortgage Loans in the related Mortgage Loan Group prepay at the indicated constant percentages of PSA. In addition, it is not likely that all Mortgage Loans in either Mortgage Loan Group will prepay at a *constant* PSA rate until maturity or that all such Mortgage Loans will prepay at the same rate.

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

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

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

As indicated in the table below, the yields to investors in the PG and PH Classes will be sensitive to the rate of principal payments (including prepayments) of the Mortgage Loans, which generally can be prepaid at any time. On the basis of the assumptions described below, the yield to maturity on the PG and PH Classes would be 0% if prepayments were to occur at constant rates of approximately 446% PSA and 478% PSA, respectively. If the actual prepayment rate of the Mortgage Loans were to exceed the foregoing levels for as little as one month while equaling such levels for the remaining months, the investors in the PG and PH Classes, as applicable, would not fully recoup their initial investments.

The information set forth in the following table was prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase prices of the PG and PH Classes (expressed as percentages of original notional principal balances) are as follows:

<u>Class</u>	<u>Price*</u>
PG	15.0%
PH	33.0%

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

Sensitivity of the PG and PH Classes to Prepayments (Pre-Tax Yields to Maturity)

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>175%</u>	<u>250%</u>	<u>500%</u>
PG	22.8%	13.3%	13.3%	13.3%	(4.8)%
PH	13.1%	10.6%	10.6%	10.6%	(1.1)%

Weighted Average Lives of the Certificates

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

In general, the weighted average lives of the Certificates will be shortened if the level of prepayments of principal of the Mortgage Loans in the related Mortgage Loan Group increases. However, the weighted average lives will depend upon a variety of other factors, including the timing of changes in such rate of principal payments and the priority sequence of distributions of principal of the related Classes and the distribution of principal of certain Group 1 Classes and Components in accordance with the Principal Balance Schedules herein. In particular, if the amount distributable as principal of the Group 1 Classes and Components on any Distribution Date exceeds the amount required to reduce the principal balances of certain Group 1 Classes and Components with higher principal payment priorities to the applicable scheduled amounts as set forth in the Principal Balance Schedules, such excess principal will be distributed on certain of the remaining Classes and Components on such Distribution Date. Conversely, if the principal distributable on any Distribution Date is less than the amount so required to reduce certain Group 1 Classes and Components to the applicable scheduled amounts, no principal will be distributed on certain of the remaining Classes and Components on such Distribution Date. Accordingly, the rate of principal payments on the Group 1 Mortgage Loans is expected to have a greater effect on the weighted average lives of the B Class and, under certain prepayment scenarios, the A and C Classes, than on the weighted average lives of the PAC Classes. See “Distributions of Principal” herein.

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

As described under “General—Components” herein, for purposes of calculating payments of principal, the PA and A Classes are comprised of two Components. Since such Components are not divisible, the payment characteristics of such Classes will reflect a combination of the payment characteristics of the related Components.

Decrement Tables

The following tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each of the dates shown at various *constant* PSA levels and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions, except that with respect to the information set forth for each such Class under 0% PSA it has been assumed that each underlying Mortgage Loan bears an interest rate of 9.0% per annum and has an original and remaining term to maturity of 180 months, in the case of the Group 1 Mortgage Loans, and 360 months, in the case of the Group 2 Mortgage Loans. It is not likely that (i) all of the underlying Mortgage Loans will have the interest rates, CAGEs or remaining terms to maturity assumed or (ii) the underlying Mortgage Loans will prepay at a *constant* PSA level. In addition, the diverse remaining terms to maturity of the Mortgage Loans (which may include recently originated Mortgage Loans) could produce slower or faster principal distributions than indicated in the tables at the specified *constant* PSA levels, even if the weighted average remaining term to maturity and the weighted average CAGE of the Mortgage Loans are identical to the remaining term to maturity and CAGE specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

Date	PA Class					PB Class					PC Class					PD Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	175%	250%	500%	0%	100%	175%	250%	500%	0%	100%	175%	250%	500%	0%	100%	175%	250%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 1997	94	88	88	88	88	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 1998	86	72	72	72	66	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 1999	79	35	35	35	0	100	100	100	100	36	100	100	100	100	100	100	100	100	100	100
March 2000	69	*	*	*	0	100	100	100	100	0	100	100	100	100	26	100	100	100	100	100
March 2001	50	0	0	0	0	100	0	0	0	0	100	96	96	96	0	100	100	100	100	44
March 2002	29	0	0	0	0	100	0	0	0	0	100	47	47	47	0	100	100	100	100	0
March 2003	6	0	0	0	0	100	0	0	0	0	100	3	3	3	0	100	100	100	100	0
March 2004	0	0	0	0	0	39	0	0	0	0	100	0	0	0	0	100	46	46	46	0
March 2005	0	0	0	0	0	0	0	0	0	0	76	0	0	0	0	100	0	0	0	0
March 2006	0	0	0	0	0	0	0	0	0	0	29	0	0	0	0	100	0	0	0	0
March 2007	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	63	0	0	0	0
March 2008	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2009	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2010	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2011	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2012	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2013	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2014	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2015	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2016	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2017	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2018	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2019	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2020	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2021	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2022	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2023	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	4.6	2.5	2.5	2.5	2.0	7.9	4.5	4.5	4.5	3.0	9.6	6.0	6.0	6.0	3.8	11.2	8.0	8.0	8.0	5.0

* 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.

Date	PE Class					PG Class†					PH Class†					A Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	175%	250%	500%	0%	100%	175%	250%	500%	0%	100%	175%	250%	500%	0%	100%	175%	350%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 1997	100	100	100	100	100	95	91	91	91	91	100	100	100	100	100	91	84	77	59	43
March 1998	100	100	100	100	100	90	78	78	78	74	100	100	100	100	100	82	63	41	0	0
March 1999	100	100	100	100	100	84	50	50	50	8	100	100	100	100	100	72	63	26	0	0
March 2000	100	100	100	100	100	76	23	23	23	0	100	100	100	100	58	63	63	15	0	0
March 2001	100	100	100	100	100	61	0	0	0	0	100	98	98	98	33	63	63	9	0	0
March 2002	100	100	100	100	85	45	0	0	0	0	100	70	70	70	21	63	63	6	0	0
March 2003	100	100	100	100	54	28	0	0	0	0	100	44	44	44	14	63	61	4	0	0
March 2004	100	100	100	100	34	9	0	0	0	0	100	33	33	33	9	63	55	0	0	0
March 2005	100	99	99	99	21	0	0	0	0	0	86	25	25	25	5	63	46	0	0	0
March 2006	100	71	71	71	12	0	0	0	0	0	59	18	18	18	3	63	34	0	0	0
March 2007	100	49	49	49	7	0	0	0	0	0	37	12	12	12	2	63	20	0	0	0
March 2008	81	32	32	32	4	0	0	0	0	0	20	8	8	8	1	63	4	0	0	0
March 2009	17	17	17	17	2	0	0	0	0	0	4	4	4	4	*	59	0	0	0	0
March 2010	6	6	6	6	*	0	0	0	0	0	2	2	2	2	*	13	0	0	0	0
March 2011	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2012	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2013	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2014	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2015	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2016	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2017	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2018	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2019	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2020	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2021	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2022	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2023	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	12.6	11.3	11.3	11.3	7.7	5.4	3.0	3.0	3.0	2.2	10.6	7.7	7.7	7.7	5.0	9.4	6.7	2.3	1.1	0.9

Date	B Class					C Class							D Class					E and G Classes				
	PSA Prepayment Assumption					PSA Prepayment Assumption							PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	175%	350%	500%	0%	100%	160%	175%	185%	350%	500%	0%	100%	160%	350%	500%	0%	100%	160%	350%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 1997	100	100	100	100	100	100	100	100	100	100	100	100	99	90	86	71	59	99	88	83	65	50
March 1998	100	100	100	100	0	100	100	100	100	100	58	0	98	81	72	47	29	98	77	67	36	15
March 1999	100	100	100	0	0	100	100	100	100	100	0	0	97	73	61	29	9	96	67	53	14	0
March 2000	100	100	100	0	0	100	100	100	100	100	0	0	96	64	50	14	0	95	57	40	0	0
March 2001	100	100	100	0	0	100	100	100	100	100	0	0	94	57	40	3	0	93	48	28	0	0
March 2002	100	100	100	0	0	100	100	100	100	100	0	0	93	49	32	0	0	92	39	18	0	0
March 2003	100	100	100	0	0	100	100	100	100	100	0	0	91	43	24	0	0	90	31	9	0	0
March 2004	100	100	99	0	0	100	100	100	100	100	0	0	90	36	17	0	0	88	23	*	0	0
March 2005	100	100	74	0	0	100	100	100	100	100	0	0	88	30	11	0	0	85	16	0	0	0
March 2006	100	100	59	0	0	100	100	87	87	87	0	0	86	25	5	0	0	83	9	0	0	0
March 2007	100	100	54	0	0	100	100	61	61	61	0	0	83	19	0	0	0	80	3	0	0	0
March 2008	100	100	50	0	0	100	100	33	33	33	0	0	81	14	0	0	0	77	0	0	0	0
March 2009	100	100	45	0	0	100	40	6	6	6	0	0	78	9	0	0	0	74	0	0	0	0
March 2010	100	56	20	0	0	100	0	0	0	0	0	0	75	5	0	0	0	70	0	0	0	0
March 2011	0	0	0	0	0	0	0	0	0	0	0	0	72	1	0	0	0	66	0	0	0	0
March 2012	0	0	0	0	0	0	0	0	0	0	0	0	68	0	0	0	0	62	0	0	0	0
March 2013	0	0	0	0	0	0	0	0	0	0	0	0	64	0	0	0	0	57	0	0	0	0
March 2014	0	0	0	0	0	0	0	0	0	0	0	0	60	0	0	0	0	52	0	0	0	0
March 2015	0	0	0	0	0	0	0	0	0	0	0	0	55	0	0	0	0	46	0	0	0	0
March 2016	0	0	0	0	0	0	0	0	0	0	0	0	50	0	0	0	0	40	0	0	0	0
March 2017	0	0	0	0	0	0	0	0	0	0	0	0	45	0	0	0	0	34	0	0	0	0
March 2018	0	0	0	0	0	0	0	0	0	0	0	0	39	0	0	0	0	26	0	0	0	0
March 2019	0	0	0	0	0	0	0	0	0	0	0	0	32	0	0	0	0	18	0	0	0	0
March 2020	0	0	0	0	0	0	0	0	0	0	0	0	25	0	0	0	0	9	0	0	0	0
March 2021	0	0	0	0	0	0	0	0	0	0	0	0	17	0	0	0	0	0	0	0	0	0
March 2022	0	0	0	0	0	0	0	0	0	0	0	0	8	0	0	0	0	0	0	0	0	0
March 2023	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	14.9	14.1	11.5	2.5	1.8	14.5	12.9	11.4	11.4	11.4	2.1	1.5	18.4	6.5	4.5	2.1	1.5	16.8	5.1	3.5	1.7	1.1

* 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.

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

Date	H Class					J Class					K Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	160%	350%	500%	0%	100%	160%	350%	500%	0%	100%	160%	350%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 1997	100	100	100	100	100	100	100	100	100	100	81	81	81	81	81
March 1998	100	100	100	100	100	100	100	100	100	100	61	61	61	61	61
March 1999	100	100	100	100	78	100	100	100	100	100	39	39	39	39	39
March 2000	100	100	100	93	19	100	100	100	100	100	17	17	17	17	17
March 2001	100	100	100	61	0	100	100	100	100	20	0	0	0	0	0
March 2002	100	100	100	13	0	100	100	100	100	0	0	0	0	0	0
March 2003	100	100	100	0	0	100	100	100	43	0	0	0	0	0	0
March 2004	100	100	100	0	0	100	100	100	0	0	0	0	0	0	0
March 2005	100	100	83	0	0	100	100	100	0	0	0	0	0	0	0
March 2006	100	100	67	0	0	100	100	100	0	0	0	0	0	0	0
March 2007	100	100	52	0	0	100	100	100	0	0	0	0	0	0	0
March 2008	100	93	21	0	0	100	100	100	0	0	0	0	0	0	0
March 2009	100	79	0	0	0	100	100	88	0	0	0	0	0	0	0
March 2010	100	67	0	0	0	100	100	47	0	0	0	0	0	0	0
March 2011	100	55	0	0	0	100	100	9	0	0	0	0	0	0	0
March 2012	100	30	0	0	0	100	100	0	0	0	0	0	0	0	0
March 2013	100	4	0	0	0	100	100	0	0	0	0	0	0	0	0
March 2014	100	0	0	0	0	100	66	0	0	0	0	0	0	0	0
March 2015	100	0	0	0	0	100	27	0	0	0	0	0	0	0	0
March 2016	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
March 2017	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
March 2018	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
March 2019	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
March 2020	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
March 2021	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
March 2022	75	0	0	0	0	100	0	0	0	0	0	0	0	0	0
March 2023	42	0	0	0	0	100	0	0	0	0	0	0	0	0	0
March 2024	0	0	0	0	0	49	0	0	0	0	0	0	0	0	0
March 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	26.6	14.8	10.7	5.2	3.5	28.0	18.4	14.0	6.9	4.7	2.5	2.5	2.5	2.5	2.5

Date	M Class					N Class					Z Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	160%	350%	500%	0%	100%	160%	350%	500%	0%	100%	160%	350%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 1997	100	100	100	100	100	100	100	100	100	100	107	107	107	107	107
March 1998	100	100	100	100	100	100	100	100	100	100	114	114	114	114	114
March 1999	100	100	100	100	100	100	100	100	100	100	121	121	121	121	121
March 2000	100	100	100	100	100	100	100	100	100	100	130	130	130	130	130
March 2001	96	96	96	96	96	100	100	100	100	100	138	138	138	138	138
March 2002	82	82	82	82	0	100	100	100	100	79	148	148	148	148	148
March 2003	67	67	67	67	0	100	100	100	100	0	157	157	157	157	137
March 2004	51	51	51	18	0	100	100	100	100	0	168	168	168	168	94
March 2005	34	34	34	0	0	100	100	100	16	0	179	179	179	179	64
March 2006	16	16	16	0	0	100	100	100	0	0	191	191	191	146	44
March 2007	0	0	0	0	0	96	96	96	0	0	204	204	204	112	30
March 2008	0	0	0	0	0	76	76	76	0	0	218	218	218	85	20
March 2009	0	0	0	0	0	54	54	54	0	0	232	232	232	65	14
March 2010	0	0	0	0	0	31	31	31	0	0	248	248	248	49	9
March 2011	0	0	0	0	0	6	6	6	0	0	264	264	264	37	6
March 2012	0	0	0	0	0	0	0	0	0	0	269	269	239	28	4
March 2013	0	0	0	0	0	0	0	0	0	0	269	269	204	21	3
March 2014	0	0	0	0	0	0	0	0	0	0	269	269	172	15	2
March 2015	0	0	0	0	0	0	0	0	0	0	269	269	143	11	1
March 2016	0	0	0	0	0	0	0	0	0	0	269	258	118	8	1
March 2017	0	0	0	0	0	0	0	0	0	0	269	217	96	6	*
March 2018	0	0	0	0	0	0	0	0	0	0	269	178	76	4	*
March 2019	0	0	0	0	0	0	0	0	0	0	269	142	58	3	*
March 2020	0	0	0	0	0	0	0	0	0	0	269	107	42	2	*
March 2021	0	0	0	0	0	0	0	0	0	0	269	74	28	1	*
March 2022	0	0	0	0	0	0	0	0	0	0	269	43	16	*	*
March 2023	0	0	0	0	0	0	0	0	0	0	269	14	5	*	*
March 2024	0	0	0	0	0	0	0	0	0	0	269	0	0	0	0
March 2025	0	0	0	0	0	0	0	0	0	0	171	0	0	0	0
March 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	8.0	8.0	8.0	7.2	5.5	13.2	13.2	13.2	8.7	6.3	29.2	23.4	20.0	12.8	9.3

* 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.

Characteristics of the R and RL Classes

The R and RL Classes will not have principal balances and will not bear interest. The Holder of the R Class will be entitled to receive the proceeds of the remaining assets of the Trust after the principal balances of all Classes (other than the RL Class) have been reduced to zero, and the Holder of the RL Class will be entitled to receive the proceeds of the remaining assets of the Lower Tier REMIC after the principal balances of the Lower Tier Interests have been reduced to zero. It is not anticipated that there will be any material assets remaining in either such circumstance.

The R Class and the RL Class will be subject to certain transfer restrictions. No transfer of record or beneficial ownership of an R or RL Certificate will be allowed to a “disqualified organization.” In addition, no transfer of record or beneficial ownership of an R or RL Certificate will be allowed to any person that is not a “U.S. Person” without the written consent of Fannie Mae. Under regulations issued by the Treasury Department on December 23, 1992 (the “Regulations”), a transfer of a “noneconomic residual interest” to a U.S. Person will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. The R Class and the RL Class will constitute noneconomic residual interests under the Regulations. Any transferee of an R or RL Certificate must execute and deliver an affidavit and an Internal Revenue Service Form W-9 on which the transferee provides its taxpayer identification number. See “Description of the Certificates—Additional Characteristics of Residual Certificates” and “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates” in the REMIC Prospectus. Transferors of an R or RL 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 REMIC constituted by the Trust, and the Holder of the RL Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Lower Tier REMIC. See “Certain Federal Income Tax Consequences” in the REMIC Prospectus. Pursuant to the Trust Agreement, Fannie Mae will be obligated to provide to such Holders (i) such information as is necessary to enable them to prepare their federal income tax returns and (ii) any reports regarding the R Class or the RL Class that may be required under the Code.

CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES

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

REMIC Elections and Special Tax Attributes

Elections will be made to treat the Lower Tier REMIC and the Trust as REMICs for federal income tax purposes. The Certificates, other than the R and RL Classes, will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust. The Lower Tier Regular Interests will be designated as the “regular interests,” and the RL Class will be designated as the “residual interest,” in the Lower Tier REMIC.

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

Taxation of Beneficial Owners of Regular Certificates

The Notional Classes and the Accrual Class will be, and certain other Classes of Certificates may be, issued with original issue discount for federal income tax purposes, which generally will result in recognition of some taxable income in advance of the receipt of the cash attributable to such income. The Prepayment Assumption that will be used in determining the rate of accrual of original issue discount will be 175% PSA, in the case of the Group 1 Classes, and 160% PSA, in the case of the Group 2 Classes. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the REMIC Prospectus. No representation is made as to whether the Mortgage Loans underlying the MBS will prepay at that or any other rate. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus. In addition, certain Classes of Certificates may be treated as having been issued at a premium for federal income tax purposes. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Certificates Purchased at a Premium*” in the REMIC Prospectus.

Taxation of Beneficial Owners of Residual Certificates

Under the Regulations, neither the R nor the RL Class will have significant value. As a result, an organization to which section 593 of the Code applies and which is the beneficial owner of an R or RL Certificate may not use its allowable deductions to offset any “excess inclusions” with respect to such Certificate. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” in the REMIC Prospectus.

For purposes of determining the portion of the taxable income of the Trust (or the Lower Tier REMIC) that generally will not be treated as excess inclusions, the rate to be used is 120% of the “federal long-term rate.” The rate will be published on or about February 20, 1996. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” and “—Foreign Investors—*Residual Certificates*” in the REMIC Prospectus. The federal income tax consequences of any consideration paid to a transferee on the transfer of an R or RL Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

PLAN OF DISTRIBUTION

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

Increase in Certificates. Before the Settlement Date, Fannie Mae and the Dealer may agree to offer hereby Certificates in addition to those contemplated as of the date hereof. In such event, the Group 1 MBS or Group 2 MBS, as applicable, will be increased in principal balance, but it is expected that all additional MBS will have the same characteristics as described herein under “Description of the Certificates—The MBS” with respect to the related Group. The proportion that the original principal balance of each Class (and each Component) bears to the aggregate original principal balance of all the Certificates in the related Group will remain the same. The dollar amounts reflected in the Principal Balance Schedules will be increased in pro rata amounts that correspond to the increase of the principal balance of the related Classes of Certificates.

LEGAL MATTERS

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

PRELIMINARY GROUP 1 TARGETED COLLATERAL BALANCE SCHEDULE

The Preliminary Group 1 Targeted Collateral Balance Schedule below has been prepared using the Pricing Assumptions (rather than the Settlement Characteristics) and the assumption that the Group 1 Mortgage Loans prepay at a *constant* rate of 185% PSA. The final Group 1 Targeted Collateral Balance Schedule, based upon such Settlement Characteristics, will be calculated at or about the time of formation of the Trust. The final Group 1 Targeted Collateral Balance Schedule, which will be used in the determination of principal distributions, will differ from that reflected in the preliminary table below.

	Preliminary Group 1 Targeted Collateral Balance
Initial Balance	\$250,000,000.00
April 1996	248,794,834.73
May 1996	247,510,144.41
June 1996	246,146,836.96
July 1996	244,705,899.27
August 1996	243,188,396.17
September 1996	241,595,469.24
October 1996	239,928,335.54
November 1996	238,188,286.16
December 1996	236,376,684.66
January 1997	234,494,965.37
February 1997	232,544,631.60
March 1997	230,527,253.72
April 1997	228,444,467.06
May 1997	226,297,969.81
June 1997	224,089,520.74
July 1997	221,820,936.78
August 1997	219,494,090.60
September 1997	217,110,907.98
October 1997	214,673,365.20
November 1997	212,183,486.24
December 1997	209,643,339.98
January 1998	207,055,037.24
February 1998	204,420,727.87
March 1998	201,742,597.65
April 1998	199,022,865.17
May 1998	196,263,778.74
June 1998	193,534,865.52
July 1998	190,835,818.17
August 1998	188,166,332.38
September 1998	185,526,106.90
October 1998	182,914,843.42
November 1998	180,332,246.63
December 1998	177,778,024.14
January 1999	175,251,886.45
February 1999	172,753,546.95
March 1999	170,282,721.88
April 1999	167,839,130.29
May 1999	165,422,494.01
June 1999	163,032,537.67
July 1999	160,668,988.59
August 1999	158,331,576.83
September 1999	156,020,035.13
October 1999	153,734,098.87

	Preliminary Group 1 Targeted Collateral Balance
November 1999	\$151,473,506.08
December 1999	149,237,997.38
January 2000	147,027,315.99
February 2000	144,841,207.64
March 2000	142,679,420.65
April 2000	140,541,705.78
May 2000	138,427,816.32
June 2000	136,337,507.98
July 2000	134,270,538.92
August 2000	132,226,669.71
September 2000	130,205,663.28
October 2000	128,207,284.93
November 2000	126,231,302.31
December 2000	124,277,485.37
January 2001	122,345,606.35
February 2001	120,435,439.76
March 2001	118,546,762.36
April 2001	116,679,353.13
May 2001	114,832,993.24
June 2001	113,007,466.07
July 2001	111,202,557.13
August 2001	109,418,054.08
September 2001	107,653,746.68
October 2001	105,909,426.82
November 2001	104,184,888.43
December 2001	102,479,927.52
January 2002	100,794,342.11
February 2002	99,127,932.26
March 2002	97,480,499.99
April 2002	95,851,849.34
May 2002	94,241,786.27
June 2002	92,650,118.68
July 2002	91,076,656.41
August 2002	89,521,211.17
September 2002	87,983,596.57
October 2002	86,463,628.06
November 2002	84,961,122.95
December 2002	83,475,900.38
January 2003	82,007,781.28
February 2003	80,556,588.37
March 2003	79,122,146.14
April 2003	77,704,280.86
May 2003	76,302,820.49
June 2003	74,917,594.76
July 2003	73,548,435.06
August 2003	72,195,174.49
September 2003	70,857,647.81
October 2003	69,535,691.43
November 2003	68,229,143.40
December 2003	66,937,843.40
January 2004	65,661,632.70
February 2004	64,400,354.15

	Preliminary Group 1 Targeted Collateral Balance
March 2004	\$ 63,153,852.21
April 2004	61,921,972.85
May 2004	60,704,563.61
June 2004	59,501,473.56
July 2004	58,312,553.27
August 2004	57,137,654.79
September 2004	55,976,631.70
October 2004	54,829,339.00
November 2004	53,695,633.16
December 2004	52,575,372.10
January 2005	51,468,415.14
February 2005	50,374,623.03
March 2005	49,293,857.92
April 2005	48,225,983.32
May 2005	47,170,864.13
June 2005	46,128,366.59
July 2005	45,098,358.29
August 2005	44,080,708.15
September 2005	43,075,286.41
October 2005	42,081,964.59
November 2005	41,100,615.54
December 2005	40,131,113.34
January 2006	39,173,333.36
February 2006	38,227,152.24
March 2006	37,292,447.82
April 2006	36,369,099.19
May 2006	35,456,986.66
June 2006	34,555,991.72
July 2006	33,665,997.09
August 2006	32,786,886.63
September 2006	31,918,545.39
October 2006	31,060,859.56
November 2006	30,213,716.50
December 2006	29,377,004.69
January 2007	28,550,613.73
February 2007	27,734,434.33
March 2007	26,928,358.30
April 2007	26,132,278.55
May 2007	25,346,089.07
June 2007	24,569,684.90
July 2007	23,802,962.15
August 2007	23,045,817.98
September 2007	22,298,150.58
October 2007	21,559,859.16
November 2007	20,830,843.98
December 2007	20,111,006.26
January 2008	19,400,248.24
February 2008	18,698,473.16
March 2008	18,005,585.21
April 2008	17,321,489.56
May 2008	16,646,092.33
June 2008	15,979,300.61

	Preliminary Group 1 Targeted Collateral Balance
July 2008	\$ 15,321,022.40
August 2008.....	14,671,166.65
September 2008	14,029,643.21
October 2008	13,396,362.88
November 2008.....	12,771,237.31
December 2008	12,154,179.08
January 2009.....	11,545,101.65
February 2009	10,943,919.34
March 2009	10,350,547.35
April 2009	9,764,901.73
May 2009	9,186,899.40
June 2009.....	8,616,458.08
July 2009	8,053,496.37
August 2009.....	7,497,933.67
September 2009	6,949,690.20
October 2009	6,408,686.99
November 2009.....	5,874,845.86
December 2009	5,348,089.44
January 2010.....	4,828,341.14
February 2010	4,315,525.14
March 2010	3,809,566.40
April 2010	3,310,390.62
May 2010	2,817,924.29
June 2010.....	2,332,094.62
July 2010	1,852,829.55
August 2010.....	1,380,057.79
September 2010	913,708.74
October 2010.....	453,712.53
November 2010 and thereafter	0.00

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

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\$490,000,000

**Federal National
Mortgage Association**



**Guaranteed REMIC
Pass-Through Certificates
Fannie Mae REMIC Trust 1996-7**

PROSPECTUS SUPPLEMENT

LEHMAN BROTHERS

February 9, 1996