

\$30,000,000



FannieMae

**Guaranteed REMIC Pass-Through Certificates
 Fannie Mae REMIC Trust 1996-61
 Individual Investor Class (LL Class)**

The LL Class Certificates (the "LL Class" or "LL Class Retail Certificates") offered hereby are part of an issue of Guaranteed REMIC Pass-Through Certificates (the "Certificates"), and represent beneficial ownership interests in Fannie Mae REMIC Trust 1996-61 (the "Trust"). The assets of the Trust will consist of (i) certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the "MBS"), each of which will represent a beneficial interest in a pool (the "Pool") of first lien, single-family, fixed-rate residential mortgage loans (the "Mortgage Loans") having the characteristics described herein and (ii) a non-interest bearing cash deposit of \$999.99 relating to the LL Class (the "LL Class Cash Deposit") to be applied as described herein. The Certificates will be issued and guaranteed as to timely distribution of principal and interest by Fannie Mae. Only the LL Class is offered hereby. Certain other Classes of Certificates (the "Non-Offered Classes") are being offered by means of one or more Prospectus Supplements dated November 5, 1996. The LL Class and certain of the Non-Offered Classes, together having an aggregate original principal balance of \$250,000,000, are referred to herein as the "Classes."

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

See "Additional Risk Factors" on page S-7 hereof and "Risk Factors" beginning on page 8 of the REMIC Prospectus attached hereto for a discussion of certain risks that should be considered in connection with an investment in the LL Class Retail Certificates.

(Cover continued on next page)

THE LL CLASS RETAIL CERTIFICATES MAY NOT BE SUITABLE INVESTMENTS FOR ALL INVESTORS. NO INVESTOR SHOULD PURCHASE LL CLASS RETAIL CERTIFICATES UNLESS SUCH INVESTOR UNDERSTANDS AND IS ABLE TO BEAR THE PREPAYMENT, YIELD, LIQUIDITY AND OTHER RISKS ASSOCIATED WITH SUCH CERTIFICATES. SEE "DESCRIPTION OF THE LL CLASS RETAIL CERTIFICATES" HEREIN.

THE LL CLASS RETAIL CERTIFICATES, TOGETHER WITH ANY INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES. THE OBLIGATIONS OF FANNIE MAE UNDER ITS GUARANTY OF THE LL CLASS RETAIL 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 LL CLASS RETAIL 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	Interest Rate	CUSIP Number	Final Distribution Date
LL.....	\$30,000,000(1)	7.00%	31359K6P7	January 2027

(1) The LL Class Retail Certificates will be offered in \$1,000 increments ("LL Retail Class Units") as described herein. See "Description of the LL Class Retail Certificates" herein.

The LL Class Retail Certificates will be offered by Lehman Brothers Inc. and Edward D. Jones & Co. (the "Dealers") from time to time in negotiated transactions or otherwise at varying prices to be determined at the time of sale.

The LL Class Retail Certificates will be offered by the Dealers, subject to issuance by Fannie Mae and to prior sale, withdrawal or modification of the offer without notice, the approval of counsel and other conditions. It is expected that delivery of the LL Class Retail Certificates will be available through the book-entry facilities of The Depository Trust Company on or about December 27, 1996.

LEHMAN BROTHERS

EDWARD D. JONES & Co.

(Cover continued from previous page)

Interest on the LL Class Retail Certificates at the per annum rate set forth on the cover hereof will be distributed on the 18th day of each month (or, if such 18th is not a business day, on the first business day next succeeding such 18th day), commencing in January 1997 (each, a "Distribution Date"). See "Description of the LL Class Retail Certificates—Distributions of Interest" herein.

The principal distribution on the Classes on each Distribution Date (subject to slight variations due to rounding of the distributions on the LL Class Retail Certificates) will be in an amount equal to the aggregate distribution of principal to be made on the MBS in the month of such Distribution Date. On each Distribution Date, distributions of principal will be allocated among the Classes in accordance with the priorities described under "Description of the LL Class Retail Certificates—Distributions of Principal" herein. The Trust is subject to early termination only under the limited circumstances described herein under "Description of the LL Class Retail Certificates—General—Optional Termination" and in the REMIC Prospectus under "The Trust Agreement—Termination."

The LL Class Retail Certificates may not be an appropriate investment for all prospective investors. The LL Class Retail Certificates would not be an appropriate investment for any investor requiring a particular distribution of principal on a specific date or an otherwise predictable stream of principal distributions. In addition, although Edward D. Jones & Co. intends to make a secondary market in the LL Class Retail Certificates, neither of the Dealers is obligated to do so, and any such market making may be discontinued at any time. Finally, there can be no assurance that the price at which an investor may be able to sell an LL Class Retail Certificate will be the same as or higher than the price at which such investor purchased such LL Class Retail Certificate. See "Description of the LL Class Retail Certificates" herein and "Risk Factors—Suitability and Reinvestment Considerations" in the REMIC Prospectus.

The yield to investors in the LL Class Retail Certificates may be sensitive to the rate of principal payments (including prepayments) of the Mortgage Loans, which generally can be prepaid at any time. In addition, the yield to maturity on the LL Class Retail Certificates may vary depending on the extent to which such Class is purchased at a discount or premium. Holders of the LL Class Retail Certificates should consider, in the case of any LL Class Retail Certificates purchased at a discount, the risk that a slower than anticipated rate of principal payments could result in an actual yield that is lower than the anticipated yield and, in the case of any LL Class Retail Certificates purchased at a premium, the risk that a faster than anticipated rate of principal payments could result in an actual yield that is lower than the anticipated yield. See "Risk Factors—Yield Considerations" in the REMIC Prospectus and "Additional Risk Factors—Additional Yield and Prepayment Considerations" herein.

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

An election will be made to treat the Trust as a "real estate mortgage investment conduit" ("REMIC") pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). See "Certain Additional Federal Income Tax Consequences" herein, 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 June 14, 1996 (the "REMIC Prospectus") which is attached to this Prospectus Supplement;
- Fannie Mae's Prospectus for Guaranteed Mortgage Pass-Through Certificates dated October 1, 1996 (the "MBS Prospectus"); and
- Fannie Mae's Information Statement dated February 22, 1996 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 by writing or calling Edward D. Jones & Co. at 20 American Industrial Drive, Maryland Heights, Missouri 63043 (telephone 314-515-3479).

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Reference Sheet	S- 4	<i>Investment Determination</i>	S-16
Additional Risk Factors	S- 7	The MBS.....	S-17
Additional Yield and Prepayment		Distributions of Interest	S-17
Considerations	S- 7	Distributions of Principal	S-18
Description of the LL Class Retail		<i>Principal Distribution</i>	
Certificates	S- 7	<i>Amount</i>	S-18
General.....	S- 7	Structuring Assumptions	S-18
<i>Structure</i>	S- 7	<i>Pricing Assumptions</i>	S-18
<i>Fannie Mae Guaranty</i>	S- 8	<i>Prepayment Assumptions</i>	S-18
<i>Authorized Denominations</i>	S- 8	Weighted Average Lives of the	
<i>Distribution Dates</i>	S- 8	LL Class Retail Certificates	S-19
<i>Record Date</i>	S- 8	Decrement Table	S-20
<i>REMIC Trust Factors</i>	S- 8	Certain Additional Federal Income	
<i>Optional Termination</i>	S- 8	Tax Consequences	S-21
Characteristics of the LL Class Retail		REMIC Election and Special Tax	
Certificates	S- 9	Attributes	S-21
General.....	S- 9	Taxation of Beneficial Owners of the	
<i>Method of Distribution</i>	S- 9	LL Class Retail Certificates	S-21
<i>LL Class Retail Interest</i>		Legal Investment	
<i>Distributions</i>	S- 9	Considerations	S-21
<i>LL Class Retail Principal</i>		Plan of Distribution	S-22
<i>Distributions</i>	S-10	General.....	S-22
<i>Certain Principal Distribution</i>		<i>Increase in Certificates</i>	S-22
<i>Considerations</i>	S-13	Legal Matters	S-22

REFERENCE SHEET

Individual Investor Class (LL Class)

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 LL Class Retail Certificates only after reading this Prospectus Supplement and each of the additional Disclosure Documents described herein.

Description

The LL Class Retail Certificates represent an indirect interest in the Mortgage Loans. The LL Class Retail Certificates are guaranteed by Fannie Mae but not guaranteed by, and are not a debt or obligation of, the United States. See “Description of the LL Class Retail Certificates—General—*Fannie Mae Guaranty*” herein.

Investment Objective

The LL Class Retail Certificates have been structured principally to provide monthly distributions to individual investors for the long-term portions of their investment portfolios. Each individual investor should determine, in consultation with his or her investment advisor, whether or not the LL Class Retail Certificates satisfy his or her specified investment objectives. See “Description of the LL Class Retail Certificates—Characteristics of the LL Class Retail Certificates—*Investment Determination*” herein.

Liquidity

If an LL Class Retail Certificate is sold prior to its maturity, an investor may receive sales proceeds (less applicable transaction costs) that are less than the amount originally invested. Edward D. Jones & Co. intends to make a market for the purchase and sale of the LL Class Retail Certificates after their initial issuance, but neither of the Dealers is obligated to do so. There is no assurance that such a secondary market will develop or, if it develops, that it will continue. See “Description of the LL Class Retail Certificates—Characteristics of the LL Class Retail Certificates—*Investment Determination*” herein.

Federal Income Taxes

Interest on the LL Class Retail Certificates will be taxed in the year it is earned, which may not be the year it is paid. Relevant federal income tax information for the preceding calendar year will be mailed to investors who own LL Retail Class Units (as defined herein), as required by the Internal Revenue Service. Investors should be aware, however, that such information need not be furnished before March 15 of any calendar year following a calendar year in which income accrues on an LL Class Retail Certificate. See “Description of the LL Class Retail Certificates—Characteristics of the LL Class Retail Certificates—*LL Class Retail Principal Distributions—Tax Information*” and “Certain Additional Federal Income Tax Consequences” herein.

Maturity

Unlike many other fixed income securities, the LL Class Retail Certificates do not have fixed principal redemption schedules or fixed principal distribution dates. The timing of principal distributions may vary considerably based upon a number of factors, including changes in prevailing interest rates. If prevailing interest rates decrease, principal distributions on the LL Class Retail Certificates may accelerate, and any reinvestment of such distributions might be at such lower prevailing interest rates. Conversely, if prevailing interest rates increase, principal distributions on the LL Class Retail Certificates may slow down, and investors might not be able to reinvest their principal at such higher prevailing interest rates. In such case, the market value of the Retail

Certificates is likely to have declined. See “Description of the LL Class Retail Certificates—Characteristics of the LL Class Retail Certificates—*Certain Principal Distribution Considerations*” herein.

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

<u>Approximate Principal Balance</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Approximate Calculated Loan Age (in months)</u>	<u>Approximate Weighted Average Coupon</u>
\$250,000,000	357	2	8.02%

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 LL Class Retail Certificates—The MBS” herein.

Interest Payments

The first distribution of interest on each LL Retail Class Unit will be made on January 21, 1997 in an amount equal to approximately \$5.83. Distributions of interest in that approximate amount on each monthly Distribution Date will continue on each LL Retail Class Unit until such Unit is retired. See “Description of the LL Class Retail Certificates—Distributions of Interest” herein.

Distributions of Principal

Principal Distribution Amount

1. Commencing in January 2000, on each Distribution Date to the LL Class, an amount up to \$30,000.
2. Commencing in January 1997, on each Distribution Date (after giving effect to any payment pursuant to 1. above) as follows:
 - a. To certain Classes (other than the LL Class), until an amount aggregating \$220,000,000 has been distributed thereon; and
 - b. To the LL Class, until the principal balance thereof is reduced to zero.

Investors in the LL Class Retail Certificates will receive principal distributions in \$1,000 LL Retail Class Units, subject to the distribution priorities and allocations described in this Prospectus Supplement. See “Description of the LL Class Retail Certificates—Characteristics of the LL Class Retail Certificates—*LL Class Retail Principal Distributions*” and “—Distributions of Principal” herein.

Weighted Average Lives (in years) *

<u>Class</u>	<u>PSA Prepayment Assumption</u>					
	<u>0%</u>	<u>100%</u>	<u>290%</u>	<u>325%</u>	<u>500%</u>	<u>600%</u>
LL**	25.4	23.6	15.2	13.9	9.4	7.9

* Determined as described under “Description of the LL Class Retail Certificates—Weighted Average Lives of the LL Class Retail Certificates” in this Prospectus Supplement, and subject to the assumptions and qualifications in that section. Prepayments will not occur at any assumed rate shown or any other constant rate, and the actual weighted average lives of the LL Class Retail Certificates are likely to differ from those shown, perhaps significantly.

** The weighted average lives shown in the table for LL Class Retail Certificates apply to such Class as a whole and are not likely to reflect the experience of any investor in such Class of Retail Certificates. Because investors will receive principal distributions subject to the distribution priorities and allocations described under “Description of the LL Class Retail Certificates—Characteristics of the LL Class Retail Certificates—*LL Class Retail Principal Distributions*” herein, the weighted average lives of the LL Retail Class Units will vary among different investors. See “Description of the LL Class Retail Certificates—Characteristics of the LL Class Retail Certificates—*Certain Principal Distribution Considerations*” herein.

ADDITIONAL RISK FACTORS

Additional Yield and Prepayment Considerations

The rate of distributions of principal of the LL Class Retail Certificates will be sensitive to the rate of principal payments (including prepayments) of the Mortgage Loans. 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. Furthermore, because some of the Mortgage Loans 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 is likely to differ from the rate anticipated by an investor, even if all such Mortgage Loans prepay at the indicated constant percentages of PSA. In addition, it is not likely that the Mortgage Loans will prepay at a *constant* PSA rate until maturity or that all such Mortgage Loans will prepay at the same rate. Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the LL Class Retail Certificates.

The Mortgage Loans underlying the MBS are relocation mortgage loans (as defined herein under “Description of the LL Class Retail Certificates—The MBS”). Accordingly, the rate of prepayment of such Mortgage Loans will depend in part on the occurrence and timing of any future relocation of the borrowers thereunder. Such prepayment experience would depend on, among other things, the circumstances of individual employees and employers and the characteristics of the specific relocation programs involved. Borrowers under relocation mortgage loans are thought by some within the mortgage industry to be more likely to be transferred by their employers than non-relocation mortgage loan borrowers, which would result in relocation mortgage loans experiencing a higher rate of prepayment than non-relocation mortgage loans. However, Fannie Mae cannot estimate what the prepayment experience of the Mortgage Loans will be or how it might compare to that of non-relocation mortgage loans, nor is Fannie Mae aware of any conclusive studies or statistics on the rate of prepayment of mortgage loans such as the Mortgage Loans.

The effective yield on the LL Class Retail Certificates will be reduced below the yield otherwise produced because principal and interest payable on a Distribution Date will not be distributed until the 18th 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 the LL Class Retail Certificates after their principal balances have been reduced to zero. As a result of the foregoing, the market value of the LL Class Retail Certificates will be lower than would have been the case if there were no such delay.

DESCRIPTION OF THE LL CLASS RETAIL CERTIFICATES

The following summaries describing certain provisions of the LL Class Retail Certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the remaining provisions of the 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 LL Class Retail 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.*). A description of Fannie Mae and its business, together with certain financial statements and other financial information are contained in the Information Statement incorporated herein by reference. The LL Class Retail Certificates will be issued pursuant to a trust agreement dated as of September 1, 1987, as supplemented by an issue supplement thereto dated as of December 1, 1996 (together, the “Trust Agreement”), executed by

Fannie Mae in its corporate capacity and in its capacity as trustee (the “Trustee”). The Trust will be created pursuant to the Trust Agreement, and an election will be made to treat the Trust as a REMIC for federal income tax purposes.

The Non-Offered Classes (other than the R Class) and the LL Class Retail Certificates will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust.

The assets of the Trust will consist of (i) the MBS and (ii) a non-interest bearing cash deposit of \$999.99 relating to the LL Class (the “LL Class Cash Deposit”). The Classes will evidence indirectly the entire beneficial ownership interest in the distributions of principal and interest on the MBS and in the LL Class Cash Deposit. The LL Class Cash Deposit will be used, if necessary, to round the amount applied as principal of the LL Class, to an amount equal to an integral multiple of \$1,000, as described herein.

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 the LL Class Retail Certificates required installments of principal and interest and to distribute the principal balance of the LL Class Retail Certificates in full no later than the applicable Final Distribution Date, whether or not sufficient funds are available in the Trust Account. The guaranties of Fannie Mae are not backed by the full faith and credit of the United States. See “Description of the Certificates—Fannie Mae’s Guaranty” in the REMIC Prospectus and “Description of Certificates—The Corporation’s Guaranty” in the MBS Prospectus.

Authorized Denominations. The LL Class Retail Certificates will be issued in an integral number of units (the “LL Retail Class Units”), each of which will be deemed to have an initial value as set forth herein.

Distribution Dates. Distributions on the LL Class Retail Certificates will be made on the 18th day of each month (or, if such 18th day is not a business day, on the first business day next succeeding such 18th day) (each, a “Distribution Date”), commencing in the month following the Settlement Date. See “Distributions of Interest” and “Distributions of Principal—*Principal Distribution Amount*” herein.

Record Date. Each monthly distribution on the LL Class Retail 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 the LL Class Retail Certificates the factor (carried to eight decimal places) which, when multiplied by the aggregate original principal balance of such Class, will equal the aggregate amount of principal remaining to be distributed with respect to such Class, after giving effect to the distribution of principal to be made on the following Distribution Date. As a result, the factor for the LL Class Retail Certificates will reflect the reduction in aggregate principal balance of such Class taken as a whole, and will not reflect the reduction in principal balance of the LL Class Retail Certificates owned by any particular investor. For purposes of determining the factor for the LL Class Retail Certificates, any rounding of the distribution of principal thereof will be disregarded.

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

Characteristics of the LL Class Retail Certificates

General

The LL Class will consist of Retail Certificates. The LL Class Retail Certificates will be represented by one certificate 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 or depository selected or approved by Fannie Mae (the “Depository”). The nominee of the Depository shall be herein referred to as the “Holder” or “Certificateholder” of the LL Class Retail Certificates. The Depository will maintain LL Class Retail Certificates in integral numbers of LL Retail Class Units, through its book-entry facilities. For purposes of calculating principal distributions, an LL Retail Class Unit for the LL Class Retail Certificates will have the initial principal balance set forth below:

<u>Class</u>	<u>Initial Principal Balance Per Unit</u>	<u>Number of Retail Class Units</u>
LL	\$1,000	30,000

In accordance with its normal procedures, the Depository will record the positions held by each Depository participating firm (each, a “Depository Participant”) in the LL Class Retail Certificates, whether held for its own account or as a nominee for another person. Initially, State Street Bank and Trust Company (“State Street”) will act as paying agent for, and perform certain administrative functions with respect to, the LL Class Retail Certificates.

No person acquiring a beneficial ownership interest in the LL Class Retail Certificates (a “beneficial owner” or an “investor”) will be entitled to receive a physical certificate representing such ownership interest. An investor’s interest in an LL Class Retail Certificate will be recorded, in an integral number of LL Retail Class Units 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 Certificate will be recorded, in an integral number of LL Retail Class Units 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). Therefore, the investor must rely on the foregoing arrangements to evidence its interest in the LL Class Retail Certificates. Beneficial ownership of LL Class Retail Certificates may be transferred only by compliance with the procedures of an investor’s financial intermediary and of the Depository Participants. In general, beneficial ownership of LL Class Retail 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 of principal and interest on the LL Class Retail Certificates will be distributed by State Street 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 same-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 LL Class Retail Certificates that it represents.

LL Class Retail Interest Distributions

Interest to be distributed on the LL Class Retail Certificates on each Distribution Date will consist of one month’s interest at the per annum rate of 7.00% on the outstanding principal balance thereof immediately prior to such Distribution Date. For further discussion, see “—Distributions of Interest” below.

LL Class Retail Principal Distributions

General. Distributions of principal of the LL Class Retail Certificates on any Distribution Date (each, an “LL Class Retail Principal Distribution”) will be made, in each case in integral multiples of \$1,000, in accordance with the priorities and limitations set forth herein. On each Distribution Date, State Street, or the Depository in the case of excess retail principal distribution by random lot, as described below, will determine the portion of the LL Class Retail Principal Distribution, if any, to be made on LL Retail Class Units held for the account of each Depository Participant. Each Depository Participant and each financial intermediary will in turn determine the portion of the LL Class Retail Principal Distribution to be made on the LL Retail Class Units held for the account of each investor that it represents.

Rounding of LL Class Retail Principal Distributions. On each Distribution Date on which amounts are available for the distribution of principal of the LL Class Retail Certificates (as described under “Distributions of Principal” herein), the amount of such distribution will be rounded, as necessary, to an amount equal to an integral multiple of \$1,000. Such rounding will be accomplished on the first Distribution Date on which an LL Class Retail Principal Distribution is made by withdrawing from the LL Class Retail Cash Deposit the amount of funds, if any, needed to round the amount otherwise allocable as principal of the LL Class Retail Certificates to the next higher integral multiple of \$1,000. On each succeeding Distribution Date on which an LL Class Retail Principal Distribution is to be made, the aggregate amount allocable as principal to such Class of Retail Certificates will be applied first to repay any funds withdrawn from the LL Class Retail Cash Deposit on the preceding Distribution Date, and then the remainder of such allocable amount, if any, will be similarly rounded upward and applied as an LL Class Retail Principal Distribution. This procedure will continue on succeeding Distribution Dates until the principal balance of the LL Class Retail Certificates has been reduced to zero. Thus, the LL Class Retail Principal Distribution on any Distribution Date may be slightly more or less than would be the case in the absence of such rounding procedures, but such difference will in no event exceed \$999.99 on any Distribution Date. The aggregate of all LL Class Retail Principal Distributions made through any Distribution Date will in no event be less than would have been the case in the absence of such rounding procedures.

LL Class Retail Principal Distribution Requests. An investor in the LL Class Retail Certificates may request that distributions of principal of such Class of Retail Certificates be allocated to such investor (up to the amount of such investor’s ownership interest in such Class of Retail Certificates) in integral multiples of \$1,000, on the earliest possible Distribution Date, subject to the priorities and limitations described below (each, an “LL Class Retail Principal Distribution Request”). Any LL Class Retail Principal Distribution Request must be submitted to the financial intermediary that maintains the account evidencing the related investor’s interest in the LL Class Retail Certificates. If such financial intermediary is not a Depository Participant, it must notify the related Depository Participant of such request. The related Depository Participant must in turn make the request in writing to the Depository on a form required by the Depository. Upon the receipt of a request, the Depository will date and time stamp such request and forward it to State Street. State Street shall not be deemed liable for any delay in delivery to State Street of LL Class Retail Principal Distribution Requests or the withdrawal of such requests. The exact procedures to be followed by the Depository for purposes of determining the order of receipt will be those established from time to time by the Depository. State Street will maintain a list of those Depository Participants representing investors that have submitted LL Class Retail Principal Distribution Requests, together with the order of receipt and the amounts of such requests. State Street will notify the Depository and the appropriate Depository Participants as to which requests should be honored on each Distribution Date. LL Class Retail Principal Distribution Requests will be honored by the Depository in accordance with the procedures, and subject to the priorities and limitations, described below. The exact procedures to be followed by State Street and the Depository for purposes of determining such priorities and limitations will be those established from time to time by State Street or the Depository, as the case

may be. The decisions of State Street and the Depository concerning such matters will be final and binding on all affected persons.

An investor may withdraw an LL Class Retail Principal Distribution Request by notifying the financial intermediary that maintains the account evidencing such investor's LL Class Retail Certificates. If such financial intermediary is not a Depository Participant, it must notify the related Depository Participant, which must in turn forward the withdrawal of such request, on a form required by the Depository, to State Street.

In order for an LL Class Retail Principal Distribution Request, or a withdrawal of such request, to be honored with respect to a Distribution Date, it must be received by the Depository and forwarded to State Street, in the case of an LL Class Retail Principal Distribution Request, or received by the Depository Participant and forwarded to State Street, in the case of a withdrawal of such request, by the last day of the month preceding the month in which such Distribution Date occurs (the "Record Date"), in accordance with the procedures described above. Priority of distribution of principal of LL Class Retail Certificates will be given to investors on whose behalf LL Class Retail Principal Distribution Requests have been duly received and not withdrawn. Such requests will be honored by the Depository in the following order of priority:

(i) requests on behalf of Deceased Owners (as defined below) will be honored in the order of their receipt by the Depository until such requests have been honored, with respect to each Deceased Owner on whose behalf such a request has been made, in an initial amount up to \$100,000 of original principal balance per Deceased Owner; and

(ii) requests on behalf of Living Owners (as defined below) will be honored in the order of their receipt by the Depository until such requests have been honored, with respect to each Living Owner on whose behalf such a request has been made, in an initial amount up to \$10,000 of original principal balance per Living Owner.

Thereafter, requests on behalf of Deceased Owners will be honored as provided in clause (i) above up to an additional amount equal to \$100,000 of original principal balance, and requests on behalf of Living Owners will be honored as provided in clause (ii) above up to an additional amount equal to \$10,000 of original principal balance. This sequence of priorities will be repeated until all LL Class Retail Principal Distribution Requests have been honored.

To the extent that the LL Class Retail Principal Distribution Requests exceed the aggregate amount of principal available for distribution on the LL Class Retail Certificates on a Distribution Date, such requests will automatically be honored on succeeding Distribution Dates, without the need for any further LL Class Retail Principal Distribution Requests, all in accordance with the applicable procedures of State Street. An LL Class Retail Principal Distribution Request submitted on behalf of a Living Owner who thereafter becomes a Deceased Owner will become entitled to the priority of a newly submitted request on behalf of a Deceased Owner, provided that, as to any Distribution Date, the Depository has received and forwarded to State Street appropriate evidence of death and any required tax waivers on or before the related Record Date. Upon the transfer of beneficial ownership of any LL Class Retail Certificate, any LL Class Retail Principal Distribution Request relating thereto will be deemed to have been withdrawn only upon the receipt by State Street of notification of such withdrawal using a form required by the Depository.

Excess Retail Principal Distribution by Random Lot. To the extent an LL Class Retail Principal Distribution on any Distribution Date exceeds the amount evidenced by the LL Class Retail Principal Distribution Requests received by State Street, the LL Class Retail Certificates in respect of which distributions of principal are to be made (in integral multiples of \$1,000) will be determined in accordance with the then applicable random lot procedures of the Depository and the established procedures of the Depository Participants and financial intermediaries. Accordingly, a Depository Participant or financial intermediary may elect to allot the remaining portion of such LL Class Retail Principal Distribution to the accounts of some investors (which could include such Depository

Participant or financial intermediary) without allotting such distributions to the accounts of other investors.

Beneficial Owners. A “Deceased Owner” is a beneficial owner of LL Class Retail Certificates who was living at the time such interest was acquired and whose executor or other authorized representative causes to be furnished to the Depository evidence of death satisfactory to State Street and any tax waivers requested by State Street. A “Living Owner” is any other beneficial owner of LL Class Retail Certificates. LL Class Retail Certificates beneficially owned by tenants by the entirety, joint tenants or tenants in common will be considered to be beneficially owned by a single owner. The death of a tenant by the entirety, joint tenant or tenant in common will be deemed to be the death of the beneficial owner, and the LL Class Retail Certificates so beneficially owned will be eligible for priority in principal distribution, subject to the limitations stated above. LL Class Retail Certificates beneficially owned by a trust will be considered to be beneficially owned by each beneficiary of the trust to the extent of such beneficiary’s beneficial interest in such trust, but in no event will a trust’s beneficiaries collectively be deemed to be beneficial owners of a principal amount of LL Class Retail Certificates greater than the principal amount of LL Class Retail Certificates of which such trust is the owner. The death of a beneficiary of a trust will be deemed to be the death of a beneficial owner of the LL Class Retail Certificates beneficially owned by the trust to the extent of such beneficiary’s beneficial interest in such trust. The death of an individual who was a tenant by the entirety, joint tenant or tenant in common in a tenancy which is the beneficiary of a trust will be deemed to be the death of the beneficiary of the trust. The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial ownership interests in LL Class Retail Certificates will be deemed to be the death of the beneficial owner of such LL Class Retail Certificates regardless of the registration of ownership, if such beneficial interest can be established to the satisfaction of State Street. Such beneficial interest will be deemed to exist in typical cases of street name or nominee ownership, ownership by a trustee, ownership under the Uniform Gifts to Minors Act and community property or other joint ownership arrangements between spouses. Beneficial interest will include the power to sell, transfer or otherwise dispose of LL Class Retail Certificates and the right to receive the proceeds therefrom, as well as interest and principal distributable with respect thereto.

Tax Information. Information allowing beneficial owners of the LL Class Retail Certificates to calculate properly the taxable income attributable to the LL Class Retail Certificates will be made available by Fannie Mae to Depository Participants and financial intermediaries as required by federal income tax law. Financial intermediaries, in turn, will be obligated to supply such information to individuals and other beneficial owners who are not “exempt recipients.” Beneficial owners should be aware, however, that such information need not be furnished before March 15 of any calendar year following a calendar year in which income accrues on an LL Class Retail Certificate. The LL Class Retail Certificates may be issued with “original issue discount” for federal income tax purposes. *Prospective investors in the LL Class Retail Certificates should be aware that the beneficial owners of LL Class Retail Certificates must include in gross income original issue discount as it accrues under a method that generally results in recognition of some taxable income in advance of receipt of the cash attributable to such income.* Prospective investors in LL Class Retail Certificates also should be aware that beneficial owners of LL Class Retail Certificates should treat any premium, any original issue discount and any market discount with respect to such Certificates in the same manner as beneficial owners of other “regular interests” in a REMIC. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates” in the REMIC Prospectus. Because the LL Class Retail Certificates will not receive payments of principal on a pro rata basis, however, a payment in full of an LL Class Retail Certificate may be treated as a prepayment for purposes of the premium, original issue discount and market discount rules. Additional tax consequences affecting beneficial owners of the LL Class Retail Certificates are discussed under “Certain Additional Federal Income Tax Consequences—Taxation of Beneficial Owners of the LL Class Retail Certificates” herein and “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates” in the REMIC Prospectus.

Certain Principal Distribution Considerations

Because there may be little or no distribution of principal of the LL Class Retail Certificates on any particular Distribution Date, *there is no assurance that an LL Class Retail Principal Distribution Request will be honored, either in whole or in part, within any particular time after it is submitted.* The likelihood that any particular LL Class Retail Principal Distribution Request will be honored within any particular time after submission will also be affected by the aggregate principal balance of the related LL Class Retail Certificates beneficially owned by persons having priority to right of distribution, either due to their status as Deceased Owners or because of earlier submission of their LL Class Retail Principal Distribution Requests. Conversely, the amount of principal available to be distributed on the LL Class Retail Certificates on any Distribution Date may exceed the amount necessary to satisfy such LL Class Retail Principal Distribution Requests, in which case non-requesting investors may receive distributions of principal in accordance with the random lot procedures referred to herein.

During periods in which interest rates generally are higher than the respective per annum rates at which interest accrues on the LL Class Retail Certificates, a greater number of investors may be expected to submit LL Class Retail Principal Distribution Requests. During such periods, however, there may be a concurrent reduction in the rate of prepayments on the Mortgage Loans, thus reducing the funds available for LL Class Retail Principal Distributions. Conversely, LL Class Retail Principal Distributions may be greater when prevailing interest rates decline relative to the rates of interest on the Mortgage Loans. Under such conditions, investors may be less likely to submit LL Class Retail Principal Distribution Requests while mortgagors may be more likely to prepay the Mortgage Loans. Investors in the LL Class Retail Certificates selected for distribution under such conditions may be unable to reinvest the proceeds of such distributions at effective interest rates equal to the per annum rate at which interest accrues on the LL Class Retail Certificates.

Because the rate of LL Class Retail Principal Distributions is dependent upon the rate of principal distributions (including prepayments) on the Mortgage Loans and the priority sequence of distributions described herein under “Description of the LL Class Retail Certificates—Distributions of Principal,” no assurance can be given as to the Distribution Date on which the LL Class Retail Certificates will begin to receive principal distributions, as to the rate at which such distributions will continue thereafter or as to the date on which the principal balance of the LL Class Retail Certificates will be distributed in full. In addition, it is possible that certain investors in the LL Class Retail Certificates may not receive LL Class Retail Principal Distributions until the Final Distribution Date for such Class. Any investor who purchases an LL Class Retail Certificate at a premium (or a discount) should consider the risk that relatively early (or late) principal distributions following issuance of the Certificates could result in an actual yield that is lower than such investor’s anticipated yield. See “Risk Factors—Yield Considerations” in the REMIC Prospectus and “Additional Risk Factors—Additional Yield and Prepayment Considerations” herein. Also see “Distributions of Principal” and “Weighted Average Lives of the LL Class Retail Certificates” herein.

As described under “Distributions of Principal” herein, the amount of principal allocated on each Distribution Date to the LL Class Retail Certificates primarily will depend on the sufficiency of the Principal Distribution Amount (as defined herein) to reduce the principal balances of those Classes that have higher principal payment priorities than the LL Class Retail Certificates to zero. As a result, the amount of principal distributable on the LL Class Retail Certificates on any Distribution Date will be sensitive to the level of prepayments of the Mortgage Loans.

To illustrate the effect of prepayments on the distributions of principal of LL Class Retail Certificates, the following table indicates the approximate aggregate distributions of principal of the LL Class Retail Certificates during the periods shown. The following table shows the amounts that would be available for distributions of principal of the LL Class Retail Certificates during the periods indicated at various constant percentages of PSA (as defined under “Structuring Assumptions—Prepayment Assumptions” herein) based on the allocations of principal described under “Distribu-

tions of Principal” herein. The amounts shown have been calculated on the basis of the Pricing Assumptions (as defined herein) and on the assumption that principal distributions on the LL Class Retail Certificates are not rounded to integral multiples of \$1,000 and are made on the 18th day of each month in which such distributions are required to be made. **The amounts in the table are hypothetical numbers only, apply to the LL Class Retail Certificates taken as a whole, and are presented solely to show the relationship between prepayments and distributions on the LL Class Retail Certificates in order to assist investors in analyzing that relationship. Because of the distribution priorities and allocations described above and because investors in the LL Class Retail Certificates will receive principal distributions in integral multiples of \$1,000, there is no assurance that any investor will receive a distribution of principal on any particular Distribution Date. Investors are urged to consult their own financial advisors as to the significance of prepayments in terms of the investors’ financial and investment objectives.**

**Aggregate Retail Principal Distributions of the LL Class
(for illustrative purposes only)**

(Amounts in thousands)

Twelve Consecutive Months Through	PSA Prepayment Assumption					
	0%	100%	290%	325%	500%	600%
December 1997	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
December 1998	0	0	0	0	0	0
December 1999	0	0	0	0	0	0
December 2000	360	360	360	360	360	360
December 2001	360	360	360	360	360	360
December 2002	360	360	360	360	360	2,491
December 2003	360	360	360	360	546	9,895
December 2004	360	360	360	360	8,832	6,256
December 2005	360	360	360	360	6,105	3,950
December 2006	360	360	360	360	4,215	2,491
December 2007	360	360	360	2,520	2,906	1,569
December 2008	360	360	1,175	5,348	2,000	986
December 2009	360	360	5,084	4,244	1,375	619
December 2010	360	360	4,139	3,362	943	387
December 2011	360	360	3,365	2,660	645	242
December 2012	360	360	2,732	2,100	441	151
December 2013	360	360	2,214	1,655	300	94
December 2014	360	360	1,790	1,301	204	58
December 2015	360	360	1,444	1,021	138	36
December 2016	360	360	1,162	798	93	22
December 2017	360	360	932	622	62	13
December 2018	360	360	746	483	41	8
December 2019	360	360	594	373	27	5
December 2020	360	360	471	286	18	3
December 2021	360	2,646	371	219	12	2
December 2022	360	4,540	291	166	7	1
December 2023	360	4,329	226	124	5	1
December 2024	360	4,131	174	92	3	0
December 2025	360	3,947	133	67	2	0
December 2026	<u>20,640</u>	<u>2,846</u>	<u>77</u>	<u>38</u>	<u>1</u>	<u>0</u>
Total Principal Payments*	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>

* Total principal payments may not equal the sums of the respective columns due to rounding.

The foregoing table has been prepared on the basis of assumptions, some or all of which are likely to differ from actual experience. There can be no assurance that the Mortgage Loans will have the assumed characteristics or will prepay at any of the *constant rates* shown in the table or at any other particular rate, or that the amounts available for distribution of principal of the LL Class Retail Certificates will correspond to any of the amounts shown herein. The rates of the LL Class Retail Principal Distributions will be directly related to the actual amortization and prepayments of the Mortgage Loans, which will likely include Mortgage Loans that have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed. As a result, the amounts available for distribution of principal of the LL Class Retail Certificates are likely to differ from those shown in the table above even if all the Mortgage Loans prepay at the indicated constant percentages of PSA. In particular, the diverse remaining terms to maturity of the Mortgage Loans could produce lower yields than those produced by Mortgage Loans having the assumed characteristics. In addition, the Mortgage Loans will not prepay at a constant level of PSA until

maturity and it is extremely unlikely that all of such Mortgage Loans will prepay at the same rate. The timing of changes in the rate of prepayments may significantly affect the actual amounts available for distribution of principal to an investor (and may affect the resulting yield to maturity), even if the average rate of principal prepayments is consistent with an investor's expectation. In general, the earlier the payment of principal of the Mortgage Loans, the greater the effect on an investor's yield to maturity. As a result, the effect on an investor's yield of principal prepayments occurring at a rate slower (or faster) than the rate anticipated by the investor during the period immediately following the issuance of the LL Class Retail Certificates will not be equally offset by a subsequent like increase (or decrease) in the rate of principal prepayments. Investors are urged to consult their own financial advisors as to the appropriate prepayment assumption to be used in deciding whether to purchase any LL Class Retail Certificates.

The weighted average life of the LL Class Retail Certificates shown in the table referenced under "Decrement Table" herein apply to such Class taken as a whole; as a result of the distribution priorities and allocations described above, the weighted average lives of the LL Class Retail Certificates beneficially owned by individual investors may vary significantly from the weighted average life of such Class as a whole. Although distributions of principal and interest on the LL Class Retail Certificates are guaranteed by Fannie Mae as described herein, Fannie Mae can give no assurance as to any particular principal distribution scenario, as to any particular weighted average life for such Class of Retail Certificates or as to the date or dates on which any particular investor will receive distributions of principal. In addition, there is no assurance that procedures of the financial intermediaries or the Depository will not change. Investors in the LL Class Retail Certificates should understand that they are assuming all risks and benefits associated with the rate of principal distributions on such Retail Certificates, whether such rate is rapid or slow, and with variations in such rate from time to time. Investors in the LL Class Retail Certificates should also consider that the effective yields to Holders of the LL Class Retail Certificates will be lower than the yields otherwise produced because principal and interest payable on a Distribution Date will not be distributed until the 18th day following the end of the related Interest Accrual Period and will not bear interest during such delay.

Investment Determination

The LL Class Retail Certificates may not be an appropriate investment for all prospective investors. The LL Class Retail Certificates would not be an appropriate investment for any investor requiring a particular distribution of principal on a specified date or an otherwise predictable stream of principal distributions. There is no assurance that any investor in the LL Class Retail Certificates will receive a principal distribution (in integral multiples of \$1,000) on any particular Distribution Date. Any investor who purchases an LL Class Retail Certificate at a premium (or a discount) should consider the risk that relatively early (or late) principal distributions following the issuance of the LL Class Retail Certificates could result in an actual yield that is lower than such investor's anticipated yield. In addition, although Edward D. Jones & Co. intends to make a secondary market in the LL Class Retail Certificates, neither of the Dealers is obligated to do so, and any such market making may be discontinued at any time. There is no assurance that such a secondary market will develop, that any such market will continue or that information on any such secondary market will be as readily available as information regarding certain other types of investments. The price of the LL Class Retail Certificates in any such secondary market will be affected by various factors, and the volatility of such price may differ from that evidenced by certain other types of investments. Finally, there can be no assurance that the price at which an investor may be able to sell an LL Class Retail Certificate will be the same as or higher than the purchase price at which such investor purchased such Certificate.

The MBS

The MBS underlying the Certificates will have the aggregate unpaid principal balance and Pass-Through Rate set forth below and the general characteristics described in the MBS Prospectus. The MBS will provide that certain principal and interest payments on the MBS will be passed through monthly, commencing in the month following the month of initial issuance of the MBS. Each Mortgage Loan will be a conventional Level Payment Mortgage Loan 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 30 years. In addition, the Mortgage Loans underlying the MBS were originated pursuant to agreements between lenders and employers in connection with relocation programs maintained by employers that commonly relocate their employees (“relocation mortgage loans”), as opposed to being originated in connection with the non-recurring relocation of an employer’s place of business. See “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus. The characteristics of the MBS and the Mortgage Loans as of December 1, 1996 (the “Issue Date”) are expected to be as follows:

MBS

Aggregate Unpaid Principal Balance	\$250,000,000
MBS Pass-Through Rate	7.00%

Mortgage Loans

Range of WACs (per annum percentages)	7.25% to 9.50%
Range of WAMs	241 months to 360 months
Approximate Weighted Average WAM	357 months
Approximate Weighted Average CAGE	2 months

Following the issuance of the Certificates, Fannie Mae will prepare a Final Data Statement setting forth, among other information, 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

The LL Class Retail Certificates will bear interest at the per annum interest rate set forth on the cover hereof. Interest on the LL Class Retail 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 January 1997. Interest to be distributed on each LL Class Retail Certificate on a Distribution Date will consist of one month’s interest on the outstanding principal balance of such Certificate immediately prior to such Distribution Date. Interest to be distributed on a Distribution Date will accrue on the LL Class Retail Certificates during the calendar month preceding the month in which such Distribution Date occurs (an “Interest Accrual Period”). The effective yield on the LL Class Retail Certificates will be reduced below the yield otherwise produced because interest payable with respect to an Interest Accrual Period will not be distributed until the 18th day following the end of such Interest Accrual Period and will not bear interest during such delay.

Distributions of Principal

Principal Distribution Amount

Principal will be distributed on the Classes on each Distribution Date in an amount (the “Principal Distribution Amount”) equal to the aggregate distributions of principal to be made on the MBS in the month of such Distribution Date (plus or minus any amounts withdrawn from or deposited to the LL Class Cash Deposit on such Distribution Date). See “Description of the LL Class Retail Certificates—Characteristics of the LL Class Retail Certificates—*LL Class Retail Principal Distributions*” herein.

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

1. Commencing in January 2000, on each Distribution Date to the LL Class, an amount up to \$30,000. } LL Class
2. Commencing in January 1997, on each Distribution Date (after giving effect to any payment pursuant to 1. above) as follows:
 - a. To certain Classes (other than the LL Class), until an amount aggregating \$220,000,000 has been distributed to such Classes; and } Certain Other Classes
 - b. To the LL Class, until the principal balance thereof is reduced to zero. } LL Class

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 Mortgage Loans bear interest at a rate of 8.02% per annum and have an original term to maturity of 360 months, a CAGE of 2 months and a remaining term to maturity of 357 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 Models” in the REMIC Prospectus. It is highly unlikely that prepayments will occur at any PSA rate or at any other constant rate.

Weighted Average Lives of the LL Class Retail Certificates

The weighted average life of an LL Class Retail 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.

The weighted average lives of the LL Class Retail Certificates will be influenced by, among other factors, the rate at which principal is paid on the Mortgage Loans. In general, the weighted average lives of the LL Class Retail Certificates will be shortened if the level of prepayments of principal of the Mortgage Loans increases. However, the weighted average lives will depend upon a variety of other factors, including the timing of changes in such rate of principal payments and the priority sequence of distributions of principal of the Classes. See “Distributions of Principal” herein.

The effects of the foregoing factors on the LL Class Retail Certificates 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 LL Class Retail Certificate. Further, to the extent the price of any LL Class Retail Certificate represents a discount or premium to its respective original principal balance, variability in the weighted average life of an LL Class Retail Certificate could result in variability in the related yield to maturity. For an example of how the weighted average life of the LL Class as a whole is affected by the foregoing factors at various *constant* prepayment rates, see the Decrement Table below.

Decrement Table

The following table indicates the percentages of the original principal balance of the LL Class Retail Certificates that would be outstanding after each of the dates shown at various *constant* percentages of PSA and the corresponding weighted average life of such Class. The table has been prepared on the basis of the Pricing Assumptions, except that with respect to the information set forth under 0% PSA it has been assumed that each underlying Mortgage Loan bears an interest rate of 9.50% per annum, and has an original and remaining term to maturity of 360 months. It is not likely that (i) all of the underlying Mortgage Loans will have the interest rates, CAGEs or remaining terms to maturity assumed or (ii) the underlying Mortgage Loans will prepay at a *constant* level of PSA. 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 table at the various *constant* percentages of PSA specified, 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	LL***					
	PSA Prepayment Assumption					
	0%	100%	290%	325%	500%	600%
Initial Percent	100	100	100	100	100	100
December 1997	100	100	100	100	100	100
December 1998	100	100	100	100	100	100
December 1999	100	100	100	100	100	100
December 2000	99	99	99	99	99	99
December 2001	98	98	98	98	98	98
December 2002	96	96	96	96	96	89
December 2003	95	95	95	95	95	56
December 2004	94	94	94	94	65	35
December 2005	93	93	93	93	45	22
December 2006	92	92	92	92	31	14
December 2007	90	90	90	83	21	9
December 2008	89	89	86	65	14	5
December 2009	88	88	70	51	10	3
December 2010	87	87	56	40	7	2
December 2011	86	86	45	31	5	1
December 2012	84	84	35	24	3	1
December 2013	83	83	28	19	2	*
December 2014	82	82	22	14	1	*
December 2015	81	81	17	11	1	*
December 2016	80	80	13	8	1	*
December 2017	78	78	10	6	*	*
December 2018	77	77	8	5	*	*
December 2019	76	76	6	3	*	*
December 2020	75	75	4	2	*	*
December 2021	74	66	3	2	*	*
December 2022	72	51	2	1	*	*
December 2023	71	36	1	1	*	*
December 2024	70	23	1	*	*	*
December 2025	69	9	*	*	*	*
December 2026	0	0	0	0	0	0
Weighted Average Life (years)**	25.4	23.6	15.2	13.9	9.4	7.9

* 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 LL Class Retail Certificates" herein.

*** The weighted average lives shown in the table for the LL Class Retail Certificates apply to such Class taken as a whole. As a result of the distribution priorities and allocations described herein, the weighted average lives of the LL Class Retail Certificates beneficially owned by individual investors may vary significantly from the weighted average life of such Class taken as a whole.

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 LL Class Retail 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 LL Class Retail Certificates.

REMIC Election and Special Tax Attributes

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

As a consequence of the qualification of the Trust as a REMIC, the LL Class Retail Certificates generally will be treated as “regular interests in a REMIC” for domestic building and loan associations, “real estate assets” for real estate investment trusts, and as “qualified mortgages” for other REMICs. The Small Business Job Protection Act of 1996 repeals the bad debt reserve method of accounting for mutual savings banks and domestic building and loan associations for tax years beginning after December 31, 1995. As a result, section 593(d) of the Code is no longer applicable to treat REMIC regular interests, including the LL Class Retail Certificates, as “qualifying real property loans.” See “Certain Federal Income Tax Consequences—Special Tax Attributes” in the REMIC Prospectus.

Taxation of Beneficial Owners of the LL Class Retail Certificates

The LL Class Retail 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 325% PSA. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the REMIC Prospectus. No representation is made as to whether the Mortgage Loans underlying the MBS will prepay at that or any other rate. See “Description of the LL Class Retail Certificates—Weighted Average Lives of the LL Class Retail Certificates” herein. In addition, the LL Class Retail 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.

Additional tax consequences affecting beneficial owners of LL Class Retail Certificates are discussed under “Description of the LL Class Retail Certificates—Characteristics of the LL Class Retail Certificates—*LL Class Retail Principal Distributions—Tax Information*” herein.

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 the LL Class Retail 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 LL Class Retail 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, set forth guidelines for investing in certain types of mortgage related securities, including securities such as the LL Class Retail Certificates. In addition, financial institutions should consult their regulators concerning the risk-based capital treatment of any LL Class Retail Certificate. Investors should consult their own legal advisors in determining whether and to what extent the LL Class Retail Certificates constitute legal investments or are subject to restrictions on investment.

PLAN OF DISTRIBUTION

General. The Dealers propose to offer the LL Class Retail Certificates directly to the public from time to time in negotiated transactions or otherwise at varying prices to be determined at the time of sale. Such Dealers may effect such transactions by selling the LL Class Retail Certificates to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the Dealers.

Increase in Certificates. Before the Settlement Date, Fannie Mae and the Dealers may agree to offer hereby LL Class Retail Certificates in addition to those contemplated as of the date hereof. In such event, the MBS will be increased in principal balance, but it is expected that all additional MBS will have the same characteristics as described herein under “Description of the LL Class Retail Certificates—The MBS.” The proportion that the original principal balance of each Class, including the LL Class Retail Certificates, bears to the aggregate original principal balance of all the Classes will remain the same.

LEGAL MATTERS

Certain legal matters will be passed upon for the Dealers by Cleary, Gottlieb, Steen & Hamilton.

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 REMIC 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.

\$30,000,000



FannieMae

Guaranteed REMIC
 Pass-Through Certificates
 Fannie Mae REMIC Trust 1996-61
 Individual Investor Class
 (LL Class)

TABLE OF CONTENTS

	<u>Page</u>
Prospectus Supplement	
Table of Contents	S- 3
Reference Sheet	S- 4
Additional Risk Factors	S- 7
Description of the LL Class Retail Certificates	S- 7
Certain Additional Federal Income Tax Consequences.....	S-21
Legal Investment Considerations.....	S-21
Plan of Distribution.....	S-22
Legal Matters	S-22
REMIC Prospectus	
Prospectus Supplement.....	2
Summary of Prospectus	3
Description of the Certificates	10
The Trust Agreement	23
Certain Federal Income Tax Consequences.....	25
Legal Investment Considerations.....	37
Legal Opinion	37
ERISA Considerations	37
Glossary	39

PROSPECTUS SUPPLEMENT

LEHMAN BROTHERS
 EDWARD D. JONES & Co.

November 5, 1996