

**\$250,000,000**



## Guaranteed REMIC Pass-Through Certificates Fannie Mae REMIC Trust 1997-8

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "REMIC Certificates") will represent beneficial ownership interests in Fannie Mae REMIC Trust 1997-8 (the "Trust"). The assets of the Trust will consist of certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the "MBS"), each of which will represent a beneficial interest in a pool (each, a "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.

Certain of the Classes of REMIC Certificates may, upon notice and payment of an exchange fee, be exchanged for one or more Classes (the "RCR Classes") of Combinable and Recombinable REMIC Certificates ("RCR Certificates") as provided herein. Each RCR Certificate issued in such an exchange will represent a beneficial ownership interest in, and will entitle the Holder thereof to receive a proportionate share of the distributions on, the related Classes of REMIC Certificates. The characteristics of the RCR Classes are set forth in Schedule 1 hereto. As used herein, unless the context requires otherwise, the term "Certificates" includes REMIC Certificates and RCR Certificates and the term "Classes" includes the Classes of REMIC Certificates and the Classes of RCR Certificates. See "Combination and Recombination" herein and Schedule 1 hereto.

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.**

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

**THE CERTIFICATES, TOGETHER WITH ANY INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES. THE OBLIGATIONS OF FANNIE MAE UNDER ITS GUARANTY OF THE CERTIFICATES ARE OBLIGATIONS SOLELY OF FANNIE MAE AND DO NOT CONSTITUTE AN OBLIGATION OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY THEREOF OTHER THAN FANNIE MAE. THE CERTIFICATES ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND ARE "EXEMPTED SECURITIES" WITHIN THE MEANING OF THE SECURITIES EXCHANGE ACT OF 1934.**

| Class (1) | Original Principal Balance | Principal Type (2) | Interest Rate | Interest Type (2) | CUSIP Number | Final Distribution Date |
|-----------|----------------------------|--------------------|---------------|-------------------|--------------|-------------------------|
| PA        | \$20,378,000               | PAC                | 7.000%        | FIX               | 31359NKN0    | September 2012          |
| PB        | 20,048,000                 | PAC                | 7.000         | FIX               | 31359NKP5    | September 2018          |
| CA        | 28,500,000                 | SUP                | 7.000         | FIX               | 31359NKQ3    | May 2021                |
| A         | 41,209,000                 | SEQ                | 7.000         | FIX               | 31359NKR1    | August 2016             |
| B         | 27,718,000                 | SEQ                | 7.000         | FIX               | 31359NKS9    | May 2021                |
| C         | 8,064,000                  | SEQ                | 7.000         | FIX               | 31359NKT7    | November 2021           |
| D         | 53,888,000                 | SEQ                | 7.000         | FIX               | 31359NKU4    | December 2024           |
| EA        | 5,144,000                  | SEQ                | 6.825         | FIX               | 31359NKV2    | May 2025                |
| EB        | 4,501,000                  | SEQ                | 7.200         | FIX               | 31359NKW0    | May 2025                |
| G         | 6,295,000                  | SEQ/AD             | 7.000         | FIX               | 31359NKK8    | August 2003             |
| H         | 3,764,000                  | SEQ/AD             | 7.000         | FIX               | 31359NKKY6   | June 2006               |
| J         | 5,189,000                  | SEQ/AD             | 7.000         | FIX               | 31359NKKZ3   | August 2009             |
| K         | 14,302,000                 | SEQ/AD             | 7.000         | FIX               | 31359NLA7    | November 2015           |
| Z         | 11,000,000                 | SEQ                | 7.000         | FIX/Z             | 31359NLB5    | February 2027           |
| R         | 0                          | NPR                | 0             | NPR               | 31359NLC3    | February 2027           |

(1) The RCR Classes are set forth on Schedule 1 herein.

(2) 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 Prudential Securities 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, other than 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, One New York Plaza, New York, New York, on or about the Settlement Date.

# Prudential Securities Incorporated

January 14, 1997

*(Cover continued from previous page)*

The yield 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. 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 January 1, 1997 (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 Prudential Securities Incorporated by writing or calling its Prospectus Department at 111 Eighth Avenue, 5th Floor, New York, New York 10011 (telephone 212-776-8190).

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## REFERENCE SHEET

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

### Assumed Characteristics of the Mortgage Loans (as of January 1, 1997)

| Approximate<br>Principal<br>Balance | Approximate<br>Weighted Average<br>Remaining Term<br>to Maturity<br>(in months) | Approximate<br>Calculated<br>Loan Age<br>(in months) | Approximate<br>Weighted<br>Average Coupon |
|-------------------------------------|---|--|---|
| \$25,000,000                        | 345   | 13   | 7.6%                                      |
| \$25,000,000                        | 343   | 14   | 7.6%                                      |
| \$50,000,000                        | 341   | 16   | 7.6%                                      |
| \$75,000,000                        | 340   | 16   | 7.6%                                      |
| \$50,000,000                        | 339   | 17   | 7.6%                                      |
| \$25,000,000                        | 338   | 17   | 7.6%                                      |

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

### Combination and Recombination

Holders of certain Classes of REMIC Certificates will be entitled, upon notice and payment of an exchange fee, to exchange all or a portion of such Classes for a proportionate interest in the related RCR Class or Classes in the proportions and combinations set forth on Schedule 1 hereto. The Holders of the RCR Classes will be entitled to receive distributions of principal and interest from the related Classes of REMIC Certificates. See “Description of the Certificates—Combination and Recombination” herein. Schedule 1 sets forth all of the available combinations of the related Classes of REMIC Certificates and the RCR Classes.

### Interest Rates

The Classes will bear interest at the applicable per annum interest rates set forth on the cover and on Schedule 1 hereto.

On any Distribution Date when distributions of interest are to be allocated from REMIC Certificates to RCR Certificates, such distributions will be allocated on a pro rata basis from the applicable Classes of REMIC Certificates to the related RCR Class or, if there are two related RCR Classes, to such RCR Classes.

### Distributions of Principal

#### *Accrual Amount*

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

#### *Cash Flow Distribution Amount*

1. On each Distribution Date, as follows:

- (a) 50.0003627052% of such amount to the A and B Classes, in that order, to zero; and

(b) 49.9996372948% of such amount as follows:

- (i) To the PA and PB Classes, in that order, to their Planned Balances;
- (ii) To the CA Class to zero; and
- (iii) To the PA and PB Classes, in that order, to zero.

2. The remaining amount as follows:

- (i) To the C and D Classes, in that order, to zero;
- (ii) To the EA and EB Classes, in proportion to their original principal balances, to zero; and
- (iii) To the G, H, J, K and Z Classes, in that order, to zero.

On any Distribution Date when distributions of principal are to be allocated from REMIC Certificates to RCR Certificates, such distributions will be allocated on a pro rata basis from the applicable Classes of REMIC Certificates to the related RCR Class or, if there are two related RCR Classes, to such RCR Classes.

#### Weighted Average Lives (years) \*

| Class                           | PSA Prepayment Assumption |      |      |      |      |      |
|---------------------------------|---------------------------|------|------|------|------|------|
|                                 | 0%                        | 105% | 150% | 230% | 350% | 500% |
| PA .....                        | 8.2                       | 1.3  | 1.3  | 1.3  | 1.3  | 1.1  |
| PB .....                        | 16.7                      | 3.9  | 3.9  | 3.9  | 2.9  | 2.0  |
| CA .....                        | 21.9                      | 7.5  | 4.8  | 2.2  | 1.1  | 0.7  |
| A .....                         | 12.6                      | 2.7  | 2.0  | 1.4  | 1.0  | 0.7  |
| B .....                         | 22.0                      | 7.6  | 5.7  | 3.9  | 2.7  | 1.9  |
| C .....                         | 24.5                      | 10.5 | 7.9  | 5.5  | 3.7  | 2.6  |
| D .....                         | 26.3                      | 14.1 | 10.9 | 7.6  | 5.1  | 3.5  |
| EA, EB and E** .....            | 28.0                      | 18.5 | 14.9 | 10.6 | 7.1  | 4.9  |
| G .....                         | 3.5                       | 3.5  | 3.5  | 3.5  | 3.5  | 3.4  |
| H .....                         | 7.9                       | 7.9  | 7.9  | 7.9  | 7.4  | 5.4  |
| J .....                         | 10.9                      | 10.9 | 10.9 | 10.7 | 8.0  | 5.7  |
| K .....                         | 15.8                      | 15.8 | 15.3 | 12.4 | 9.0  | 6.6  |
| Z .....                         | 29.2                      | 23.5 | 21.4 | 17.9 | 13.5 | 10.0 |
| AB**, AC**, AD** and AE** ..... | 16.4                      | 4.6  | 3.5  | 2.4  | 1.7  | 1.2  |

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

\*\* These Classes are RCR Classes. See “Description of the Certificates—Combination and Recombination” herein and Schedule 1 for a further description thereof.

## ADDITIONAL RISK FACTORS

### Additional Yield and Prepayment Considerations

The rate of distributions of principal of the Certificates will be sensitive in varying degrees to the rate of principal distributions on the MBS, which in turn will reflect the rate of amortization (including prepayments) of the Mortgage Loans. There can be no assurance that such Mortgage Loans will have the characteristics assumed herein or will prepay at any of the rates assumed herein, or at any other particular rate. Because the rate of principal distributions on the Certificates will be related to the rate of amortization of the Mortgage Loans, which are likely to include Mortgage Loans with remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the rate of principal distributions on the Certificates is likely to differ from the rate anticipated by an investor, even if such Mortgage Loans prepay at the indicated constant percentages of PSA. In addition, it is highly unlikely that the Mortgage Loans underlying the MBS 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. See “Risk Factors—Prepayment Considerations” in the REMIC Prospectus and “Maturity and Prepayment Assumptions” in the MBS Prospectus.

The effective yield on the Delay Classes (as defined herein) 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 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 (together, 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 REMIC 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. The assets of the Trust will consist of the MBS.

*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.* The Certificates, other than the R Certificate, will be represented by one or more certificates (the “DTC Certificates”) to be registered at all times in the names 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 any DTC Certificate. Beneficial owners will ordinarily hold DTC 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 Holders of the R Certificate of the proceeds of any remaining assets of the Trust will be made only upon presentation and surrender of the related Certificate at the office of the Paying Agent. The Paying Agent initially will be State Street.

*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 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.

## Combination and Recombination

*General.* Subject to the rules, regulations and procedures of the Depository, all or a portion of the PA, PB, CA, A, B, EA and EB Classes of REMIC Certificates may be exchanged for a proportionate interest in one or more RCR Classes in the combinations and proportions set forth on Schedule 1 hereto. Similarly, all or a portion of one or more RCR Classes may be exchanged, in the combinations and proportions set forth on Schedule 1, for certain Classes of REMIC Certificates. This process may occur repeatedly.

Each RCR Class issued in an exchange will represent a beneficial ownership interest in, and will be entitled to receive a proportionate share of the distributions on, the related Classes of REMIC Certificates, and the Holders of an RCR Class will be treated as the beneficial owners of a proportionate share of distributions on the related Classes of REMIC Certificates.

The Classes of REMIC Certificates and RCR Certificates that are outstanding at any given time, and the outstanding principal balances of such Classes, will depend upon distributions of principal of such Classes as well as any exchanges that occur. The aggregate outstanding principal balance of all the Classes of REMIC Certificates and RCR Classes will at all times equal the aggregate outstanding principal balance of the MBS.

*Procedures.* A Holder proposing to effect an exchange must notify Fannie Mae's Capital Markets Department through a dealer who is a member of Fannie Mae's "REMIC Dealer Group." Such notice must be given in writing or by telefax not later than two business days before the proposed exchange date (which date, subject to Fannie Mae's approval, can be any business day other than the first or last business day of the month). The notice must include the outstanding principal balance of both the Certificates to be exchanged and the Certificates to be received, and the proposed exchange date. Promptly after the receipt of a Holder's notice, Fannie Mae will telephone the dealer to provide instructions for delivering the Certificates and the exchange fee to Fannie Mae by wire transfer. A Holder's notice becomes irrevocable on the second business day before the proposed exchange date.

A fee will be payable to Fannie Mae in connection with each exchange equal to  $\frac{1}{32}$  of 1% of the outstanding principal balance of the Certificates to be submitted for exchange (but not less than \$2,000).

The first distribution on a REMIC Certificate or an RCR Certificate received in an exchange transaction will be made on the Distribution Date in the month following the month of the exchange. Such distribution will be made to the Holder of record as of the close of business on the last day of the month of the exchange.

Certificates to be exchanged must be delivered to Fannie Mae in the correct "exchange proportions" as shown in Schedule 1, which are based on the original principal balances of the related Classes of REMIC Certificates or RCR Certificates and will not change as a result of any reductions (or increases) in the outstanding principal balances of the Certificates.

*Additional Considerations.* The principal payment characteristics of an RCR Class will reflect the principal payment characteristics of the Classes of REMIC Certificates which are combined to form such RCR Class. However, since an RCR Class may be formed through the combination of Classes of REMIC Certificates which have different principal payment characteristics, the principal payment characteristics of the RCR Classes should be viewed in terms of the resulting combination of REMIC Certificates in the aggregate rather than as a group of individual Classes of REMIC Certificates with different principal payment characteristics.

At any given time, a Holder's ability to exchange REMIC Certificates for RCR Certificates or to exchange RCR Certificates for REMIC Certificates will be limited by a number of factors. A Holder must, at the time of the proposed exchange, own the appropriate Classes in the appropriate proportions in order to effect a desired exchange. A Holder that does not own the appropriate Classes or the appropriate portions of such Classes may not be able to obtain the necessary Classes of REMIC



Certificates or the RCR Class or Classes. The Holder of a needed Class may refuse or be unable to sell at a reasonable price or any price, or certain Classes may have been purchased and placed into other financial structures. In addition, principal distributions will, over time, diminish the amounts available for exchange. Only the combinations listed on Schedule 1 are permitted.

## **Book-Entry Procedures**

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

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

*Method of Distribution.* Each distribution on the DTC Certificates will be distributed by the 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 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 related Mortgage Loans will be passed through monthly, commencing in the month following the month of the initial issuance of such 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 the Mortgage Loans as of January 1, 1997 (the “Issue Date”) are expected to be as follows:

|   |                          |
|---|--------------------------|
| Aggregate Unpaid Principal Balance .....    | \$250,000,000            |
| 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 .....      | 341 months               |
| Approximate Weighted Average CAGE .....     | 16 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            | PA, PB, CA, A, B, C, D, EA, EB, G, H, J, K and Z |
| Accrual               | Z  |
| RCR**                 | AB, AC, AD, AE and E                             |
| No Payment Residual   | R  |

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

\*\* See “Description of the Certificates—Combination and Recombination” herein and Schedule 1 for a further description of the RCR Classes.

*General.* The interest-bearing Certificates will bear interest at the applicable per annum interest rates set forth on the cover or as specified herein. 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.

On any Distribution Date when distributions of interest are to be allocated from REMIC Certificates to RCR Certificates, such distributions will be allocated on a pro rata basis from the applicable Classes of REMIC Certificates to the related RCR Class or, if there are two related RCR Classes, to such RCR Classes.

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

| <u>Classes</u>   | <u>Interest Accrual Period</u>   |
|--|--|
| All Fixed Rate Classes and the AB*, AC*, AD*, AE* and E* Classes (collectively, the “Delay Classes”) | Calendar month preceding the month in which the Distribution Date occurs |

\* These Classes are RCR Classes. See “Description of the Certificates—Combination and Recombination” herein and Schedule 1 for a further description thereof.

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 K 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 made 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>                       |
|------------------------|--------------------------------------|
| PAC                    | PA and PB                            |
| Sequential Pay         | A, B, C, D, EA, EB, G, H, J, K and Z |
| Accretion Directed     | G, H, J and K                        |
| RCR**                  | AB, AC, AD, AE and E                 |
| Support                | CA                                   |
| No Payment Residual    | R                                    |

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

\*\* See “Description of the Certificates—Combination and Recombination” herein and Schedule 1 for a further description of the RCR Classes.

### *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, J and K 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) 50.0003627052% of such amount, sequentially, to the A and B Classes, in that order, until the respective principal balances thereof are reduced to zero; and } Sequential Pay Classes

(b) 49.9996372948% of such amount, in the following order of priority:

- |  |                  |
|--|------------------|
| (i) sequentially, to the PA and PB Classes, in that order, until the principal balances thereof are reduced to their respective Planned Balances for such Distribution Date;   | } PAC<br>Classes |
| (ii) to the CA Class, until the principal balance thereof is reduced to zero; and  |                  |
| (iii) sequentially, to the PA and PB Classes, in that order, without regard to their Planned Balances and until the respective principal balances thereof are reduced to zero. | } PAC<br>Classes |

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 as principal of the Classes specified below, in the following order of priority:

- |   |                                |
|---|--------------------------------|
| (i) sequentially, to the C and D Classes, in that order, until the respective principal balances thereof are reduced to zero;   | } Sequential<br>Pay<br>Classes |
| (ii) concurrently, to the EA and EB Classes, in proportion to their original principal balances (or 53.3333333333% and 46.6666666667%, respectively), until the principal balances thereof are reduced to zero; and |                                |
| (iii) sequentially, to the G, H, J, K and Z Classes, in that order, until the respective principal balances thereof are reduced to zero.  |                                |

On any Distribution Date when distributions of principal are to be allocated from certain REMIC Certificates to RCR Certificates, such distributions will be allocated on a pro rata basis from the applicable Classes of REMIC Certificates to the related RCR Class or, if there are two related RCR Classes, to such RCR 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:

|              |     |    |      |
|--------------|-----|----|------|
| \$25,000,000 | 345 | 13 | 7.6% |
| \$25,000,000 | 343 | 14 | 7.6% |
| \$50,000,000 | 341 | 16 | 7.6% |
| \$75,000,000 | 340 | 16 | 7.6% |
| \$50,000,000 | 339 | 17 | 7.6% |
| \$25,000,000 | 338 | 17 | 7.6% |

- 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 herein 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 *constant* PSA rate or at any other *constant* rate.

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

| <u>Principal Balance<br/>Schedule References</u> | <u>Related Classes</u> | <u>Structuring Range</u> |
|--|------------------------|--------------------------|
| Planned Balances                                 | PA and PB              | Between 105% and 230%    |

**There is no assurance that the principal balance of any Class listed above will conform on any Distribution Date to the applicable balance specified for such Distribution Date in the applicable Principal Balance Schedule herein, or that distributions of principal on such Class will begin or end on the respective Distribution Dates specified therein.** Because any excess of the principal distribution on any Distribution Date over the amount necessary to reduce any 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. In addition, even if prepayments occur at rates falling within the Structuring Range specified above, principal distributions may be insufficient to reduce the applicable Classes to their scheduled balances if such prepayments do not occur at a *constant* PSA rate. Moreover, because of the diverse remaining terms to maturity of the Mortgage Loans (which may include recently originated Mortgage Loans), the Classes specified above may not be reduced to their scheduled balances, even if prepayments occur at a *constant* rate within the Structuring Range specified above.

*Initial Effective Ranges.* The Effective Range for a Class is the range of prepayment rates (measured by *constant* PSA rates) that would reduce such Class to its scheduled balance on each Distribution Date. The Initial Effective Ranges set forth in the table below are based upon the assumed characteristics of the Mortgage Loans specified in the Pricing Assumptions.

| <u>Related Classes</u> | <u>Initial Effective Ranges</u> |
|------------------------|---------------------------------|
| PA                     | Between 105% and 313%           |
| PB                     | Between 105% and 230%           |

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

## Principal Balance Schedules

| <u>Distribution Date</u> | <u>PA Class<br/>Planned<br/>Balance</u> | <u>PB Class<br/>Planned<br/>Balance</u> | <u>Distribution Date</u>           | <u>PA Class<br/>Planned<br/>Balance</u> | <u>PB Class<br/>Planned<br/>Balance</u> |
|--------------------------|---|---|------------------------------------|---|---|
| Initial Balance .....    | \$20,378,000.00                         | \$20,048,000.00                         | October 1999 .....                 | \$ 0.00                                 | \$18,540,100.36                         |
| February 1997 .....      | 19,900,353.73                           | 20,048,000.00                           | November 1999 .....                | 0.00                                    | 17,873,708.57                           |
| March 1997 .....         | 19,401,271.80                           | 20,048,000.00                           | December 1999 .....                | 0.00                                    | 17,210,823.70                           |
| April 1997 .....         | 18,880,972.04                           | 20,048,000.00                           | January 2000 .....                 | 0.00                                    | 16,551,426.71                           |
| May 1997 .....           | 18,339,683.76                           | 20,048,000.00                           | February 2000 .....                | 0.00                                    | 15,895,498.65                           |
| June 1997 .....          | 17,777,647.54                           | 20,048,000.00                           | March 2000 .....                   | 0.00                                    | 15,243,020.67                           |
| July 1997 .....          | 17,195,115.10                           | 20,048,000.00                           | April 2000 .....                   | 0.00                                    | 14,593,974.03                           |
| August 1997 .....        | 16,592,349.08                           | 20,048,000.00                           | May 2000 .....                     | 0.00                                    | 13,948,340.08                           |
| September 1997 .....     | 15,969,622.89                           | 20,048,000.00                           | June 2000 .....                    | 0.00                                    | 13,306,100.27                           |
| October 1997 .....       | 15,327,220.46                           | 20,048,000.00                           | July 2000 .....                    | 0.00                                    | 12,667,236.18                           |
| November 1997 .....      | 14,665,436.07                           | 20,048,000.00                           | August 2000 .....                  | 0.00                                    | 12,031,729.45                           |
| December 1997 .....      | 13,984,574.11                           | 20,048,000.00                           | September 2000 .....               | 0.00                                    | 11,399,561.85                           |
| January 1998 .....       | 13,284,948.83                           | 20,048,000.00                           | October 2000 .....                 | 0.00                                    | 10,770,715.22                           |
| February 1998 .....      | 12,566,884.14                           | 20,048,000.00                           | November 2000 .....                | 0.00                                    | 10,145,171.52                           |
| March 1998 .....         | 11,837,224.74                           | 20,048,000.00                           | December 2000 .....                | 0.00                                    | 9,522,912.81                            |
| April 1998 .....         | 11,107,011.33                           | 20,048,000.00                           | January 2001 .....                 | 0.00                                    | 8,903,921.22                            |
| May 1998 .....           | 10,376,292.43                           | 20,048,000.00                           | February 2001 .....                | 0.00                                    | 8,288,179.00                            |
| June 1998 .....          | 9,647,265.41                            | 20,048,000.00                           | March 2001 .....                   | 0.00                                    | 7,675,668.50                            |
| July 1998 .....          | 8,922,085.50                            | 20,048,000.00                           | April 2001 .....                   | 0.00                                    | 7,066,372.14                            |
| August 1998 .....        | 8,200,731.82                            | 20,048,000.00                           | May 2001 .....                     | 0.00                                    | 6,460,272.46                            |
| September 1998 .....     | 7,483,183.59                            | 20,048,000.00                           | June 2001 .....                    | 0.00                                    | 5,857,352.08                            |
| October 1998 .....       | 6,769,420.14                            | 20,048,000.00                           | July 2001 .....                    | 0.00                                    | 5,257,593.73                            |
| November 1998 .....      | 6,059,420.92                            | 20,048,000.00                           | August 2001 .....                  | 0.00                                    | 4,660,980.21                            |
| December 1998 .....      | 5,353,165.49                            | 20,048,000.00                           | September 2001 .....               | 0.00                                    | 4,067,494.42                            |
| January 1999 .....       | 4,650,633.51                            | 20,048,000.00                           | October 2001 .....                 | 0.00                                    | 3,477,119.37                            |
| February 1999 .....      | 3,951,804.76                            | 20,048,000.00                           | November 2001 .....                | 0.00                                    | 2,889,838.15                            |
| March 1999 .....         | 3,256,659.14                            | 20,048,000.00                           | December 2001 .....                | 0.00                                    | 2,305,633.93                            |
| April 1999 .....         | 2,565,176.63                            | 20,048,000.00                           | January 2002 .....                 | 0.00                                    | 1,724,489.99                            |
| May 1999 .....           | 1,877,337.35                            | 20,048,000.00                           | February 2002 .....                | 0.00                                    | 1,146,389.68                            |
| June 1999 .....          | 1,193,121.49                            | 20,048,000.00                           | March 2002 .....                   | 0.00                                    | 571,316.47                              |
| July 1999 .....          | 512,509.39                              | 20,048,000.00                           | April 2002 and<br>thereafter ..... | 0.00                                    | 0.00                                    |
| August 1999 .....        | 0.00                                    | 19,883,481.46                           |                                    |   |   |
| September 1999 .....     | 0.00                                    | 19,210,018.24                           |                                    |   |   |

## **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 certain Classes in accordance with the Principal Balance Schedules 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 balances of the PAC Classes to their respective scheduled amounts as set forth in the Principal Balance Schedules, 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 PAC Classes to their respective scheduled amounts, 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 lives of the PAC Classes. 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 will include recently originated Mortgage Loans) could produce slower or faster principal distributions than indicated in the tables at the specified *constant* PSA levels, even if the weighted average remaining term to maturity and the weighted average CAGE of the Mortgage Loans are identical to the remaining term to maturity and CAGE specified in the Pricing Assumptions.

### Percent of Original Principal Balances Outstanding

| Date                                  | PA Class                  |      |      |      |      |      | PB Class                  |      |      |      |      |      | CA Class                  |      |      |      |      |      |
|---------------------------------------|---------------------------|------|------|------|------|------|---------------------------|------|------|------|------|------|---------------------------|------|------|------|------|------|
|                                       | PSA Prepayment Assumption |      |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |      |
|                                       | 0%                        | 105% | 150% | 230% | 350% | 500% | 0%                        | 105% | 150% | 230% | 350% | 500% | 0%                        | 105% | 150% | 230% | 350% | 500% |
| Initial Percent .....                 | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  |
| January 1998 .....                    | 96                        | 65   | 65   | 65   | 65   | 65   | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 91   | 76   | 52   | 23   |
| January 1999 .....                    | 92                        | 23   | 23   | 23   | 23   | 0    | 100                       | 100  | 100  | 100  | 100  | 53   | 100                       | 100  | 81   | 49   | 3    | 0    |
| January 2000 .....                    | 87                        | 0    | 0    | 0    | 0    | 0    | 100                       | 83   | 83   | 83   | 38   | 0    | 100                       | 100  | 73   | 28   | 0    | 0    |
| January 2001 .....                    | 82                        | 0    | 0    | 0    | 0    | 0    | 100                       | 44   | 44   | 44   | 0    | 0    | 100                       | 100  | 66   | 13   | 0    | 0    |
| January 2002 .....                    | 77                        | 0    | 0    | 0    | 0    | 0    | 100                       | 9    | 9    | 9    | 0    | 0    | 100                       | 100  | 61   | 1    | 0    | 0    |
| January 2003 .....                    | 71                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 82   | 39   | 0    | 0    | 0    |
| January 2004 .....                    | 64                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 60   | 14   | 0    | 0    | 0    |
| January 2005 .....                    | 57                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 39   | 0    | 0    | 0    | 0    |
| January 2006 .....                    | 49                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 20   | 0    | 0    | 0    | 0    |
| January 2007 .....                    | 40                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 1    | 0    | 0    | 0    | 0    |
| January 2008 .....                    | 30                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2009 .....                    | 19                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2010 .....                    | 8                         | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2011 .....                    | 0                         | 0    | 0    | 0    | 0    | 0    | 95                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2012 .....                    | 0                         | 0    | 0    | 0    | 0    | 0    | 80                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2013 .....                    | 0                         | 0    | 0    | 0    | 0    | 0    | 64                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2014 .....                    | 0                         | 0    | 0    | 0    | 0    | 0    | 47                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2015 .....                    | 0                         | 0    | 0    | 0    | 0    | 0    | 28                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2016 .....                    | 0                         | 0    | 0    | 0    | 0    | 0    | 7                         | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2017 .....                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 88                        | 0    | 0    | 0    | 0    | 0    |
| January 2018 .....                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 70                        | 0    | 0    | 0    | 0    | 0    |
| January 2019 .....                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 51                        | 0    | 0    | 0    | 0    | 0    |
| January 2020 .....                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 29                        | 0    | 0    | 0    | 0    | 0    |
| January 2021 .....                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 5                         | 0    | 0    | 0    | 0    | 0    |
| January 2022 .....                    | 0                         | 0    | 0    | 0    | 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    | 0    | 0    | 0    |
| January 2024 .....                    | 0                         | 0    | 0    | 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    | 0    | 0    | 0    |
| January 2026 .....                    | 0                         | 0    | 0    | 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    | 0    | 0    | 0    |
| Weighted Average Life (years)** ..... | 8.2                       | 1.3  | 1.3  | 1.3  | 1.3  | 1.1  | 16.7                      | 3.9  | 3.9  | 3.9  | 2.9  | 2.0  | 21.9                      | 7.5  | 4.8  | 2.2  | 1.1  | 0.7  |

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



| Date                            | A Class                   |      |      |      |      |      | B Class                   |      |      |      |      |      | C Class                   |      |      |      |      |      |
|---------------------------------|---------------------------|------|------|------|------|------|---------------------------|------|------|------|------|------|---------------------------|------|------|------|------|------|
|                                 | PSA Prepayment Assumption |      |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |      |
|                                 | 0%                        | 105% | 150% | 230% | 350% | 500% | 0%                        | 105% | 150% | 230% | 350% | 500% | 0%                        | 105% | 150% | 230% | 350% | 500% |
| Initial Percent                 | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  |
| January 1998                    | 98                        | 83   | 77   | 66   | 50   | 30   | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  |
| January 1999                    | 96                        | 62   | 49   | 26   | 0    | 0    | 100                       | 100  | 100  | 100  | 92   | 38   | 100                       | 100  | 100  | 100  | 100  | 100  |
| January 2000                    | 94                        | 42   | 23   | 0    | 0    | 0    | 100                       | 100  | 100  | 89   | 27   | 0    | 100                       | 100  | 100  | 100  | 100  | 0    |
| January 2001                    | 91                        | 24   | *    | 0    | 0    | 0    | 100                       | 100  | 100  | 45   | 0    | 0    | 100                       | 100  | 100  | 100  | 0    | 0    |
| January 2002                    | 89                        | 6    | 0    | 0    | 0    | 0    | 100                       | 100  | 69   | 8    | 0    | 0    | 100                       | 100  | 100  | 100  | 0    | 0    |
| January 2003                    | 86                        | 0    | 0    | 0    | 0    | 0    | 100                       | 85   | 41   | 0    | 0    | 0    | 100                       | 100  | 100  | 0    | 0    | 0    |
| January 2004                    | 82                        | 0    | 0    | 0    | 0    | 0    | 100                       | 62   | 15   | 0    | 0    | 0    | 100                       | 100  | 100  | 0    | 0    | 0    |
| January 2005                    | 79                        | 0    | 0    | 0    | 0    | 0    | 100                       | 40   | 0    | 0    | 0    | 0    | 100                       | 100  | 41   | 0    | 0    | 0    |
| January 2006                    | 75                        | 0    | 0    | 0    | 0    | 0    | 100                       | 20   | 0    | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    | 0    |
| January 2007                    | 70                        | 0    | 0    | 0    | 0    | 0    | 100                       | 1    | 0    | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    | 0    |
| January 2008                    | 65                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2009                    | 60                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2010                    | 54                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2011                    | 48                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2012                    | 41                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2013                    | 33                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2014                    | 25                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2015                    | 15                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2016                    | 5                         | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2017                    | 0                         | 0    | 0    | 0    | 0    | 0    | 91                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2018                    | 0                         | 0    | 0    | 0    | 0    | 0    | 72                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2019                    | 0                         | 0    | 0    | 0    | 0    | 0    | 52                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2020                    | 0                         | 0    | 0    | 0    | 0    | 0    | 30                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2021                    | 0                         | 0    | 0    | 0    | 0    | 0    | 5                         | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    |
| January 2022                    | 0                         | 0    | 0    | 0    | 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    | 0    | 0    | 0    |
| January 2024                    | 0                         | 0    | 0    | 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    | 0    | 0    | 0    |
| January 2026                    | 0                         | 0    | 0    | 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    | 0    | 0    | 0    |
| Weighted Average Life (years)** | 12.6                      | 2.7  | 2.0  | 1.4  | 1.0  | 0.7  | 22.0                      | 7.6  | 5.7  | 3.9  | 2.7  | 1.9  | 24.5                      | 10.5 | 7.9  | 5.5  | 3.7  | 2.6  |

| Date                            | D Class                   |      |      |      |      |      | EA, EB and E† Classes     |      |      |      |      |      | G Class                   |      |      |      |      |      |
|---------------------------------|---------------------------|------|------|------|------|------|---------------------------|------|------|------|------|------|---------------------------|------|------|------|------|------|
|                                 | PSA Prepayment Assumption |      |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |      |
|                                 | 0%                        | 105% | 150% | 230% | 350% | 500% | 0%                        | 105% | 150% | 230% | 350% | 500% | 0%                        | 105% | 150% | 230% | 350% | 500% |
| Initial Percent                 | 100                       | 100  | 100  | 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  | 100  | 87                        | 87   | 87   | 87   | 87   | 87   |
| January 1999                    | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  | 74                        | 74   | 74   | 74   | 74   | 74   |
| January 2000                    | 100                       | 100  | 100  | 100  | 100  | 78   | 100                       | 100  | 100  | 100  | 100  | 100  | 59                        | 59   | 59   | 59   | 59   | 59   |
| January 2001                    | 100                       | 100  | 100  | 100  | 91   | 25   | 100                       | 100  | 100  | 100  | 100  | 100  | 44                        | 44   | 44   | 44   | 44   | 44   |
| January 2002                    | 100                       | 100  | 100  | 100  | 50   | 0    | 100                       | 100  | 100  | 100  | 100  | 34   | 27                        | 27   | 27   | 27   | 27   | 27   |
| January 2003                    | 100                       | 100  | 100  | 90   | 18   | 0    | 100                       | 100  | 100  | 100  | 100  | 0    | 9                         | 9    | 9    | 9    | 9    | 0    |
| January 2004                    | 100                       | 100  | 100  | 62   | 0    | 0    | 100                       | 100  | 100  | 100  | 63   | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2005                    | 100                       | 100  | 100  | 38   | 0    | 0    | 100                       | 100  | 100  | 100  | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2006                    | 100                       | 100  | 84   | 18   | 0    | 0    | 100                       | 100  | 100  | 100  | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2007                    | 100                       | 100  | 65   | 0    | 0    | 0    | 100                       | 100  | 100  | 100  | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2008                    | 100                       | 98   | 47   | 0    | 0    | 0    | 100                       | 100  | 100  | 16   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2009                    | 100                       | 81   | 30   | 0    | 0    | 0    | 100                       | 100  | 100  | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2010                    | 100                       | 65   | 16   | 0    | 0    | 0    | 100                       | 100  | 100  | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2011                    | 100                       | 49   | 2    | 0    | 0    | 0    | 100                       | 100  | 100  | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2012                    | 100                       | 35   | 0    | 0    | 0    | 0    | 100                       | 100  | 46   | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2013                    | 100                       | 22   | 0    | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2014                    | 100                       | 9    | 0    | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2015                    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 84   | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2016                    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 21   | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2017                    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2018                    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2019                    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2020                    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2021                    | 100                       | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2022                    | 93                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2023                    | 62                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2024                    | 29                        | 0    | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2025                    | 0                         | 0    | 0    | 0    | 0    | 0    | 54                        | 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    | 0    | 0    | 0    |
| January 2027                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| Weighted Average Life (years)** | 26.3                      | 14.1 | 10.9 | 7.6  | 5.1  | 3.5  | 28.0                      | 18.5 | 14.9 | 10.6 | 7.1  | 4.9  | 3.5                       | 3.5  | 3.5  | 3.5  | 3.5  | 3.4  |

\* 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.

† This Class is an RCR Class. See “Description of the Certificates—Combination and Recombination” herein and Schedule 1 for a further description thereof.

| Date                            | H Class                   |      |      |      |      |      | J Class                   |      |      |      |      |      | K Class                   |      |      |      |      |      |
|---------------------------------|---------------------------|------|------|------|------|------|---------------------------|------|------|------|------|------|---------------------------|------|------|------|------|------|
|                                 | PSA Prepayment Assumption |      |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |      |
|                                 | 0%                        | 105% | 150% | 230% | 350% | 500% | 0%                        | 105% | 150% | 230% | 350% | 500% | 0%                        | 105% | 150% | 230% | 350% | 500% |
| Initial Percent                 | 100                       | 100  | 100  | 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  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  |
| January 1999                    | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  |
| January 2000                    | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  |
| January 2001                    | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  |
| January 2002                    | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100  |
| January 2003                    | 100                       | 100  | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 100  | 94   |
| January 2004                    | 83                        | 83   | 83   | 83   | 83   | 0    | 100                       | 100  | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 100  | 20   |
| January 2005                    | 49                        | 49   | 49   | 49   | 0    | 0    | 100                       | 100  | 100  | 100  | 50   | 0    | 100                       | 100  | 100  | 100  | 100  | 0    |
| January 2006                    | 12                        | 12   | 12   | 12   | 0    | 0    | 100                       | 100  | 100  | 100  | 0    | 0    | 100                       | 100  | 100  | 100  | 51   | 0    |
| January 2007                    | 0                         | 0    | 0    | 0    | 0    | 0    | 80                        | 80   | 80   | 80   | 0    | 0    | 100                       | 100  | 100  | 100  | 0    | 0    |
| January 2008                    | 0                         | 0    | 0    | 0    | 0    | 0    | 49                        | 49   | 49   | 49   | 0    | 0    | 100                       | 100  | 100  | 100  | 0    | 0    |
| January 2009                    | 0                         | 0    | 0    | 0    | 0    | 0    | 16                        | 16   | 16   | 0    | 0    | 0    | 100                       | 100  | 100  | 69   | 0    | 0    |
| January 2010                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 93                        | 93   | 93   | 15   | 0    | 0    |
| January 2011                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 79                        | 79   | 79   | 0    | 0    | 0    |
| January 2012                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 64                        | 64   | 64   | 0    | 0    | 0    |
| January 2013                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 49                        | 49   | 38   | 0    | 0    | 0    |
| January 2014                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 32                        | 32   | 0    | 0    | 0    | 0    |
| January 2015                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 13                        | 13   | 0    | 0    | 0    | 0    |
| January 2016                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2017                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2018                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2019                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2020                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2021                    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0    |
| January 2022                    | 0                         | 0    | 0    | 0    | 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    | 0    | 0    | 0    |
| January 2024                    | 0                         | 0    | 0    | 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    | 0    | 0    | 0    |
| January 2026                    | 0                         | 0    | 0    | 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    | 0    | 0    | 0    |
| Weighted Average Life (years)** | 7.9                       | 7.9  | 7.9  | 7.9  | 7.4  | 5.4  | 10.9                      | 10.9 | 10.9 | 10.7 | 8.0  | 5.7  | 15.8                      | 15.8 | 15.3 | 12.4 | 9.0  | 6.6  |

| Date                            | Z Class                   |      |      |      |      |      | AB†, AC†, AD† and AE† Classes |      |      |      |      |      |
|---------------------------------|---------------------------|------|------|------|------|------|-------------------------------|------|------|------|------|------|
|                                 | PSA Prepayment Assumption |      |      |      |      |      | PSA Prepayment Assumption     |      |      |      |      |      |
|                                 | 0%                        | 105% | 150% | 230% | 350% | 500% | 0%                            | 105% | 150% | 230% | 350% | 500% |
| Initial Percent                 | 100                       | 100  | 100  | 100  | 100  | 100  | 100                           | 100  | 100  | 100  | 100  | 100  |
| January 1998                    | 107                       | 107  | 107  | 107  | 107  | 107  | 99                            | 90   | 86   | 80   | 70   | 58   |
| January 1999                    | 115                       | 115  | 115  | 115  | 115  | 115  | 98                            | 77   | 69   | 56   | 37   | 15   |
| January 2000                    | 123                       | 123  | 123  | 123  | 123  | 123  | 96                            | 65   | 54   | 36   | 11   | 0    |
| January 2001                    | 132                       | 132  | 132  | 132  | 132  | 132  | 95                            | 54   | 40   | 18   | 0    | 0    |
| January 2002                    | 142                       | 142  | 142  | 142  | 142  | 142  | 93                            | 44   | 28   | 3    | 0    | 0    |
| January 2003                    | 152                       | 152  | 152  | 152  | 152  | 152  | 91                            | 34   | 16   | 0    | 0    | 0    |
| January 2004                    | 163                       | 163  | 163  | 163  | 163  | 163  | 89                            | 25   | 6    | 0    | 0    | 0    |
| January 2005                    | 175                       | 175  | 175  | 175  | 175  | 130  | 87                            | 16   | 0    | 0    | 0    | 0    |
| January 2006                    | 187                       | 187  | 187  | 187  | 187  | 89   | 85                            | 8    | 0    | 0    | 0    | 0    |
| January 2007                    | 201                       | 201  | 201  | 201  | 196  | 61   | 82                            | 1    | 0    | 0    | 0    | 0    |
| January 2008                    | 215                       | 215  | 215  | 215  | 151  | 41   | 79                            | 0    | 0    | 0    | 0    | 0    |
| January 2009                    | 231                       | 231  | 231  | 231  | 116  | 28   | 76                            | 0    | 0    | 0    | 0    | 0    |
| January 2010                    | 248                       | 248  | 248  | 248  | 88   | 19   | 73                            | 0    | 0    | 0    | 0    | 0    |
| January 2011                    | 266                       | 266  | 266  | 222  | 67   | 13   | 69                            | 0    | 0    | 0    | 0    | 0    |
| January 2012                    | 285                       | 285  | 285  | 184  | 51   | 9    | 65                            | 0    | 0    | 0    | 0    | 0    |
| January 2013                    | 305                       | 305  | 305  | 152  | 39   | 6    | 60                            | 0    | 0    | 0    | 0    | 0    |
| January 2014                    | 328                       | 328  | 307  | 124  | 29   | 4    | 55                            | 0    | 0    | 0    | 0    | 0    |
| January 2015                    | 351                       | 351  | 263  | 101  | 22   | 3    | 49                            | 0    | 0    | 0    | 0    | 0    |
| January 2016                    | 369                       | 369  | 224  | 81   | 16   | 2    | 43                            | 0    | 0    | 0    | 0    | 0    |
| January 2017                    | 369                       | 335  | 188  | 65   | 12   | 1    | 36                            | 0    | 0    | 0    | 0    | 0    |
| January 2018                    | 369                       | 286  | 156  | 51   | 8    | 1    | 29                            | 0    | 0    | 0    | 0    | 0    |
| January 2019                    | 369                       | 240  | 127  | 39   | 6    | *    | 21                            | 0    | 0    | 0    | 0    | 0    |
| January 2020                    | 369                       | 196  | 101  | 29   | 4    | *    | 12                            | 0    | 0    | 0    | 0    | 0    |
| January 2021                    | 369                       | 155  | 78   | 21   | 3    | *    | 2                             | 0    | 0    | 0    | 0    | 0    |
| January 2022                    | 369                       | 116  | 56   | 15   | 2    | *    | 0                             | 0    | 0    | 0    | 0    | 0    |
| January 2023                    | 369                       | 80   | 38   | 9    | 1    | *    | 0                             | 0    | 0    | 0    | 0    | 0    |
| January 2024                    | 369                       | 45   | 21   | 5    | *    | *    | 0                             | 0    | 0    | 0    | 0    | 0    |
| January 2025                    | 369                       | 12   | 5    | 1    | *    | *    | 0                             | 0    | 0    | 0    | 0    | 0    |
| January 2026                    | 218                       | 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    |
| Weighted Average Life (years)** | 29.2                      | 23.5 | 21.4 | 17.9 | 13.5 | 10.0 | 16.4                          | 4.6  | 3.5  | 2.4  | 1.7  | 1.2  |

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

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

† These Classes are RCR Classes. See “Description of the Certificates—Combination and Recombination” herein and Schedule 1 for a further description thereof.

## **Characteristics of the R Class**

The R Class will not have a 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 returns 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 REMIC 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 150% 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 7.66% (which is 120% of the “federal long-term rate”). 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.

### **Taxation of Beneficial Owners of RCR Certificates**

*General.* The arrangement pursuant to which the RCR Classes will be created, sold and administered will be classified as a grantor trust under subpart E, Part I of subchapter J of the Code. The interests in the REMIC Certificates that have been exchanged for RCR Certificates (including any exchanges effective on the Settlement Date) will be the assets of such trust and the RCR Certificates will evidence an ownership interest in those REMIC Certificates. For a general discussion of the federal income tax treatment of investors in REMIC Certificates, see “Certain Federal Income Tax Consequences” in the REMIC Prospectus.

The RCR Classes will represent beneficial ownership of the underlying Regular Certificates set forth in Schedule 1. Certain RCR Certificates (the “Strip RCR Certificates”) will represent the right to receive a disproportionate part of the principal or interest payments on one or more underlying Regular Certificates. Each RCR Certificate other than a Strip RCR Certificate (a “Combination RCR Certificate”) will represent beneficial ownership of undivided interests in two or more underlying Regular Certificates.

The Strip RCR Classes are the AD and AE Classes. The Combination RCR Classes are the AB, AC and E Classes.

*Strip RCR Classes.* A purchaser of a Strip RCR Certificate will be treated as owning, pursuant to section 1286 of the Code, “stripped bonds” to the extent of its share of principal payments and “stripped coupons” to the extent of its share of interest payments on the underlying Regular Certificates. Although it is unclear how the OID computations on a Strip RCR Certificate should be made, Fannie Mae intends to treat each Strip RCR Certificate as a single debt instrument for purposes of information reporting. The IRS could contend, however, that a Strip RCR Certificate should be treated as an interest in the underlying Regular Certificate to the extent that the Strip RCR Certificate represents an equal pro rata portion of principal and interest on such Regular Certificate, and an installment obligation consisting of “stripped bonds” or “stripped coupons” with respect to the

remainder. Investors should consult their own tax advisors as to the proper treatment of a Strip RCR Certificate in this regard.

A beneficial owner who purchases a Strip RCR Certificate should calculate OID with respect to the Strip RCR Certificate and include such OID in its ordinary income for federal income tax purposes as it accrues, which may be prior to the receipt of the cash attributable to such income, in accordance with a constant yield method that takes into account the compounding of interest. Although the matter is not entirely clear, a beneficial owner of a Strip RCR Certificate should accrue OID using a method similar to that described with respect to the accrual of OID on a Regular Certificate under “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the REMIC Prospectus. A beneficial owner, however, determines its yield to maturity based on its purchase price and on a schedule of payments projected using a prepayment assumption. A beneficial owner then makes periodic adjustments to take into account actual prepayment experience. With respect to a particular beneficial owner, it is not clear whether the prepayment assumption used for calculating OID would be one determined at the time of purchase of the Strip RCR Certificate or would be the original Prepayment Assumption with respect to the underlying Regular Certificates. Investors should consult their own tax advisors regarding this matter. For purposes of information reporting relating to OID, Fannie Mae will use the original yield to maturity of the Strip RCR Certificate, calculated based on the original Prepayment Assumption.

An investor that exchanges an underlying Regular Certificate for Strip RCR Classes and then sells Strip RCR Certificates also is subject to the coupon stripping rules of section 1286 of the Code. As of the date of such sale, the beneficial owner must allocate its basis in the Regular Certificate between the part of the Regular Certificate underlying the Strip RCR Certificates sold and the part of the Regular Certificate underlying the Strip RCR Certificates retained in proportion to their relative fair market values. Section 1286 of the Code treats the beneficial owner as purchasing the Strip RCR Certificates retained for the amount of the basis allocated to such Certificates. Then the beneficial owner calculates OID with respect to such retained Certificates as described above.

Upon the sale of the Strip RCR Certificates, the investor will realize gain or loss on the sale of its part of the underlying Regular Certificate in an amount equal to the difference between the amount realized and its adjusted basis in such part. The seller’s adjusted basis in such part generally is equal to the seller’s allocated cost of such part, increased by income previously included, and reduced (but not below zero) by distributions previously received and by any amortized premium in respect of such part. If a beneficial owner holds the Certificates as a capital asset, any gain or loss realized will be capital gain or loss, except to the extent provided under “Certain Federal Income Tax Consequences—Sales of Certificates” in the REMIC Prospectus.

Although the matter is not free from doubt, an investor that acquires in one transaction a combination of Strip RCR Certificates that may be exchanged for underlying Regular Certificates should be treated as owning the underlying Regular Certificates. If an investor acquires such a combination in separate transactions, the law is unclear as to whether the combination should be aggregated or each Strip RCR Certificate should be treated as a separate debt instrument.

*Combination RCR Classes.* A beneficial owner of a Combination RCR Certificate will be treated as the beneficial owner of a proportionate interest in the related Class or Classes of REMIC Certificates. A purchaser of a Combination RCR Certificate must allocate its purchase price among the related Classes of REMIC Certificates in proportion to their relative fair market values at the time of purchase. Such owner should account for its ownership interest in each related Class of REMIC Certificates as described under “—Taxation of Beneficial Owners of Regular Certificates” herein and “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates” in the REMIC Prospectus. When a beneficial owner sells a Combination RCR Certificate, such owner must allocate the sale proceeds among the related Classes of REMIC Certificates in proportion to their relative fair market value at the time of sale.

*Exchanges.* An exchange, as described under “Description of the Certificates—Combination and Recombination” herein, by a beneficial owner of (i) a combination of REMIC Certificates or (ii) all or a portion of an RCR Class for the related RCR Class or REMIC Certificates, respectively, will not be a taxable exchange. Such owner will be treated as continuing to own after the exchange the same combination of interests in the related REMIC Certificates that it owned immediately prior to the exchange.

## **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 the Classes, respectively, will remain the same. In addition, the dollar amounts reflected in the Principal Balance Schedules with respect to the PAC Classes will be increased in pro rata amounts that correspond to the increase of the principal balances of the Certificates.

## **LEGAL MATTERS**

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

**Schedule 1**

**Available Recombinations**

| REMIC Certificates |                                  |                             | RCR Certificates |                                  |                             |                  |                      |                       |                 |                               |
|--------------------|----------------------------------|-----------------------------|------------------|----------------------------------|-----------------------------|------------------|----------------------|-----------------------|-----------------|-------------------------------|
| Class              | Original<br>Principal<br>Balance | Exchange<br>Proportions (1) | RCR<br>Class     | Original<br>Principal<br>Balance | Exchange<br>Proportions (1) | Interest<br>Rate | Interest<br>Type (2) | Principal<br>Type (2) | CUSIP<br>Number | Final<br>Distribution<br>Date |
| Recombination 1    |                                  |                             |                  |                                  |                             |                  |                      |                       |                 |                               |
| PA .....           | \$20,378,000                     | 29.5650407684%              | AB               | \$ 68,926,000                    | 100.0000000000%             | 7.00%            | FIX                  | SEQ                   | 31359NLD1       | May 2021                      |
| PB .....           | 20,048,000                       | 29.0862664307               |                  |                                  |                             |                  |                      |                       |                 |                               |
| CA .....           | 28,500,000                       | 41.3486928009               |                  |                                  |                             |                  |                      |                       |                 |                               |
| Recombination 2    |                                  |                             |                  |                                  |                             |                  |                      |                       |                 |                               |
| A .....            | \$41,209,000                     | 29.8934372122%              | AC               | \$137,853,000                    | 100.0000000000%             | 7.00%            | FIX                  | SEQ                   | 31359NLE9       | May 2021                      |
| B .....            | 27,718,000                       | 20.1069254931               |                  |                                  |                             |                  |                      |                       |                 |                               |
| PA .....           | 20,378,000                       | 14.7824131502               |                  |                                  |                             |                  |                      |                       |                 |                               |
| PB .....           | 20,048,000                       | 14.5430277179               |                  |                                  |                             |                  |                      |                       |                 |                               |
| CA .....           | 28,500,000                       | 20.6741964266               |                  |                                  |                             |                  |                      |                       |                 |                               |
| Recombination 3    |                                  |                             |                  |                                  |                             |                  |                      |                       |                 |                               |
| A .....            | \$41,209,000                     | 29.8934372122%              | AD               | \$ 15,317,000                    | 11.1111111111%              | 9.00%            | FIX                  | SEQ                   | 31359NLF6       | May 2021                      |
| B .....            | 27,718,000                       | 20.1069254931               | AE               | 122,536,000                      | 88.8888888889               | 6.75             | FIX                  | SEQ                   | 31359NLG4       | May 2021                      |
| PA .....           | 20,378,000                       | 14.7824131502               |                  |                                  |                             |                  |                      |                       |                 |                               |
| PB .....           | 20,048,000                       | 14.5430277179               |                  |                                  |                             |                  |                      |                       |                 |                               |
| CA .....           | 28,500,000                       | 20.6741964266               |                  |                                  |                             |                  |                      |                       |                 |                               |
| Recombination 4    |                                  |                             |                  |                                  |                             |                  |                      |                       |                 |                               |
| EA .....           | \$ 5,144,000                     | 53.3333333333%              | E                | \$ 9,645,000                     | 100.0000000000%             | 7.00%            | FIX                  | SEQ                   | 31359NLH2       | May 2025                      |
| EB .....           | 4,501,000                        | 46.6666666667               |                  |                                  |                             |                  |                      |                       |                 |                               |

- (1) Exchange proportions shown are the proportions of the original principal balances of the related Classes of REMIC Certificates or RCR Certificates required to effect an exchange. Classes of REMIC Certificates may be exchanged for the RCR Classes and the RCR Classes may be exchanged for Classes of REMIC Certificates in such proportions only.
- (2) 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.

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.

**\$250,000,000**



**FannieMae**

**Guaranteed REMIC  
Pass-Through Certificates**

**Fannie Mae REMIC Trust 1997-8**

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## **PROSPECTUS SUPPLEMENT**

**Prudential Securities Incorporated**

**January 14, 1997**