

\$300,000,000



FannieMae

Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 1997-2

The Guaranteed REMIC Pass-Through Certificates offered hereby (the “Certificates”) will represent beneficial ownership interests in Fannie Mae REMIC Trust 1997-2 (the “Trust”). The assets of the Trust will consist of certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the “MBS”). Each of the 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.

See “Additional Risk Factors” on page S-6 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 Certificates.

(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
A	\$63,778,000	SEQ	6.75%	FIX	31359NLU3	August 2022
K	7,972,000	SEQ	9.00	FIX	31359NLV1	August 2022
B	4,893,000	SEQ/LIQ	7.00	FIX	31359NLW9	November 2000
C	62,626,000	TAC	7.00	FIX	31359NLX7	January 2020
D	50,000,000	SUP	7.00	FIX	31359NLY5	August 2022
E	43,643,000	SEQ	7.00	FIX	31359NLZ2	September 2024
G	11,154,000	SEQ/AD	7.00	FIX	31359NMA6	August 2003
H	6,808,000	SEQ/AD	7.00	FIX	31359NMB4	July 2006
J	29,676,000	SEQ/AD	7.00	FIX	31359NMC2	November 2014
Z	19,450,000	SEQ	7.00	FIX/Z	31359NMD0	February 2027
R	0	NPR	0	NPR	31359NME8	February 2027

(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.

The Certificates will be offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Dealer”) from time to time in negotiated transactions, at varying prices to be determined at the time of sale.

The Certificates will be offered by the Dealer, subject to issuance by Fannie Mae, to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by the Dealer, and subject to approval of certain legal matters by counsel. It is expected that the Certificates, except for the R Class, will be available through the book-entry facilities of The Depository Trust Company on or about January 30, 1997 (the “Settlement Date”). It is expected that the R Class in registered, certificated form will be available for delivery at the offices of the Dealer, New York, New York, on or about the Settlement Date.

Merrill Lynch & Co.

December 11, 1996

(Cover continued from previous page)

The yields to investors in each Class will be sensitive in varying degrees to, among other things, the rate of principal payments of the Mortgage Loans, the actual characteristics of such Mortgage Loans and the purchase price paid for such Class. Accordingly, investors should consider the following risks:

- The Mortgage Loans generally may be prepaid at any time without penalty, and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time.
- Slight variations in Mortgage Loan characteristics could substantially affect the weighted average lives and yields of some or all of the Classes.
- In the case of any Certificates purchased at a discount to their principal amounts, a slower than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of any Certificates purchased at a premium to their principal amounts, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield.

See “Risk Factors—Yield Considerations” in the REMIC Prospectus and “Additional Risk Factors—Additional Yield and Prepayment 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 “Risk Factors—Suitability and Reinvestment Considerations” 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 (as defined below). Any representation to the contrary is a criminal offense.

An election will be made to treat the Trust as a “real estate mortgage investment conduit” (“REMIC”) pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). The R Class will be subject to transfer restrictions. See “Description of the Certificates—Characteristics of the R Class” 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 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 from Merrill Lynch, Pierce, Fenner & Smith Incorporated by writing or calling its Prospectus Department at 4 Corporate Place, Corporate Park 287, Piscataway, New Jersey 08855 (telephone 908-878-6526).

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Reference Sheet	S- 4	<i>Categories of Classes</i>	S-10
Additional Risk Factors	S- 6	<i>Principal Distribution Amount</i>	S-10
Additional Yield and Prepayment Considerations	S- 6	<i>Accrual Amount</i>	S-10
Description of the Certificates	S- 6	<i>Cash Flow Distribution Amount</i> ...	S-10
General	S- 6	Structuring Assumptions	S-11
<i>Structure</i>	S- 6	<i>Pricing Assumptions</i>	S-11
<i>Fannie Mae Guaranty</i>	S- 6	<i>Prepayment Assumptions</i>	S-11
<i>Characteristics of Certificates</i>	S- 7	<i>Structuring Rate</i>	S-11
<i>Authorized Denominations</i>	S- 7	Principal Balance Schedule	S-12
<i>Distribution Dates</i>	S- 7	Weighted Average Lives of the Certificates	S-13
<i>Record Date</i>	S- 7	Decrement Tables	S-14
<i>REMIC Trust Factors</i>	S- 7	Characteristics of the R Class	S-16
<i>Optional Termination</i>	S- 7	Certain Additional Federal Income Tax Consequences	S-16
<i>Liquid Asset</i>	S- 7	REMIC Election and Special Tax Attributes	S-16
Book-Entry Procedures	S- 8	Taxation of Beneficial Owners of Regular Certificates	S-16
General	S- 8	Taxation of Beneficial Owners of Residual Certificates	S-17
<i>Method of Distribution</i>	S- 8	Plan of Distribution	S-17
The MBS	S- 8	<i>General</i>	S-17
Distributions of Interest	S- 9	<i>Increase in Certificates</i>	S-17
<i>Categories of Classes</i>	S- 9	Legal Matters	S-17
General	S- 9		
<i>Interest Accrual Period</i>	S- 9		
<i>Accrual Class</i>	S- 9		
Distributions of Principal	S-10		

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 in their entirety.

Assumed Mortgage Loan Characteristics (as of January 1, 1997)

<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>
\$150,000,000	346	10	7.65%
\$150,000,000	346	14	7.65%

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 Fixed Rate Certificates will bear interest at the applicable per annum interest rates set forth on the cover.

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

Distributions of Principal

Accrual Amount

To the G, H and J Classes to zero, in that order, and thereafter to the Z Class.

Cash Flow Distribution Amount

On each Distribution Date, as follows:

- (a) 37.9090078143% of such amount to the A and K Classes, in proportion to their original principal balances, to zero, and
 - (b) 62.0909921857% of such amount as follows:
 - (i) To the B Class to zero;
 - (ii) To the C Class to its Targeted Balance;
 - (iii) To the D Class to zero; and
 - (iv) To the C Class to zero.
2. The remaining amount to the E, G, H, J 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>155%</u>	<u>300%</u>	<u>500%</u>
A and K	17.4	5.8	4.2	2.4	1.5
B	2.0	0.3	0.2	0.2	0.1
C	14.1	4.3	4.3	3.2	2.1
D	23.1	8.2	4.3	1.6	0.9
E	26.5	15.1	11.1	6.2	3.8
G	3.5	3.5	3.5	3.5	3.2
H	8.0	8.0	8.0	7.4	4.8
J	14.0	14.0	13.0	8.8	5.7
Z	28.8	22.7	20.1	14.1	9.3

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

ADDITIONAL RISK FACTORS

Additional Yield and Prepayment Considerations

The rate of distributions of principal of each Class will be sensitive in varying degrees 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 Certificates.

The effective yields on the Delay Classes (as defined herein) will be reduced below 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. 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.

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 will be created pursuant to a trust agreement dated as of September 1, 1987, as supplemented by an issue supplement thereto dated as of January 1, 1997 (the “Trust Agreement”), executed by the Federal National Mortgage Association (“Fannie Mae”) in its corporate capacity and in its capacity as trustee (the “Trustee”), and the Certificates in the Classes and aggregate original principal balances set forth on the cover hereof will be issued by Fannie Mae pursuant thereto. A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement.

The 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.

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 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.

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

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—Book Entry Procedures” herein.

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

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

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

Distribution Dates. Distributions on the Certificates will be made on the 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—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 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.

Liquid Asset. The B Class is intended to qualify as a “liquid asset” for purposes of the liquidity requirements applicable to federal savings associations, federal savings banks and state chartered associations whose deposits are insured by the Federal Deposit Insurance Corporation.

Book-Entry Procedures

General

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

No person acquiring a beneficial ownership interest in the DTC Certificates (a “beneficial owner” or an “investor”) will be entitled to receive a physical certificate representing such ownership interest. An investor’s interest in the DTC Certificates will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (a “financial intermediary”) that maintains such investor’s account for such purpose. In turn, the financial intermediary’s record ownership of such interest will be recorded on the records of the Depository (or of a Depository Participant that acts as agent for the financial intermediary if such intermediary is not a Depository Participant). Accordingly, an investor will not be recognized by the Trustee or the Depository as a Certificateholder and must rely on the foregoing arrangements to evidence its interest in the DTC Certificates. Beneficial ownership of an investor’s interest in the DTC Certificates may be transferred only by compliance with the procedures of an investor’s financial intermediary and of Depository Participants. In general, beneficial ownership of an investor’s interest in the DTC Certificates will be subject to the rules, regulations and procedures governing the Depository and Depository Participants as in effect from time to time.

Method of Distribution. Each distribution on the DTC Certificates will be distributed by the Paying Agent to the Depository in immediately available funds. The Depository will be responsible for crediting the amount of such distributions to the accounts of the Depository Participants entitled thereto, in accordance with the Depository’s normal procedures, which currently provide for distributions in 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 DTC Certificates that it represents. Accordingly, the beneficial owners may experience some delay in their receipt of distributions.

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 principal and interest on the underlying Mortgage Loans will be passed through monthly, commencing in the month following the month of the initial issuance of the MBS. The Mortgage Loans will be conventional Level Payment Mortgage Loans secured by first mortgages or deeds of trust on one- to four-family (“single-family”) residential properties and having original maturities of up to 30 years, as described under “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus. The characteristics of the MBS and Mortgage Loans as of January 1, 1997 (the “Issue Date”) are expected to be as follows:

Aggregate Unpaid Principal Balance	\$300,000,000
MBS Pass-Through Rate	7.00%
Range of WACS (per annum percentages)	7.25% to 9.50%
Range of WAMS	241 months to 360 months
Approximate Weighted Average WAM	346 months
Approximate Weighted Average CAGE	12 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

Categories of Classes

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

<u>Interest Type*</u>	<u>Classes</u>
Fixed Rate	A, K, B, C, D, E, G, H, J and Z
Accrual	Z
No Payment Residual	R

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

General. The interest-bearing Certificates will bear interest at the applicable 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 interest-bearing Certificates during the one-month period set forth below (the “Interest Accrual Period”).

<u>Classes</u>	<u>Interest Accrual Period</u>
The Fixed Rate Classes (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs

See “Additional Risk Factors—Additional Yield and Prepayment 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 thereon until the Distribution Date following the Distribution Date on which the principal balance of the J Class is 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.

Distributions of Principal

Categories of Classes

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

<u>Principal Type*</u>	<u>Classes</u>
TAC	C
Sequential Pay	A, K, B, E, G, H, J and Z
Liquid Asset	B
Accretion Directed	G, H, and J
Support	D
No Payment Residual	R

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

Principal Distribution Amount

Principal will be distributed monthly on the Certificates in an amount (the “Principal Distribution Amount”) equal to the sum of (i) the aggregate amount distributable as principal of the MBS in such month (the “Cash Flow Distribution Amount”) and (ii) any interest accrued and added in such month to the principal balance of the Accrual Class (the “Accrual Amount”).

Accrual Amount

On each Distribution Date, the Accrual Amount, if any, will be distributed, sequentially, as principal of the G, H and J 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

Cash Flow Distribution Amount

On each Distribution Date, the Cash Flow Distribution Amount will be distributed as principal of the Classes specified below, as follows:

- (a) 37.9090078143% of such amount, concurrently, as principal of the A and K Classes, in proportion to their original principal balances (or 88.8891986063% and 11.1108013937%, respectively), until the principal balances thereof are reduced to zero, and } Sequential Pay Classes
- (b) 62.0909921857% of such amount, in the following order of priority:
 - (i) to the B Class, until the principal balance thereof is reduced to zero; } Sequential Pay Class
 - (ii) to the C Class, until the principal balance thereof is reduced to its Targeted Balance for such Distribution Date; } TAC Class
 - (iii) to the D Class, until the principal balance thereof is reduced to zero; and } Support Class
 - (iv) to the C Class, without regard to its Targeted Balance and until the principal balance thereof is reduced to zero. } TAC Class

On each Distribution Date, the excess of the Cash Flow Distribution Amount over the amount applied pursuant to the immediately preceding paragraph will be distributed, sequentially, as principal of the E, G, H, J 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 (collectively, the “Pricing Assumptions”):

- the Mortgage Loans have an original term to maturity of 360 months, and the following principal amounts of the Mortgage Loans have the remaining terms to maturity, CAGEs and interest rates, respectively, specified below:

\$150,000,000	346 months	10 months	7.65%
\$150,000,000	346 months	14 months	7.65%

- 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.

Structuring Rate. The Principal Balance Schedule has been prepared on the basis of the Pricing Assumptions and the assumption that the Mortgage Loans prepay at the *constant* PSA rate set forth below.

<u>Principal Balance Schedule Reference</u>	<u>Related Class</u>	<u>Structuring Rate</u>
Targeted Balance	C	155%

There is no assurance that the principal balance of the Class listed above will conform on any Distribution Date to the balance specified for such Distribution Date in the Principal Balance Schedule herein, or that distributions of principal on such Class will begin or end on the Distribution Dates specified therein. Because any excess of the principal distribution on any Distribution Date over the amount necessary to reduce such Class to its scheduled balance will be distributed, the ability to so reduce such Class will not be enhanced by the averaging of high and low principal payments from month to month. Moreover, because of the diverse remaining terms to maturity of the Mortgage Loans (which may include recently originated Mortgage Loans), the Class specified above may not be reduced to its scheduled balance, even if prepayments occur at the *constant* PSA rate specified above.

Principal Balance Schedule

<u>Distribution Date</u>	<u>C Class Targeted Balance</u>	<u>Distribution Date</u>	<u>C Class Targeted Balance</u>
Initial Balance	\$62,626,000.00	October 2001	\$26,095,399.50
February 1997	62,626,000.00	November 2001	25,497,151.74
March 1997	62,626,000.00	December 2001	24,903,887.74
April 1997	62,626,000.00	January 2002	24,315,566.88
May 1997	62,626,000.00	February 2002	23,732,148.88
June 1997	62,626,000.00	March 2002	23,153,593.77
July 1997	62,336,258.78	April 2002	22,579,861.91
August 1997	61,745,710.34	May 2002	22,010,913.99
September 1997	61,130,739.87	June 2002	21,446,711.00
October 1997	60,491,747.32	July 2002	20,887,214.27
November 1997	59,829,151.53	August 2002	20,332,385.42
December 1997	59,143,389.75	September 2002	19,782,186.41
January 1998	58,434,917.18	October 2002	19,236,579.48
February 1998	57,704,206.46	November 2002	18,695,527.19
March 1998	56,951,747.21	December 2002	18,158,992.40
April 1998	56,178,045.40	January 2003	17,626,938.27
May 1998	55,383,622.86	February 2003	17,099,328.27
June 1998	54,582,132.44	March 2003	16,576,126.16
July 1998	53,773,805.48	April 2003	16,057,295.99
August 1998	52,958,881.12	May 2003	15,542,802.10
September 1998	52,137,605.99	June 2003	15,032,609.13
October 1998	51,323,131.05	July 2003	14,526,681.99
November 1998	50,515,400.96	August 2003	14,024,985.89
December 1998	49,714,360.80	September 2003	13,527,486.33
January 1999	48,919,956.12	October 2003	13,034,149.06
February 1999	48,132,132.90	November 2003	12,544,940.13
March 1999	47,350,837.57	December 2003	12,059,825.86
April 1999	46,576,016.97	January 2004	11,578,772.85
May 1999	45,807,618.41	February 2004	11,101,747.96
June 1999	45,045,589.59	March 2004	10,628,718.32
July 1999	44,289,878.65	April 2004	10,159,651.34
August 1999	43,540,434.16	May 2004	9,694,514.68
September 1999	42,797,205.08	June 2004	9,233,276.27
October 1999	42,060,140.81	July 2004	8,775,904.29
November 1999	41,329,191.15	August 2004	8,322,367.20
December 1999	40,604,306.31	September 2004	7,872,633.68
January 2000	39,885,436.91	October 2004	7,426,672.70
February 2000	39,172,533.94	November 2004	6,984,453.47
March 2000	38,465,548.83	December 2004	6,545,945.44
April 2000	37,764,433.37	January 2005	6,111,118.33
May 2000	37,069,139.77	February 2005	5,679,942.07
June 2000	36,379,620.60	March 2005	5,252,386.86
July 2000	35,695,828.83	April 2005	4,828,423.15
August 2000	35,017,717.81	May 2005	4,408,021.61
September 2000	34,345,241.27	June 2005	3,991,153.15
October 2000	33,678,353.31	July 2005	3,577,788.92
November 2000	33,017,008.40	August 2005	3,167,900.31
December 2000	32,361,161.39	September 2005	2,761,458.94
January 2001	31,710,767.49	October 2005	2,358,436.66
February 2001	31,065,782.28	November 2005	1,958,805.53
March 2001	30,426,161.67	December 2005	1,562,537.87
April 2001	29,791,861.98	January 2006	1,169,606.19
May 2001	29,162,839.84	February 2006	779,983.26
June 2001	28,539,052.25	March 2006	393,642.04
July 2001	27,920,456.56	April 2006	10,555.72
August 2001	27,307,010.45	May 2006 and thereafter	0.00
September 2001	26,698,671.98		

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 related 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, the priority sequence of distributions of principal of the Classes and the distribution of principal of the TAC Class in accordance with the Principal Balance Schedule herein. In particular, if the allocable portion of the amount distributable as principal of the Certificates on any Distribution Date exceeds the amount required to reduce the principal balance of the TAC Class to its scheduled amount as set forth in the Principal Balance Schedule, such excess principal will be distributed on the Support Class on such Distribution Date. Conversely, if the allocable portion of the principal distributable on any Distribution Date is less than the amount so required to reduce the TAC Class to its scheduled amount, no principal will be distributed on the Support Class on such Distribution Date. Accordingly, the rate of principal payments on the Mortgage Loans is expected to have a greater effect on the weighted average life of the Support Class than on the weighted average life of the TAC Class. See “Distributions of Principal” herein.

The effect of the foregoing factors may differ as to 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.

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 9.50% 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* 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 distributions of the weighted average remaining terms to maturity and the weighted average CAGEs of the Mortgage Loans are identical to the remaining terms to maturity and CAGEs specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

Date	A and K Classes					B Class					C Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	155%	300%	500%	0%	100%	155%	300%	500%	0%	100%	155%	300%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
January 1998	99	93	89	81	69	77	0	0	0	0	100	94	93	93	93
January 1999	98	82	75	56	32	51	0	0	0	0	100	78	78	78	60
January 2000	97	72	61	34	4	22	0	0	0	0	100	64	64	64	7
January 2001	95	63	49	16	0	0	0	0	0	0	99	51	51	31	0
January 2002	94	54	37	2	0	0	0	0	0	0	97	39	39	4	0
January 2003	92	46	27	0	0	0	0	0	0	0	94	28	28	0	0
January 2004	91	38	18	0	0	0	0	0	0	0	90	18	18	0	0
January 2005	89	30	9	0	0	0	0	0	0	0	87	10	10	0	0
January 2006	87	23	2	0	0	0	0	0	0	0	83	2	2	0	0
January 2007	84	17	0	0	0	0	0	0	0	0	79	0	0	0	0
January 2008	82	10	0	0	0	0	0	0	0	0	74	0	0	0	0
January 2009	79	5	0	0	0	0	0	0	0	0	69	0	0	0	0
January 2010	76	0	0	0	0	0	0	0	0	0	63	0	0	0	0
January 2011	73	0	0	0	0	0	0	0	0	0	57	0	0	0	0
January 2012	69	0	0	0	0	0	0	0	0	0	50	0	0	0	0
January 2013	65	0	0	0	0	0	0	0	0	0	42	0	0	0	0
January 2014	61	0	0	0	0	0	0	0	0	0	34	0	0	0	0
January 2015	56	0	0	0	0	0	0	0	0	0	25	0	0	0	0
January 2016	50	0	0	0	0	0	0	0	0	0	15	0	0	0	0
January 2017	44	0	0	0	0	0	0	0	0	0	4	0	0	0	0
January 2018	38	0	0	0	0	0	0	0	0	0	0	0	0	0	0
January 2019	31	0	0	0	0	0	0	0	0	0	0	0	0	0	0
January 2020	23	0	0	0	0	0	0	0	0	0	0	0	0	0	0
January 2021	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0
January 2022	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0
January 2023	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
January 2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
January 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
January 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
January 2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	17.4	5.8	4.2	2.4	1.5	2.0	0.3	0.2	0.2	0.1	14.1	4.3	4.3	3.2	2.1

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

Date	D Class					E Class					G Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	155%	300%	500%	0%	100%	155%	300%	500%	0%	100%	155%	300%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
January 1998	100	100	93	73	46	100	100	100	100	100	100	100	100	100	100
January 1999	100	96	78	33	0	100	100	100	100	100	100	74	74	74	74
January 2000	100	90	64	*	0	100	100	100	100	100	100	59	59	59	59
January 2001	100	85	51	0	0	100	100	100	100	33	44	44	44	44	44
January 2002	100	79	39	0	0	100	100	100	100	0	27	27	27	27	0
January 2003	100	72	28	0	0	100	100	100	59	0	9	9	9	9	0
January 2004	100	66	18	0	0	100	100	100	17	0	0	0	0	0	0
January 2005	100	59	10	0	0	100	100	100	0	0	0	0	0	0	0
January 2006	100	52	2	0	0	100	100	100	0	0	0	0	0	0	0
January 2007	100	39	0	0	0	100	100	78	0	0	0	0	0	0	0
January 2008	100	25	0	0	0	100	100	51	0	0	0	0	0	0	0
January 2009	100	11	0	0	0	100	100	27	0	0	0	0	0	0	0
January 2010	100	0	0	0	0	100	95	5	0	0	0	0	0	0	0
January 2011	100	0	0	0	0	100	73	0	0	0	0	0	0	0	0
January 2012	100	0	0	0	0	100	51	0	0	0	0	0	0	0	0
January 2013	100	0	0	0	0	100	31	0	0	0	0	0	0	0	0
January 2014	100	0	0	0	0	100	11	0	0	0	0	0	0	0	0
January 2015	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
January 2016	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
January 2017	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
January 2018	89	0	0	0	0	100	0	0	0	0	0	0	0	0	0
January 2019	73	0	0	0	0	100	0	0	0	0	0	0	0	0	0
January 2020	54	0	0	0	0	100	0	0	0	0	0	0	0	0	0
January 2021	34	0	0	0	0	100	0	0	0	0	0	0	0	0	0
January 2022	12	0	0	0	0	100	0	0	0	0	0	0	0	0	0
January 2023	0	0	0	0	0	76	0	0	0	0	0	0	0	0	0
January 2024	0	0	0	0	0	27	0	0	0	0	0	0	0	0	0
January 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
January 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
January 2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	23.1	8.2	4.3	1.6	0.9	26.5	15.1	11.1	6.2	3.8	3.5	3.5	3.5	3.5	3.2

Date	H Class					J Class					Z Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	155%	300%	500%	0%	100%	155%	300%	500%	0%	100%	155%	300%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
January 1998	100	100	100	100	100	100	100	100	100	100	100	107	107	107	107
January 1999	100	100	100	100	100	100	100	100	100	100	115	115	115	115	115
January 2000	100	100	100	100	100	100	100	100	100	100	123	123	123	123	123
January 2001	100	100	100	100	100	100	100	100	100	100	132	132	132	132	132
January 2002	100	100	100	100	0	100	100	100	100	97	142	142	142	142	142
January 2003	100	100	100	100	0	100	100	100	100	31	152	152	152	152	152
January 2004	84	84	84	84	0	100	100	100	100	0	163	163	163	163	137
January 2005	50	50	50	0	0	100	100	100	88	0	175	175	175	175	94
January 2006	14	14	14	0	0	100	100	100	40	0	187	187	187	187	65
January 2007	0	0	0	0	0	94	94	94	0	0	201	201	201	199	44
January 2008	0	0	0	0	0	85	85	85	0	0	215	215	215	159	30
January 2009	0	0	0	0	0	75	75	75	0	0	231	231	231	127	21
January 2010	0	0	0	0	0	64	64	64	0	0	248	248	248	101	14
January 2011	0	0	0	0	0	52	52	31	0	0	266	266	266	80	9
January 2012	0	0	0	0	0	39	39	0	0	0	285	285	273	63	6
January 2013	0	0	0	0	0	26	26	0	0	0	305	305	237	50	4
January 2014	0	0	0	0	0	11	11	0	0	0	328	328	205	39	3
January 2015	0	0	0	0	0	0	0	0	0	0	345	329	176	30	2
January 2016	0	0	0	0	0	0	0	0	0	0	345	290	150	23	1
January 2017	0	0	0	0	0	0	0	0	0	0	345	253	126	18	1
January 2018	0	0	0	0	0	0	0	0	0	0	345	219	105	13	1
January 2019	0	0	0	0	0	0	0	0	0	0	345	186	86	10	*
January 2020	0	0	0	0	0	0	0	0	0	0	345	154	69	7	*
January 2021	0	0	0	0	0	0	0	0	0	0	345	124	54	5	*
January 2022	0	0	0	0	0	0	0	0	0	0	345	96	40	3	*
January 2023	0	0	0	0	0	0	0	0	0	0	345	69	28	2	*
January 2024	0	0	0	0	0	0	0	0	0	0	345	44	17	1	*
January 2025	0	0	0	0	0	0	0	0	0	0	282	19	7	*	*
January 2026	0	0	0	0	0	0	0	0	0	0	148	0	0	0	0
January 2027	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	7.4	4.8	14.0	14.0	13.0	8.8	5.7	28.8	22.7	20.1	14.1	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 Class

The R Class will have no principal balance 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, if any, after the principal balances of all Classes have been reduced to zero. It is not anticipated that there will be any material assets remaining in such circumstance.

The R Class will be subject to certain transfer restrictions. No transfer of record or beneficial ownership of an R Certificate will be allowed to a “disqualified organization.” In addition, no transfer of record or beneficial ownership of an R Certificate will be allowed to any person that is not a “U.S. Person” without the written consent of Fannie Mae. Under regulations issued by the Treasury Department on December 23, 1992 (the “Regulations”), a transfer of a “noneconomic residual interest” to a U.S. Person will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. The R Class will constitute a noneconomic residual interest under the Regulations. Any transferee of an R Certificate must execute and deliver an affidavit and an Internal Revenue Service Form W-9 on which the transferee provides its taxpayer identification number. See “Description of the Certificates—Additional Characteristics of Residual Certificates” and “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates” in the REMIC Prospectus. Transferors of an R Certificate should consult with their own tax advisors for further information regarding such transfers.

The Holder of the R Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Trust. See “Certain Federal Income Tax Consequences” in the REMIC Prospectus. Pursuant to the Trust Agreement, Fannie Mae will be obligated to provide to such Holder (i) such information as is necessary to enable it to prepare its federal income tax return and (ii) any reports regarding the R 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 Election and Special Tax Attributes

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

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

Taxation of Beneficial Owners of Regular Certificates

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 155% 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 rate 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, the R Class will not have significant value. Special rules regarding the treatment of “excess inclusions” by certain thrift institutions no longer apply because of the amendment of Section 593 of the Code by the Small Business Job Protection Act of 1996. 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 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 December 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 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 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 Certificates—The MBS.” The proportion that the original principal balance of each Class bears to the aggregate original principal balance of all Classes will remain the same. In addition, the dollar amounts reflected in the Principal Balance Schedule with respect to the applicable Class will be increased in pro rata amounts that correspond to the increase of the principal balance of the Certificates.

LEGAL MATTERS

Certain legal matters will be passed upon for the Dealer by Milbank, Tweed, Hadley & McCloy.

[THIS PAGE INTENTIONALLY LEFT BLANK]

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.

\$300,000,000



Guaranteed REMIC

Pass-Through Certificates

Fannie Mae REMIC Trust 1997-2

TABLE OF CONTENTS

	<u>Page</u>
Prospectus Supplement	
Table of Contents	S- 3
Reference Sheet	S- 4
Additional Risk Factors	S- 6
Description of the Certificates	S- 6
Certain Additional Federal Income Tax Consequences	S-16
Plan of Distribution	S-17
Legal Matters	S-17
REMIC Prospectus	
Prospectus Supplement	2
Summary of Prospectus	3
Risk Factors	8
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

Merrill Lynch & Co.

December 11, 1996