

\$650,000,000



FannieMae

**Guaranteed REMIC Pass-Through Certificates  
Fannie Mae REMIC Trust 1997-35**

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "Certificates") will represent beneficial ownership interests in one of three trust funds. The Certificates, other than the RL and RB Classes, will represent beneficial ownership interests in Fannie Mae REMIC Trust 1997-35 (the "Trust"). The assets of the Trust will consist of (i) the "regular interests" in two separate trust funds (the "Lower Tier REMICs") and (ii) a non-interest bearing cash deposit of \$999.99 (the "Retail Cash Deposit") to be applied as described herein. The assets of the first Lower Tier REMIC will consist of (i) two groups of Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the "Group 1 MBS" and "Group 3 MBS" and, together, the "Trust MBS") and (ii) the REMIC Certificate specified herein (the "Underlying REMIC Certificate") evidencing a beneficial ownership interest in the related Fannie Mae REMIC Trust (the "Underlying REMIC Trust") as further described in Exhibit A hereto. The assets of the second Lower Tier REMIC will consist of the A Class Guaranteed Grantor Trust Redeemable Certificate (the "Underlying Redeemable Certificate") evidencing a beneficial ownership interest in Fannie Mae Grantor Trust 1997-R1 (the "Underlying Grantor Trust") as further described in the Trust 1997-R1 Prospectus (defined herein) attached hereto. Under certain circumstances, the Underlying Redeemable Certificate is subject to redemption in full on any Distribution Date commencing with the Distribution Date in May 1998, as further described in the Trust 1997-R1 Prospectus. Upon such redemption, Holders of the Group 2 Classes will receive the unpaid principal balances of their Certificates plus interest through the 24th day of the month in which such redemption occurs, as described herein under "Description of the Certificates—Effect of Redemption of the Underlying Redeemable Certificate on the Group 2 Classes." The assets of the Underlying Grantor Trust and Underlying REMIC Trust in each case evidence direct beneficial ownership interests in certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (together with the Trust MBS, the "MBS"). Each MBS represents 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 (each, an "RCR Class") 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 the REMIC Certificates and RCR Certificates and the term "Classes" includes the Classes of REMIC Certificates and the Classes of RCR Certificates. See "Description of the Certificates—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-9 hereof, "Risk Factors" beginning on page 8 of the REMIC Prospectus attached hereto and "Risk Factors" beginning on page 6 of the Trust 1997-R1 Prospectus attached hereto for a discussion of certain risks that should be considered in connection with an investment in the Certificates.**

*(Cover continued on next page)*

**THE CERTIFICATES MAY NOT BE SUITABLE INVESTMENTS FOR ALL INVESTORS. NO INVESTOR SHOULD PURCHASE CERTIFICATES UNLESS SUCH INVESTOR UNDERSTANDS AND IS ABLE TO BEAR THE PREPAYMENT, REDEMPTION, 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) | Group | Original Principal Balance | Principal Type (2) | Interest Rate | Interest Type (2) | CUSIP Number | Final Distribution Date | Class (1) | Group | Original Principal Balance | Principal Type (2) | Interest Rate | Interest Type (2) | CUSIP Number | Final Distribution Date |
|-----------|-------|----------------------------|--------------------|---------------|-------------------|--------------|-------------------------|-----------|-------|----------------------------|--------------------|---------------|-------------------|--------------|-------------------------|
| PA        | 1     | \$ 79,527,000              | PAC                | 8.00%         | FIX               | 31359PSP2    | July 2020               | PC        | 3     | \$ 10,041,000              | PAC                | 6.75%         | FIX               | 31359PTK2    | May 2018                |
| A         | 1     | 50,500,000                 | SUP                | 8.00          | FIX               | 31359PSQ0    | April 2023              | PD        | 3     | 10,020,000                 | PAC                | 6.75          | FIX               | 31359PTL0    | December 2019           |
| AB        | 1     | 27,241,000                 | SUP                | 8.00          | FIX               | 31359PSR8    | April 2023              | PE        | 3     | 13,087,000                 | PAC                | 6.75          | FIX               | 31359PTM8    | September 2021          |
| B         | 1     | 10,042,000                 | SEQ                | 8.00          | FIX               | 31359PSS6    | November 2023           | PK        | 3     | (5)                        | NTL                | 7.00          | FIX/IO            | 31359PTN6    | September 2021          |
| C         | 1     | 24,938,000                 | SEQ                | 8.00          | FIX               | 31359PST4    | February 2025           | PG        | 3     | 24,810,000                 | PAC                | 7.00          | FIX               | 31359PTP1    | May 2024                |
| VA        | 1     | 5,400,000                  | SEQ/AD/LIQ         | 8.00          | FIX               | 31359PSU1    | May 2002                | PJ        | 3     | 17,629,000                 | PAC                | 7.00          | FIX               | 31359PTQ9    | December 2025           |
| VD        | 1     | 3,326,000                  | SEQ/AD/LIQ         | 8.00          | FIX               | 31359PSV9    | May 2002                | PH        | 3     | 19,921,000                 | PAC                | 7.00          | FIX               | 31359PTR7    | June 2027               |
| VB        | 1     | 15,141,000                 | SEQ/AD             | 8.00          | FIX               | 31359PSW7    | January 2008            | EA        | 3     | 12,737,000                 | TAC                | 7.00          | FIX               | 31359PTS5    | October 2026            |
| VC        | 1     | 15,883,000                 | SEQ/AD             | 8.00          | FIX               | 31359PSX5    | January 2012            | EB        | 3     | 2,494,000                  | TAC                | 7.00          | FIX               | 31359PTT3    | December 2026           |
| Z         | 1     | 18,000,000                 | SEQ                | 8.00          | FIX/Z             | 31359PSY3    | June 2027               | EC        | 3     | 4,922,000                  | TAC                | 7.00          | FIX               | 31359PTU0    | April 2027              |
| BC(3)     | 2     | 4,000,000                  | RDM/SEQ/LIQ        | 8.00          | FIX               | 31359PSZ0    | December 2000           | ED        | 3     | 3,756,000                  | TAC                | 7.00          | FIX               | 31359PTV8    | June 2027               |
| BA(3)     | 2     | 149,202,000                | RDM/SEQ            | 8.00          | FIX               | 31359PTA4    | January 2025            | FO        | 3     | 10,732,500                 | SUP                | (6)           | PO                | 31359PTW6    | June 2027               |
| BD(3)     | 2     | 17,794,000                 | RDM/SEQ            | 8.00          | FIX               | 31359PTB2    | January 2026            | FP        | 3     | 25,042,500                 | SUP                | (4)           | FLT               | 31359PTX4    | June 2027               |
| BE(3)     | 2     | 3,196,000                  | RDM/SEQ            | 8.00          | FIX               | 31359PTC0    | June 2027               | FS        | 3     | (5)                        | NTL                | (4)           | INV/IO            | 31359PTY2    | June 2027               |
| UU(3)     | 2     | 7,000,000                  | RDM/SEQ/RTL        | 8.00          | FIX               | 31359PTD8    | June 2027               | SG        | 3     | (5)                        | NTL                | (4)           | INV/IO            | 31359PTZ9    | June 2027               |
| FA(3)     | 2     | 16,717,333                 | RDM/SEQ            | (4)           | FLT               | 31359PTE6    | June 2027               | SB        | 4     | (5)                        | NTL                | (4)           | INV/IO            | 31359PUA2    | March 2009              |
| SA(3)     | 2     | 2,089,667                  | RDM/SEQ            | (4)           | INV               | 31359PTF3    | June 2027               | SC        | 4     | (5)                        | NTL                | (4)           | INV/IO            | 31359PUB0    | March 2009              |
| PL        | 3     | 31,194,000                 | PAC                | 6.50          | FIX               | 31359PTH9    | May 2013                | SR        | 1     | 1,000                      | STP                | 8.00          | FIX               | 31359PUC8    | June 2027               |
| PB        | 3     | 13,614,000                 | PAC                | 6.75          | FIX               | 31359PTJ5    | July 2016               | RL        | 1     | 1,000                      | STP                | 8.00          | FIX               | 31359PUD6    | June 2027               |
|           |       |                            |                    |               |                   |              |                         | RB(3)     | 2     | 1,000                      | RDM/STP            | 8.00          | FIX               | 31359PTG1    | June 2027               |

- (1) The RCR Classes are set forth on Schedule 1 hereto.
- (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.
- (3) These Classes represent beneficial ownership interests in the Underlying Redeemable Certificate. See "Description of the Certificates—Effect of Redemption of the Underlying Redeemable Certificate on the Group 2 Classes" herein.
- (4) These Classes will bear interest based on "LIBOR" as described under "Description of the Certificates—Distributions of Interest" herein and "Description of the Certificates—Indices Applicable to Floating Rate and Inverse Floating Rate Classes" in the REMIC Prospectus.
- (5) The PK, SE, SG, SB and SC Classes will be Notional Classes, will not have principal balances and will bear interest on their notional principal balances (initially \$3,898,214, \$7,155,000, \$3,577,500, \$165,377,139 and \$165,377,139, respectively). The notional principal balances of the Notional Classes will be calculated as specified herein. See "Description of the Certificates—Distributions of Interest—Notional Classes" herein.
- (6) This Class will be a Principal Only Class and will bear no interest.

The Group 1, 2, 3 and 4 Classes will be offered by Goldman, Sachs & Co. and the Group 2 and 3 Classes will be offered by LaSalle National Bank (together, the "Dealers") 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 Dealers, subject to issuance by Fannie Mae and to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by the Dealers, subject to approval of certain legal matters by counsel. It is expected that the Group 1 Classes (except for the R and RL Classes) and related RCR Certificates will be available through the book-entry facilities of The Depository Trust Company on or about May 21, 1997 (as to such Classes and Certificates, the "Settlement Date"). It is expected that the UU Class and the Group 3 Classes and related RCR Certificates will be available through the book-entry facilities of The Depository Trust Company and that the remaining Group 2 Classes (except for the RB Class) and the Group 4 Classes will be available through the book-entry system of the Federal Reserve Banks on or about May 30, 1997 (as to such Classes and Certificates, the "Settlement Date"). It is expected that the R, RL and RB Classes in registered, certificated form will be available for delivery at the offices of Goldman, Sachs & Co., New York, New York, on or about May 21, 1997 in the case of the R and RL Classes, and on or about May 30, 1997 in the case of the RB Class.

**Goldman, Sachs & Co.**

**LaSalle National Bank**

(Cover continued from previous page)

Prospective investors in the UU Class should consider carefully, as should prospective investors in any Class of Certificates, whether such an investment is appropriate for their investment objectives. See "Description of the Certificates—The Retail Certificates" herein.

The yields to investors in the Group 1 and Group 3 Classes (as described herein) will be sensitive in varying degrees to, among other things, the rate of principal distributions on the Group 1 and Group 3 MBS, respectively, which in turn will be determined by the rate of principal payments of the related Mortgage Loans and the characteristics of such Mortgage Loans. The yields to investors in the Group 2 Classes will be sensitive to, among other things, whether and, if so, when a redemption of the Underlying Redeemable Certificate occurs, as well as to the rate of distributions on the Underlying Redeemable Certificate, which in turn will be sensitive to the rate of principal payments of the related Mortgage Loans and the actual characteristics of such Mortgage Loans. The yields to investors in the Group 4 Classes (as described herein) will be sensitive to, among other things, the rate of notional balance reductions on the Underlying REMIC Certificate, which in turn will be sensitive to the rate of principal payments of the related Mortgage Loans, the characteristics of the Mortgage Loans included in the related Pools and the priority sequence affecting principal distributions for the Underlying REMIC Trust. The yield to investors in each Class will also be sensitive to the purchase price paid for such Class and, in the case of the Floating Rate and Inverse Floating Rate Classes, fluctuations in the level of the Index (as defined herein). 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 (including the Principal Only Class), 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 (or, in the case of any such Group 2 Class, a redemption of the Underlying Redeemable Certificate) is likely to result in a lower than anticipated yield.
- In the case of any Interest Only Class, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield and, in certain cases, an actual loss on the investment.
- The yield on any Floating Rate or Inverse Floating Rate Class will be sensitive to the level of the Index. See "Description of the Certificates—Distributions of Interest—Floating Rate and Inverse Floating Rate Classes" herein.
- Under certain circumstances, the Underlying Redeemable Certificate is subject to redemption in full on any Distribution Date commencing with the Distribution Date in May 1998. Such a redemption is more likely to occur to the extent that prevailing mortgage interest rates have declined or the related MBS otherwise have a market value in excess of their aggregate principal balance. In addition, the Holder of any Group 2 Certificate may obtain the right to exercise (or otherwise seek to influence the exercise of) such redemption of the Underlying Redeemable Certificate, and such Holder's decision may depend, in part, on whether such Group 2 Certificate was purchased at a discount or at a premium. Upon any such redemption, Holders of the Group 2 Classes will receive the unpaid principal balance of their Certificates plus interest thereon to the date of redemption, as described herein under "Description of the Certificates—Effect of Redemption of the Underlying Redeemable Certificate on the Group 2 Classes."

See "Risk Factors—Yield Considerations" in the REMIC Prospectus, "Additional Risk Factors—Additional Yield and Prepayment Considerations" herein and "Risk Factors" in the Trust 1997-R1 Prospectus.

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

- The Underlying REMIC Certificate has a notional principal balance that is based on the principal balance of a class in the Underlying REMIC Trust which is, in part, subordinate in priority of principal distribution to certain other classes of certificates evidencing beneficial ownership interests in the Underlying REMIC Trust and, accordingly, there is no assurance that principal distributions will be made on such class on any particular Distribution Date. In addition, such related class in the Underlying REMIC Trust has Principal Balance Schedules and, as a result, may receive principal distributions at a rate faster or slower than would otherwise have been the case. Further, prepayments on the related Mortgage Loans may have occurred at a rate faster or slower than that initially assumed. This Prospectus Supplement contains no information as to whether such related class in the Underlying REMIC Trust has adhered to its Principal Balance Schedules, whether any related Support classes remain outstanding or whether the Underlying REMIC Certificate otherwise has performed as originally anticipated. Such information may be obtained by performing an analysis of current Fannie Mae principal factors in the context of applicable information contained in the Underlying Prospectus Supplement (as defined below), which may be obtained from Fannie Mae as described below.
- 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.
- The existence of the redemption feature described herein may inhibit significantly the ability of the Group 2 Certificates to sell at a premium in the market.
- 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 Dealers intend to make a market for the related Certificates but are 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.

The UU Class (the "Retail Certificates") may not be an appropriate investment for all prospective investors. The Retail Certificates would not be an appropriate investment for any investor requiring a particular distribution of principal on a specific date or an otherwise predictable stream of principal distributions. Any investor who purchases a Retail Certificate at a premium (or a discount) should consider the risk that relatively early (or late) principal distributions following issuance of the Certificates could result in an actual yield that is lower than such investor's anticipated yield. In addition, although the Dealers intend to make a secondary market in the Retail Certificates, they have no obligation to do so, and any such market making may be discontinued at any time. Finally, there can be no assurance that the price at which an investor may be able to sell a Retail Certificate will be the same as the price at which such investor purchased such Certificate. See "Description of the Certificates—The Retail Certificates" herein.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this Prospectus Supplement, the REMIC Prospectus, the Trust 1997-R1 Prospectus, the Underlying Prospectus Supplement, the Mega Prospectus or the MBS Prospectus (each as defined herein). Any representation to the contrary is a criminal offense.

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

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

- Fannie Mae's Prospectus for Guaranteed REMIC Pass-Through Certificates dated 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");
- Fannie Mae's Information Statement dated March 31, 1997 and any supplements thereto (collectively, the "Information Statement");
- Fannie Mae's Prospectus for Guaranteed Grantor Trust Redeemable/Redemption Certificates dated April 11, 1997 (the "Trust 1997-R1 Prospectus"), which is attached to this Prospectus Supplement;
- Fannie Mae's Prospectus for Guaranteed MBS Pass-Through Certificates dated October 1, 1996 (the "Mega Prospectus"); and
- The Prospectus Supplement for the Underlying REMIC Trust (the "Underlying Prospectus Supplement").

The MBS Prospectus and the Information Statement are incorporated herein by reference and, together with the Underlying Prospectus Supplement, 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, other than the Underlying Prospectus Supplement, may also be obtained from the Dealers by writing or calling the Registration Department of Goldman, Sachs & Co. at 85 Broad Street, New York, New York 10004 (telephone 212-902-6685) or LaSalle National Bank at 327 Plaza Real, Boca Raton, Florida 33432 (telephone 561-361-1100).

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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.**

### **The Retail Certificates**

#### *Description*

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

#### *Investment Objective*

Each individual investor should determine, in consultation with his or her investment advisor, whether or not the Retail Certificates satisfy his or her specified investment objectives, particularly in light of the related redemption feature, as described herein. See “Description of the Certificates—The Retail Certificates—*Investment Determination*” herein.

#### *Liquidity*

If a Retail Certificate is sold prior to its maturity, an investor may receive sales proceeds (less applicable transaction costs) that are less than the amount originally invested. The Dealers intend to make a market for the purchase and sale of the Retail Certificates after their initial issuance, but are not obligated to do so. There is no assurance that such a secondary market will develop or, if it develops, that it will continue. See “Description of the Certificates—The Retail Certificates—*Investment Determination*” herein.

#### *Federal Income Taxes*

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

#### *Maturity*

Unlike many other fixed income securities, the Retail Certificates do not have fixed principal redemption schedules or fixed principal distribution dates. The timing of principal distributions may vary considerably based upon a number of factors, including changes in prevailing interest rates and whether and, if so, when a redemption of the Underlying Redeemable Certificate occurs. If prevailing interest rates decrease, principal distributions on the Retail Certificates may accelerate (and a redemption of the Underlying Redeemable Certificate may become more likely), and any reinvestment of such distributions might be at such lower prevailing interest rates. Conversely, if prevailing interest rates increase, principal distributions on the Retail Certificates may slow down (and a redemption of the Underlying Redeemable Certificate may become less likely), and investors might not be able to reinvest their principal at such higher prevailing interest rates. In such case, the market value of such Retail Certificates is likely to have declined. See “Description of the Certificates—The Retail Certificates—*Certain Principal Distribution Considerations*” herein.

**Assumed Characteristics of the Mortgage Loans Underlying the Trust MBS (as of May 1, 1997)**

| <u>MBS Group</u> | <u>Approximate Principal Balance</u> | <u>Approximate Weighted Average Remaining Term to Maturity (in months)</u> | <u>Approximate Weighted Average Calculated Loan Age (in months)</u> | <u>Approximate Weighted Average Coupon</u> |
|------------------|--------------------------------------|--|---|--|
| Group 1          | \$250,000,000                        | 357  | 2   | 8.60%                                      |
| Group 3          | \$200,000,000                        | 335  | 20  | 7.76%                                      |

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.

**Characteristics of the Underlying Redeemable Certificate**

The characteristics of the Underlying Redeemable Certificate, including certain information regarding the underlying Mortgage Loans, are set forth in the Trust 1997-R1 Prospectus attached hereto.

**Characteristics of the Underlying REMIC Certificate**

The table contained in Exhibit A hereto sets forth information with respect to the Underlying REMIC Certificate, including certain information regarding the underlying Mortgage Loans. Certain additional information as to the Underlying REMIC Certificate may be obtained by performing an analysis of current Fannie Mae principal factors in the context of applicable information contained in the Underlying Prospectus Supplement, which may be obtained from Fannie Mae as described herein.

See “Description of the Certificates—The Underlying REMIC Certificate” 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 ratios and combinations set forth on Schedule 1 hereto. The Holders of RCR Classes will be entitled to receive distributions of principal (if any) 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 Classes of REMIC Certificates and the related RCR Classes.

**Interest Rates**

The Fixed Rate Certificates will bear interest at the applicable per annum interest rates set forth on the cover or Schedule 1 hereto.

The Floating Rate and Inverse Floating Rate Classes will bear interest during the initial Interest Accrual Period at the initial interest rates specified below, and will bear interest during each Interest

Accrual Period thereafter, subject to the applicable maximum and minimum interest rates, at rates determined as described below:

| <u>Class</u> | <u>Initial Interest Rate</u> | <u>Maximum Interest Rate</u> | <u>Minimum Interest Rate</u> | <u>Formula for Calculation of Interest Rate</u> |
|--------------|------------------------------|------------------------------|------------------------------|---|
| FA .....     | 7.08750%                     | 9.0%                         | 1.4%                         | LIBOR + 140 basis points                        |
| SA .....     | 15.30000%                    | 60.8%                        | 0.0%                         | 60.8% - (8 × LIBOR)                             |
| F .....      | 6.38750%                     | 10.0%                        | 0.7%                         | LIBOR + 70 basis points                         |
| SE .....     | 7.39375%                     | 27.3%                        | 0.0%                         | 27.3% - (3.5 × LIBOR)                           |
| SG .....     | 10.50000%                    | 10.5%                        | 0.0%                         | 65.1% - (7 × LIBOR)                             |
| SD* .....    | 8.42910%                     | 21.7%                        | 0.0%                         | 21.7% - (2.33333 × LIBOR)                       |
| S* .....     | 8.42910%                     | 21.7%                        | 0.0%                         | 21.7% - (2.33333 × LIBOR)                       |
| SB .....     | 1.28125% (1)                 | 7.0%                         | 0.0%                         | 7% - LIBOR                                      |
| SC .....     | 1.10000% (1)                 | 1.1%                         | 0.0%                         | 8.1% - LIBOR                                    |

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

- (1) The initial interest rates listed for the SB and SC Classes are assumed rates. The actual initial interest rates for the SB and SC Classes will be calculated on the basis of the applicable formulas for the calculation of such interest rates on the May 22, 1997 Index Determination Date.

See “Description of the Certificates—Distributions of Interest—Floating Rate and Inverse Floating Rate Classes” herein.

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.

### Notional Classes

The notional principal balances of the Notional Classes will be equal to the indicated percentages of the outstanding balances specified below immediately prior to the related Distribution Date:

| <u>Classes</u> |   |
|----------------|---|
| PK .....       | 7.1428571428% of PL Class<br>3.5714285714% of PB, PC, PD and PE Classes |
| SE .....       | 66.6666666667% of PO Class  |
| SG .....       | 33.3333333333% of PO Class  |
| SD* .....      | 100% of PO Class  |
| SB .....       | 100% of Class 1994-33-S REMIC Certificate                               |
| SC .....       | 100% of Class 1994-33-S REMIC Certificate                               |

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

See “Description of the Certificates—Distributions of Interest—Notional Classes” and “—Yield Tables—The Inverse Floating Rate Classes (other than the SA Class) and the PK, SD and S Classes” and “—The Group 2 Classes” herein.

### Distributions of Principal

#### Group 1 Principal Distribution Amount

#### Group 1 Accrual Amount

- (i) to the VA and VD Classes, in proportion to their original principal balances, to zero; and
- (ii) to the VB and VC Classes, in that order, to zero, and then to the Z Class.

*Group 1 Cash Flow Distribution Amount*

On each Distribution Date, 0.0004% of such amount will be distributed to the RL Class and 0.0004% of such amount will be distributed to the R Class.

On each Distribution Date, the remaining amount will be applied in the following order:

- (i) to the PA Class to its Planned Balance;
- (ii) to the A and AB Classes, in proportion to their original principal balances, to zero;
- (iii) to the PA Class to zero;
- (iv) to the B and C Classes, in that order, to zero;
- (v) to the VA and VD Classes, in proportion to their original principal balances, to zero;  
and
- (vi) to the VB, VC and Z Classes, in that order, to zero.

*Group 2 Principal Distribution Amount*

On each Distribution Date, 0.0005% of such amount will be distributed to the RB Class.

On each Distribution Date, the remaining amount will be applied in the following order:

- (i) to the BC, BA and BD Classes, in that order, to zero; and
- (ii) to the BE, UU, FA and SA Classes, in proportion to their original principal balances, to zero.

*Group 3 Principal Distribution Amount*

- (i) to the PL, PB, PC, PD, PE, PG, PH and PJ Classes, in that order, to their Planned Balances;
- (ii) to the EA, EB, EC and ED Classes, in that order, to their Targeted Balances;
- (iii) to the F and PO Classes, in proportion to their original principal balances, to zero;
- (iv) to the EA, EB, EC and ED Classes, in that order, to zero; and
- (v) to the PL, PB, PC, PD, PE, PG, PH and PJ 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 Class or Classes of REMIC Certificates to the related RCR Class.

**Effect of Redemption of the Underlying Redeemable Certificate on the Group 2 Classes**

Under certain circumstances, the Underlying Redeemable Certificate is subject to redemption in full on any Distribution Date commencing with the Distribution Date in May 1998, as further described in the Trust 1997-R1 Prospectus. Upon such redemption, Holders of the Group 2 Classes will receive the unpaid principal balances of their Certificates plus interest through the 24th day of the month in which such redemption occurs, as described herein under "Description of the Certificates—Effect of Redemption of the Underlying Redeemable Certificate on the Group 2 Classes."

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

| <u>Class</u>    | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|-----------------|----------------------------------|-------------|-------------|-------------|-------------|
|                 | <u>0%</u>                        | <u>100%</u> | <u>180%</u> | <u>275%</u> | <u>500%</u> |
| PA .....        | 13.2                             | 3.4         | 3.4         | 3.4         | 2.6         |
| A and AB .....  | 23.2                             | 9.7         | 5.2         | 2.9         | 1.6         |
| B .....         | 26.1                             | 14.3        | 9.3         | 6.5         | 4.0         |
| C .....         | 27.0                             | 16.6        | 11.0        | 7.7         | 4.6         |
| VA and VD ..... | 2.6                              | 2.6         | 2.6         | 2.6         | 2.6         |
| VB .....        | 8.0                              | 8.0         | 8.0         | 7.7         | 5.4         |
| VC .....        | 12.7                             | 12.7        | 12.3        | 9.7         | 6.3         |
| Z .....         | 28.9                             | 23.6        | 18.8        | 15.0        | 9.5         |
| R and RL .....  | 21.8                             | 11.8        | 8.4         | 6.1         | 3.7         |
| AC** .....      | 20.9                             | 9.0         | 4.9         | 2.9         | 1.7         |
| AD** .....      | 18.2                             | 8.0         | 4.6         | 2.9         | 1.8         |

| <u>Class</u>               | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|----------------------------|----------------------------------|-------------|-------------|-------------|-------------|
|                            | <u>0%</u>                        | <u>100%</u> | <u>190%</u> | <u>250%</u> | <u>500%</u> |
| BC .....                   | 1.9                              | 0.4         | 0.3         | 0.2         | 0.1         |
| BA .....                   | 20.2                             | 8.1         | 5.0         | 4.0         | 2.3         |
| BD .....                   | 28.1                             | 19.7        | 12.9        | 10.2        | 5.3         |
| UU***, FA, SA and BE ..... | 29.3                             | 25.2        | 19.7        | 16.3        | 8.7         |
| RB .....                   | 21.8                             | 11.5        | 7.7         | 6.3         | 3.4         |

| <u>Class</u>                           | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|--|----------------------------------|-------------|-------------|-------------|-------------|
|  | <u>0%</u>                        | <u>100%</u> | <u>140%</u> | <u>250%</u> | <u>500%</u> |
| PL .....                               | 8.0                              | 1.2         | 1.2         | 1.2         | 1.1         |
| PB .....                               | 14.8                             | 3.0         | 3.0         | 3.0         | 2.0         |
| PC .....                               | 17.0                             | 4.0         | 4.0         | 4.0         | 2.3         |
| PD .....                               | 18.6                             | 4.9         | 4.9         | 4.9         | 2.6         |
| PE .....                               | 20.2                             | 6.0         | 6.0         | 6.0         | 3.0         |
| PK .....                               | 12.1                             | 2.6         | 2.6         | 2.6         | 1.7         |
| PG .....                               | 22.3                             | 8.0         | 8.0         | 8.0         | 3.9         |
| PH .....                               | 24.3                             | 11.0        | 11.0        | 11.0        | 5.4         |
| PJ .....                               | 25.8                             | 17.1        | 17.1        | 17.1        | 9.0         |
| EA .....                               | 26.9                             | 11.9        | 1.6         | 1.6         | 0.9         |
| EB .....                               | 27.4                             | 14.6        | 3.9         | 3.9         | 1.2         |
| EC .....                               | 27.7                             | 15.6        | 5.9         | 5.0         | 1.3         |
| ED .....                               | 27.9                             | 16.8        | 9.7         | 6.4         | 1.5         |
| PO, F, SE, SG, G**, SD** and S** ..... | 29.1                             | 22.4        | 18.7        | 1.8         | 0.5         |

| <u>Class</u>    | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|-----------------|----------------------------------|-------------|-------------|-------------|-------------|
|                 | <u>0%</u>                        | <u>100%</u> | <u>150%</u> | <u>250%</u> | <u>500%</u> |
| SB and SC ..... | 6.0                              | 4.1         | 3.5         | 2.9         | 2.2         |

\* Determined as specified under “Description of the Certificates—Weighted Average Lives of the Certificates” herein, and subject to the assumptions and qualifications in that section, including the assumption that no redemption of the Underlying Redeemable Certificate occurs.

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

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

## ADDITIONAL RISK FACTORS

### Additional Yield and Prepayment Considerations

The rate of distributions of principal of the Group 1, Group 2 and Group 3 Classes will be sensitive in varying degrees to the rate of principal distributions on the Group 1 MBS, the Underlying Redeemable Certificate and the Group 3 MBS, respectively, which in turn will reflect the rate of amortization (including prepayments) of the related Mortgage Loans (and, in the case of the Group 2 Classes, whether and, if so, when a redemption of the Underlying Redeemable Certificate occurs, as described herein). There can be no assurance that such Mortgage Loans will have the characteristics assumed herein. Because the rate of principal distributions on the Group 1, Group 2 and Group 3 Classes will be related to the rate of amortization of the related 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 Group 1, Group 2 and Group 3 Classes 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 Group 1 MBS, Underlying Redeemable Certificate or Group 3 MBS will prepay at a constant PSA rate until maturity or that all such Mortgage Loans will prepay at the same rate.

The rate of reduction in notional principal balances of the Group 4 Classes will be directly related to the rate of reduction in notional principal balance of the Underlying REMIC Certificate, which in turn will be sensitive to the amortization (including prepayments) of the related Mortgage Loans and the priority sequence affecting principal distributions for the Underlying REMIC Trust. As described in the Underlying Prospectus Supplement, the Underlying REMIC Certificate has a notional principal balance that is based on the principal balance of a class in the Underlying REMIC Trust which is, in part, subordinate in priority of principal distributions to certain other classes of certificates evidencing beneficial ownership interests in the Underlying REMIC Trust and, accordingly, there is no assurance that principal distributions will be made on such class on any particular Distribution Date. In addition, such related class in the Underlying REMIC Trust has Principal Balance Schedules and, as a result, may receive distributions of principal during certain periods at a rate faster or slower than would otherwise have been the case. Further, prepayments on the related Mortgage Loans may have occurred at a rate faster or slower than that initially assumed. This Prospectus Supplement contains no information as to whether such related class in the Underlying REMIC Trust has adhered to its Principal Balance Schedules, whether any related Support classes remain outstanding or whether the Underlying REMIC Certificate otherwise has performed as originally anticipated. Such information as to the Underlying REMIC Certificate may be obtained by performing an analysis of current Fannie Mae principal factors in the context of applicable information contained in the Underlying Prospectus Supplement, which may be obtained from Fannie Mae as described herein.

Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions and, in the case of the Group 2 Classes, the likelihood and timing of an early redemption of the Underlying Redeemable Certificate, 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 yields on the Delay Classes (as defined herein) will be reduced below the yields otherwise produced because principal and interest payable on a Distribution Date will not be distributed until the 18th or 25th day, as applicable, following the end of the related Interest Accrual Period and will not bear interest during such delay (except, in the case of the Group 2 Classes, upon a redemption of the Underlying Redeemable Certificate). 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 values of the Delay Classes will be lower than would have been the case if there were no such delay.

## Redemption Risk

The Group 2 Classes will be affected by an early redemption of the Underlying Redeemable Certificate as described in the Trust 1997-R1 Prospectus under “Description of the Certificates—Redemption and Exchange.” There will be no reimbursement to investors for any premium paid by investors or for any losses in investors’ yield if such investors receive early distributions of principal (including early distributions received as a result of any early redemption of the Underlying Redeemable Certificate). Moreover, at any time beginning in May 1998, the Underlying Redeemable Certificate is more likely to be redeemed to the extent that prevailing mortgage interest rates have declined or the related MBS otherwise have a market value in excess of their aggregate principal balance. In addition, the Holder of any Group 2 Certificate may obtain the right to exercise (or otherwise seek to influence the exercise of) such redemption of the Underlying Redeemable Certificate, and such Holder’s decision may depend, in part, on whether such Group 2 Certificate was purchased at a discount or at a premium. Finally, the existence of the redemption feature may inhibit significantly the ability of the Group 2 Certificates to sell at a premium in the market.

## DESCRIPTION OF THE CERTIFICATES

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

### General

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

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

The assets of the first Lower Tier REMIC will consist of the Trust MBS and the Underlying REMIC Certificate (evidencing a beneficial ownership interest in the Underlying REMIC Trust), and the assets of the second Lower Tier REMIC will consist of the Underlying Redeemable Certificate (evidencing a beneficial ownership interest in the Underlying Grantor Trust). The assets of the Trust will consist of (i) the Lower Tier Regular Interests of both Lower Tier REMICs and (ii) a non-interest bearing cash deposit of \$999.99 (the “Retail Cash Deposit”). The Retail Cash Deposit will be used, if necessary, to round the amount of any principal distribution on the UU Class to an amount equal to an integral multiple of \$1,000 as described herein. The Retail Cash Deposit will not be available for application toward any distributions on the other Classes of Certificates offered hereby (other than the R Class).

*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. The guaranty obligations of Fannie Mae with respect to the Underlying Redeemable Certificate and the Underlying REMIC Certificate are described in the Trust 1997-R1 Prospectus and the Underlying Prospectus Supplement, respectively. 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, “Description of Certificates—The Corporation’s Guaranty” in the MBS Prospectus, “Description of the Certificates—General—*Fannie Mae Guaranty*” in the Trust 1997-R1 Prospectus and “Description of the Certificates—General—*Fannie Mae Guaranty*” in the Underlying Prospectus Supplement.

*Characteristics of Certificates.* The Group 1 Classes (other than the R and RL Classes), the UU Class, the Group 3 Classes and the RCR Certificates will be represented by one or more certificates (the “DTC Certificates”) to be registered at all times in the name of the nominee of the Depository (as defined herein), which Depository will maintain such Certificates through its book-entry facilities. When used herein with respect to any DTC Certificate, the terms “Holders” and “Certificateholders” refer to the nominee of the Depository.

The Group 2 Classes (other than the RB Class) and the Group 4 Classes will be issued and maintained and may be transferred by Holders only on the book-entry system of the Federal Reserve Banks. Such entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities for whose accounts such Certificates have been deposited are herein referred to as “Holders” or “Certificateholders.”

A Holder is not necessarily the beneficial owner of a book-entry Certificate. Beneficial owners will ordinarily hold book-entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See “Description of the Certificates—Denominations, Certificate Form” in the REMIC Prospectus.

The R, RL and RB Certificates will not be issued in book-entry form but will be issued in fully registered, certificated form. As to the R, RL and RB Certificates, “Holder” or “Certificateholder” refers to the registered owner thereof. The R, RL and RB Certificates 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, RL and RB Certificates and Fannie Mae may require payment of a sum sufficient to cover any tax or other governmental charge. See also “Characteristics of the R, RL and RB Classes” herein.

The distribution to the Holders of the R, RL and RB Certificates of the proceeds of any remaining assets of the Trust, the first Lower Tier REMIC and second Lower Tier REMIC, respectively, 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 UU, R, RL and RB Certificates, will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. The UU Certificates will be issued in minimum denominations of \$1,000 and integral multiples thereof. The R, RL and RB Classes will be issued as single Certificates in denominations of \$1,000.

*Distribution Dates.* Distributions on the Group 1 and Group 3 Classes and the RCR 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) and distributions on the Group 2 and Group 4 Classes will be made on the 25th day of each month (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day) (each, a “Distribution Date”), commencing in the

month following the Settlement Date. See “Distributions of Interest—*General*” and “—*Interest Accrual Periods*” 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, (i) in the case of each such Class of Certificates other than the Retail Certificates, when multiplied by the original principal balance of a Certificate of such Class, will equal the remaining principal balance of such Certificate and (ii) in the case of the Retail Certificates, when multiplied by the aggregate original principal balance of such Class, will equal the aggregate remaining principal balance of such Class, in each case 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. As a result, the factor for the Retail Certificates will reflect the reduction in aggregate principal balance of such Class taken as a whole, and will not reflect the reduction in principal balance of the Retail Certificates owned by any particular investor. For purposes of determining the factor for the Retail Certificates, any rounding of the distribution of principal thereof will be disregarded.

*Redemption.* A redemption of the Underlying Redeemable Certificate may be effected as described in the Trust 1997-R1 Prospectus under “Description of the Certificates—Redemption and Exchange.”

*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.

*Voting the Underlying Redeemable Certificate and the Underlying REMIC Certificate.* In the event any issue arises under the trust agreement governing the Underlying Grantor Trust or the Underlying REMIC Trust that requires the vote of holders of certificates outstanding thereunder, the Trustee will vote the Underlying Redeemable Certificate or the Underlying REMIC Certificate, as applicable, in accordance with instructions received from Holders of the related Certificates having principal balances aggregating not less than 51% of the aggregate principal balance of such Certificates. In the absence of such instructions, the Trustee will vote in a manner consistent, in its sole judgment, with the best interests of Certificateholders.

*Liquid Assets.* The VA, VD and BC Classes are intended to qualify as “liquid assets” for purposes of the liquidity requirements applicable to federal savings associations, federal savings banks and state chartered associations whose deposits are insured by the Federal Deposit Insurance Corporation.

## **The Retail Certificates**

### *General*

The UU Class will consist of Retail Certificates. The Retail Certificates will be represented by one or more 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”). The Depository will maintain the Retail Certificates in integral multiples of \$1,000 through its book-entry facilities. In accordance with its normal procedures, the Depository will record the positions held by each Depository participating firm (each, a “Depository Participant”) in the Retail 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 Retail Certificates.

No person acquiring a beneficial ownership interest in the Retail Certificates (a “beneficial owner” or an “investor”) will be entitled to receive a physical certificate representing such ownership interest. An investor’s interest in a Retail Certificate will be recorded, in integral multiples of \$1,000, on the records of the brokerage firm, bank, thrift institution or other financial intermediary (a “financial intermediary”) that maintains such investor’s account for such purpose. In turn, the financial intermediary’s record ownership of such Certificate will be recorded, in integral multiples of \$1,000, on the records of the Depository (or of a Depository Participant that acts as agent for the financial intermediary if such intermediary is not a Depository Participant). Therefore, the investor must rely on the foregoing arrangements to evidence its interest in the Retail Certificates. Beneficial ownership of the Retail Certificates may be transferred only by compliance with the procedures of an investor’s financial intermediary and of the Depository Participants. In general, beneficial ownership of the Retail Certificates will be subject to the rules, regulations and procedures governing the Depository and Depository Participants as in effect from time to time.

#### *Method of Distribution*

Each distribution of principal and interest on the Retail Certificates will be distributed by State Street to the Depository in immediately available funds. The Depository will be responsible for crediting the amount of such distributions to the accounts of the Depository Participants entitled thereto, in accordance with the Depository’s normal procedures. Each Depository Participant and each financial intermediary will be responsible for disbursing such distribution to the beneficial owners of the Retail Certificates that it represents. Accordingly, the beneficial owners may experience some delay in their receipt of distributions.

#### *Retail Interest Distributions*

Interest to be distributed on the Retail Certificates on each Distribution Date will consist of one month’s interest at the per annum rate of 8.0% on the outstanding principal balance thereof immediately prior to such Distribution Date (plus an additional 24 days’ interest in the event of a redemption of the Underlying Redeemable Certificate). For further discussion, see “Distributions of Interest” herein.

#### *Retail Principal Distributions*

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

*Rounding of Retail Principal Distributions.* On each Distribution Date on which amounts are available for the distribution of principal of the Retail Certificates (as described under “Distributions of Principal” herein), the amount of such distribution will be rounded, as necessary, to an amount equal to an integral multiple of \$1,000. Such rounding will be accomplished on the first Distribution Date on which a Retail Principal Distribution is made by withdrawing from the Retail Cash Deposit the amount of funds, if any, needed to round the amount otherwise allocable as principal of the Retail Certificates to the next higher integral multiple of \$1,000. On each succeeding Distribution Date on which a Retail Principal Distribution is to be made, the aggregate amount allocable as principal to the Retail Certificates will be applied first to repay any funds withdrawn from the Retail Cash Deposit on

the preceding Distribution Date, and then the remainder of such allocable amount, if any, will be similarly rounded upward and applied as a Retail Principal Distribution. This procedure will continue on succeeding Distribution Dates until the principal balance of the Class of Retail Certificates has been reduced to zero. Thus, the Retail Principal Distribution on any Distribution Date may be slightly more or less than would be the case in the absence of such rounding procedures, but such difference will in no event exceed \$999.99 on any Distribution Date. The aggregate of all Retail Principal Distributions made through any Distribution Date will in no event be less than what would have been the case in the absence of such rounding procedures.

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

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

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

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

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

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

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

*Excess Retail Principal Distribution by Random Lot.* To the extent the Retail Principal Distribution for the Retail Certificates on any Distribution Date exceeds the amount evidenced by the applicable Retail Principal Distribution Requests received by State Street, the Retail Certificates in respect of which distributions of principal are to be made (in integral multiples of \$1,000) will be determined in accordance with the then applicable random lot procedures of the Depository and the established procedures of the Depository Participants and financial intermediaries. Accordingly, a Depository Participant or financial intermediary may elect to allot the remaining portion of such Retail Principal Distribution to the accounts of some investors (which could include such Depository Participant or financial intermediary) without allotting such distributions to the accounts of other investors.

*Beneficial Owners.* A “Deceased Owner” is a beneficial Owner of Retail Certificates who was living at the time such interest was acquired and whose executor or other authorized representative causes to be furnished to the Depository evidence of death satisfactory to State Street and any tax waivers requested by State Street. A “Living Owner” is any other beneficial owner of Retail Certificates. Retail Certificates beneficially owned by tenants by the entirety, joint tenants or tenants in common will be considered to be beneficially owned by a single owner. The death of a tenant by the entirety, joint tenant or tenant in common will be deemed to be the death of the beneficial owner, and the Retail Certificates so beneficially owned will be eligible for priority in principal distribution, subject to the limitations stated above. Retail Certificates beneficially owned by a trust will be considered to be beneficially owned by each beneficiary of the trust to the extent of such beneficiary’s beneficial interest in such Retail Certificates, but in no event will a trust’s beneficiaries collectively be deemed to be beneficial owners of a principal amount of Retail Certificates greater than the principal amount of Retail Certificates of which such trust is the owner. The death of a beneficiary of a trust will be deemed to be the death of a beneficial owner of the Retail Certificates beneficially owned by the trust to the extent of such beneficiary’s beneficial interest in the Retail Certificates owned by such trust. The death of an individual who was a tenant by the entirety, joint tenant or tenant in common in a tenancy which is the beneficiary of a trust will be deemed to be the death of the beneficiary of the trust. The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial ownership interests in Retail Certificates will be deemed to be the death of the beneficial owner of such Retail Certificates regardless of the registration of ownership, if such beneficial interest can be established to the satisfaction of State Street. Such beneficial interest will be deemed to exist

in typical cases of street name or nominee ownership, ownership by a trustee, ownership under the Uniform Gifts to Minors Act and community property or other joint ownership arrangements between spouses. Beneficial interest will include the power to sell, transfer or otherwise dispose of Retail Certificates and the right to receive the proceeds therefrom, as well as interest and principal distributable with respect thereto.

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

#### *Certain Principal Distribution Considerations*

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

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

distributions at effective interest rates equal to the specified per annum rate at which interest accrues on the Retail Certificates.

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

As described under “Distributions of Principal” herein, the amount of principal allocated on each Distribution Date to the Retail Certificates primarily will depend on the sufficiency of the Group 2 Principal Distribution Amount (as defined herein) to reduce the principal balances of those Classes of Certificates that have higher principal payment priorities than the Class of Retail Certificates to zero. As a result, the amount of principal distributable on the Retail Certificates on any Distribution Date will be sensitive to the level of prepayments of the related Mortgage Loans.

To illustrate the effect of prepayments on the distributions of principal of the Retail Certificates, the following table indicates the approximately aggregate distributions of principal of the Retail Certificates during the periods shown. The following table shows the amounts that would be available for distributions of principal of the Class of Retail Certificates during the periods indicated at various constant percentages of PSA (as defined under “Structuring Assumptions—*Prepayment Assumptions*” herein), based on the allocations of principal described under “Distributions of Principal” herein. The amounts shown have been calculated on the basis of the Pricing Assumptions (as defined herein) (except that with respect to the information set forth below under 0% PSA, it has been assumed that the related Mortgage Loans have remaining terms to maturity of 360 months and interest rates of 10.5% per annum), on the assumption that no redemption of the Underlying Redeemable Certificate occurs and on the assumption that principal distributions on the Retail Certificates are not rounded to integral multiples of \$1,000 and are made on the 25th day of each month in which such distributions are required to be made. **The amounts in the table are hypothetical numbers only, apply to the Class of Retail Certificates taken as a whole, and are presented solely to show the relationship between prepayments and distributions on the Retail Certificates in order to assist investors in analyzing that relationship. Because of the distribution priorities and allocations described above and because investors in the Retail Certificates will receive principal distributions in integral multiples of \$1,000, there is no assurance that any investor will receive a distribution of principal on any Distribution Date. Investors are urged to consult their own financial advisors as to the significance of prepayments or a redemption of the Underlying Redeemable Certificate in terms of the investors’ financial and investment objectives.**

**Aggregate Retail Principal Distributions**  
**(for illustrative purposes only)**  
**(Amounts in thousands)**

| <u>Distribution<br/>Date</u> | <u>PSA Prepayment Assumption</u> |                |                |                |                |
|------------------------------|----------------------------------|----------------|----------------|----------------|----------------|
|                              | <u>0%</u>                        | <u>100%</u>    | <u>190%</u>    | <u>250%</u>    | <u>500%</u>    |
| May 1998 .....               | \$ 0                             | \$ 0           | \$ 0           | \$ 0           | \$ 0           |
| May 1999 .....               | 0                                | 0              | 0              | 0              | 0              |
| May 2000 .....               | 0                                | 0              | 0              | 0              | 0              |
| May 2001 .....               | 0                                | 0              | 0              | 0              | 0              |
| May 2002 .....               | 0                                | 0              | 0              | 0              | 0              |
| May 2003 .....               | 0                                | 0              | 0              | 0              | 0              |
| May 2004 .....               | 0                                | 0              | 0              | 0              | 2,160          |
| May 2005 .....               | 0                                | 0              | 0              | 0              | 1,505          |
| May 2006 .....               | 0                                | 0              | 0              | 0              | 1,041          |
| May 2007 .....               | 0                                | 0              | 0              | 0              | 719            |
| May 2008 .....               | 0                                | 0              | 0              | 0              | 496            |
| May 2009 .....               | 0                                | 0              | 0              | 507            | 342            |
| May 2010 .....               | 0                                | 0              | 0              | 1,120          | 235            |
| May 2011 .....               | 0                                | 0              | 0              | 941            | 161            |
| May 2012 .....               | 0                                | 0              | 423            | 790            | 110            |
| May 2013 .....               | 0                                | 0              | 967            | 662            | 75             |
| May 2014 .....               | 0                                | 0              | 849            | 554            | 51             |
| May 2015 .....               | 0                                | 0              | 745            | 463            | 35             |
| May 2016 .....               | 0                                | 0              | 653            | 386            | 24             |
| May 2017 .....               | 0                                | 0              | 571            | 321            | 16             |
| May 2018 .....               | 0                                | 0              | 500            | 267            | 11             |
| May 2019 .....               | 0                                | 473            | 436            | 221            | 7              |
| May 2020 .....               | 0                                | 1,022          | 380            | 182            | 5              |
| May 2021 .....               | 0                                | 975            | 331            | 150            | 3              |
| May 2022 .....               | 0                                | 931            | 287            | 123            | 2              |
| May 2023 .....               | 0                                | 891            | 249            | 100            | 1              |
| May 2024 .....               | 0                                | 853            | 215            | 81             | 1              |
| May 2025 .....               | 0                                | 817            | 185            | 65             | 0              |
| May 2026 .....               | 1,991                            | 785            | 159            | 52             | 0              |
| May 2027 .....               | 5,009                            | 255            | 48             | 15             | 0              |
| <b>Total*</b> .....          | <u>\$7,000</u>                   | <u>\$7,000</u> | <u>\$7,000</u> | <u>\$7,000</u> | <u>\$7,000</u> |

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

The foregoing table has been prepared on the basis of assumptions, some or all of which are likely to differ from actual experience. There can be no assurance that the related Mortgage Loans will have the assumed characteristics or will prepay at any of the constant rates shown in the table or at any other particular rate, that a redemption of the Underlying Redeemable Certificate will or will not occur or that the amounts available for distribution of principal of the Retail Certificates will correspond to any of the amounts shown herein. The rates of Retail Principal Distributions for the Retail Certificates will be directly related to the actual amortization and prepayments of the related Mortgage Loans, which will likely include Mortgage Loans that have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed. As a result, the amounts available for distribution of principal of the Retail Certificates are likely to differ from those shown in the table above, even if all the Mortgage Loans prepay at the indicated constant percentages of PSA. In particular, the diverse remaining terms to maturity of the Mortgage Loans could produce lower yields than those produced by Mortgage Loans having the assumed characteristics. In addition, the Mortgage Loans will not prepay at a constant level of PSA until maturity and it is extremely unlikely that all of such Mortgage Loans will prepay at the same rate. The timing of the changes in the rate of prepayments may significantly affect the actual amounts available for distribution of principal to an investor (and may affect the resulting yield to maturity), even if the average rate of principal prepayments is consistent with an investor's expectation. In general, the

earlier the payment of principal of the Mortgage Loans, the greater the effect on an investor's yield to maturity. As a result, the effect on an investor's yield of principal prepayments occurring at a rate slower (or faster) than the rate anticipated by the investor during the period immediately following the issuance of the Retail Certificates will not be equally offset by a subsequent like increase (or decrease) in the rate of principal prepayments. Investors are urged to consult their own financial advisors as to the appropriate prepayment assumption to be used in deciding whether to purchase any Retail Certificates.

The weighted average lives of the Retail Certificates shown in the table referenced under "Decrement Tables" herein apply to such Class taken as a whole; as a result of the distribution priorities and allocations described above, the weighted average lives of the Retail Certificates beneficially owned by individual investors may vary significantly from the weighted average life of the Class as a whole. Although distributions of principal and interest on the Retail Certificates are guaranteed by Fannie Mae as described herein, Fannie Mae can give no assurance as to any particular principal distribution scenario, as to whether a redemption of the Underlying Redeemable Certificate will or will not occur, as to any particular weighted average life for the Retail Certificates or as to the date or dates on which any particular investor will receive distributions of principal. In addition, there is no assurance that procedures of the financial intermediaries or the Depository will not change. Investors in the Retail Certificates should understand that they are assuming all risks and benefits associated with the rate of principal distributions on such Retail Certificates, whether such rate is rapid or slow, with variations in such rate from time to time, and with the occurrence of a redemption of the Underlying Redeemable Certificate. Investors in the Retail Certificates should also consider that the effective yields to Holders of the Retail Certificates will be lower than the yields otherwise produced because principal and interest payable on a Distribution Date will not be distributed until the 25th day following the end of the related Interest Accrual Period and (except upon the occurrence of a redemption of the Underlying Redeemable Certificate) will not bear interest during such delay.

#### *Investment Determination*

The Retail Certificates may not be an appropriate investment for all prospective investors. The Retail Certificates would not be an appropriate investment for any investor requiring a particular distribution of principal on a specified date or an otherwise predictable stream of principal distributions. There is no assurance that any investor in the Retail Certificates will receive a principal distribution (in integral multiples of \$1,000) on any particular Distribution Date. Any investor who purchases a Retail Certificate at a premium (or a discount) should consider the risk that relatively early (or late) principal distributions following issuance of the Certificates (including distributions resulting from a redemption of the Underlying Redeemable Certificate) could result in an actual yield that is lower than such investor's anticipated yield. In addition, although the Dealers intend to make a secondary market in the Retail Certificates, they have no obligation to do so, and any such market making may be discontinued at any time. There is no assurance that such a secondary market will develop, that any such market will continue or that information on any such secondary market will be as readily available as information regarding certain other types of investments. Thus, investors may not be able to sell their Retail Certificates readily or at a price that will enable them to realize their anticipated yield. The price of the Retail Certificates in any such secondary market will be affected by various factors, and the volatility of such price may differ from that evidenced by certain other types of investments. Accordingly, there can be no assurance that the price at which an investor may be able to sell a Retail Certificate will be the same as or higher than the purchase price at which such investor purchased such Certificate; in fact, such price may be lower and, under certain circumstances, substantially lower than the original price for such Retail Certificate.

#### **Combination and Recombination**

*General.* Subject to the rules, regulations and procedures of the Depository, all or a portion of the AB, VD, VA, F, SE, SG and PO Classes of REMIC Certificates may be exchanged for a

proportionate interest in one or more RCR Classes in the combinations and ratios set forth on Schedule 1 hereto. Similarly, all or a portion of an RCR Class may be exchanged, in the combinations and ratios 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 interest in 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 (or notional 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 relating to Group 1 or Group 3 (exclusive of any notional principal balance) will at all times equal the aggregate outstanding principal balance of the related Trust 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 (or notional 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 1/32 of 1% of the outstanding principal balance (exclusive of any notional 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 ratios" as shown in the 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 in the outstanding principal balances of the Certificates.

*Additional Considerations.* The payment characteristics of an RCR Class will reflect the 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 payment characteristics, the 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 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 Class or Classes of REMIC Certificates or RCR Certificates. 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 Group 1 Classes (other than the R and RL Classes), the UU Class, the Group 3 Classes and the RCR Certificates 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 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.

The Group 2 Classes (other than the UU and RB Classes) and the Group 4 Classes will be issued and maintained only on the book-entry system of the Federal Reserve Banks. Such Certificates may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Beneficial owners ordinarily will hold such Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of such a Certificate, and each other financial intermediary in the chain to the beneficial owner, will have the responsibility of establishing and maintaining accounts for their respective customers. The rights of the beneficial owner of such a Certificate with respect to Fannie Mae and the Federal Reserve Banks may be exercised only through the Holder of such Certificate. Fannie Mae and the Federal Reserve Banks will have no direct obligation to a beneficial owner of such a Certificate that is not also the Holder of the Certificate. The Federal Reserve Banks will act only upon the instructions of the Holder in recording transfers of such a Certificate. See “Description of the Certificates—Denominations, Certificate Form” in the REMIC Prospectus.

*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. 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.

Fannie Mae’s fiscal agent for the Group 2 Classes (other than the UU and RB Classes) and the Group 4 Classes is the Federal Reserve Bank of New York. The Federal Reserve Banks will make

distributions on such Certificates on behalf of Fannie Mae on the applicable Distribution Dates by crediting Holders' accounts at the Federal Reserve Banks.

### The Trust MBS

The Group 1 and Group 3 MBS will have the aggregate unpaid principal balances and Pass-Through Rates set forth below and the general characteristics described in the MBS Prospectus. The Group 1 and Group 3 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 thereof. The Mortgage Loans underlying the Group 1 and Group 3 MBS 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. See "The Mortgage Pools" and "Yield Considerations" in the MBS Prospectus. The characteristics of the Group 1 and Group 3 MBS and the related Mortgage Loans as of May 1, 1997 (the "Issue Date") are expected to be as follows:

#### Group 1 MBS

|  |               |
|--|---------------|
| Aggregate Unpaid Principal Balance ..... | \$250,000,000 |
| MBS Pass-Through Rate .....              | 8.00%         |

#### Related Mortgage Loans

|   |                          |
|---|--------------------------|
| Range of WACs (per annum percentages) ..... | 8.25% to 10.50%          |
| Range of WAMs .....                         | 241 months to 360 months |
| Approximate Weighted Average WAM .....      | 357 months               |
| Approximate Weighted Average CAGE .....     | 2 months                 |

#### Group 3 MBS

|  |               |
|--|---------------|
| Aggregate Unpaid Principal Balance ..... | \$200,000,000 |
| MBS Pass-Through Rate .....              | 7.00%         |

#### Related Mortgage Loans

|   |                          |
|---|--------------------------|
| Range of WACs (per annum percentages) ..... | 7.25% to 9.50%           |
| Range of WAMs .....                         | 241 months to 360 months |
| Approximate Weighted Average WAM .....      | 335 months               |
| Approximate Weighted Average CAGE .....     | 20 months                |

### The Underlying Redeemable Certificate

The Underlying Redeemable Certificate, which has the characteristics set forth in the Trust 1997-R1 Prospectus attached hereto, represents beneficial ownership interests in the Underlying Grantor Trust, the assets of which evidence indirect beneficial ownership interest in certain MBS. The Underlying Redeemable Certificate provides that principal and interest payments thereon will be passed through monthly, commencing in the month following the initial issuance thereof.

The MBS underlying the Underlying Grantor Trust have the aggregate unpaid principal balance and Pass-Through Rate set forth below and the general characteristics described in the MBS Prospectus. Such MBS are held in the form of a Mega Certificate, the general characteristics of which are described in the Mega Prospectus. Each MBS evidences beneficial ownership interests in a Pool of conventional Level Payment Mortgage Loans secured by first-mortgages or deeds of trust on single-family residential properties and have 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 underlying the Underlying Grantor Trust and the related Mortgage Loans as of the Issue Date are expected to be as follows:

|   |                          |
|---|--------------------------|
| <b>MBS (Mega Certificate CL-313566)</b>     |                          |
| Aggregate Unpaid Principal Balance .....    | \$200,000,000            |
| MBS Pass-Through Rate .....                 | 8.00%                    |
| <b>Mortgage Loans</b>                       |                          |
| Range of WACs (per annum percentages) ..... | 8.25% to 10.50%          |
| Range of WAMs .....                         | 241 months to 360 months |
| Approximate Weighted Average WAM .....      | 352 months               |
| Approximate Weighted Average CAGE .....     | 7 months                 |

### **The Underlying REMIC Certificate**

The Underlying REMIC Certificate underlying the Group 4 Classes represents a beneficial ownership interest in the Underlying REMIC Trust, the assets of which evidence direct beneficial ownership interests in certain MBS having the general characteristics set forth in the MBS Prospectus.

The Underlying REMIC Certificate provides that distributions thereon will be passed through monthly, commencing in the month following the initial issuance thereof. The general characteristics of the Underlying REMIC Certificate are described in the Underlying Prospectus Supplement. Each MBS underlying a REMIC Certificate evidences beneficial ownership interests in a Pool of conventional Level Payment Mortgage Loans secured by first mortgages or deeds of trust on single-family residential properties, as described under “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus.

The table contained in Exhibit A hereto sets forth certain information with respect to the Underlying REMIC Certificate, including the numerical designation of the Underlying REMIC Trust, the class designation, the date of issue, the CUSIP number, the interest rate, the interest type, the final distribution date, the principal type, the original notional principal balance of the entire class, the current principal factor for such class and the notional principal balance of such class contained in the related Lower Tier REMIC as of the Issue Date. The table also sets forth the approximate weighted average WAC, approximate weighted average WAM and approximate weighted average CAGE of the Mortgage Loans underlying the related MBS as of the Issue Date, the underlying security type and the related Class Group.

To request further information regarding the Underlying REMIC Certificate, telephone Fannie Mae at 1-800-BEST-MBS or 202-752-8547. Other data specific to the Certificates is available in electronic form by calling Fannie Mae at 1-800-752-6440 or 202-752-6000. It should be noted that there may have been material changes in facts and circumstances since the date the Underlying Prospectus Supplement was prepared, including, but not limited to, changes in prepayment speeds and prevailing interest rates and other economic factors, which may limit the usefulness of the information set forth in such document.

### **Final Data Statement**

Following the issuance of the Certificates, Fannie Mae will prepare a Final Data Statement setting forth, among other information, the current notional principal balance of the Underlying REMIC Certificate as of the Issue Date and, with respect to the Trust MBS and the MBS underlying the Underlying Grantor Trust, 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 such 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 such 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, A, AB, B, C, VA, VD, VB, VC, Z, BC, BA, BD, BE, UU, PL, PB, PC, PD, PE, PK, PG, PH, PJ, EA, EB, EC, ED, R, RL and RB |
| Accrual               | Z  |
| Floating Rate         | FA and F   |
| Inverse Floating Rate | SA, SE, SG, SB and SC  |
| Interest Only         | PK, SE, SG, SB and SC  |
| Principal Only        | PO   |
| RCR**                 | AC, AD, G, SD and S  |

\* 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 described 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. In addition, in the event the Underlying Redeemable Certificate is redeemed, the final distribution on the Group 2 Classes will include an amount representing interest accrued to the date of redemption. See “—Effect of Redemption of the Underlying Redeemable Certificate on the Group 2 Classes” below.

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.

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

| <u>Classes</u>   | <u>Interest Accrual Periods</u>   |
|--|---|
| F, SE, SG, SD* and S*  | One month period beginning on the 18th day of the month preceding the month of the Distribution Date and ending on the 17th day of the month of the Distribution Date |
| SB and SC Classes  | One month period beginning on the 25th day of the month preceding the month of the Distribution Date and ending on the 24th day of the month of the Distribution Date |
| All Fixed Rate Classes and the FA, SA, AC*, AD* and G* Classes (collectively, the “Delay Classes”) | Calendar month preceding the month in which the Distribution Date occurs  |

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

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 VC 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.

*Notional Classes.* The PK, SE, SG, SD\*, SB and SC Classes will be Notional Classes. The Notional Classes will not have principal balances and will bear interest at the applicable per annum interest rates set forth on the cover or as described herein during each Interest Accrual Period on their respective notional principal balances. The notional principal balances of the Notional Classes will be equal to the indicated percentages of the outstanding balances specified below immediately prior to the related Distribution Date:

| <u>Classes</u> |  |
|----------------|--|
| PK .....       | 7.1428571428% of PL Class                  |
| SE .....       | 3.5714285714% of PB, PC, PD and PE Classes |
| SG .....       | 66.6666666667% of PO Class                 |
| SD* .....      | 33.3333333333% of PO Class                 |
| SB .....       | 100% of PO Class                           |
| SC .....       | 100% of Class 1994-33-S REMIC Certificate  |
|                | 100% of Class 1994-33-S REMIC Certificate  |

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

*Floating Rate and Inverse Floating Rate Classes.* The following Classes will bear interest during their initial Interest Accrual Period at the initial interest rates specified below, and will bear interest

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

during each Interest Accrual Period thereafter, subject to the applicable maximum and minimum interest rates, at rates determined as described below:

| <u>Class</u> | <u>Initial Interest Rate</u> | <u>Maximum Interest Rate</u> | <u>Minimum Interest Rate</u> | <u>Formula for Calculation of Interest Rate</u> |
|--------------|------------------------------|------------------------------|------------------------------|---|
| FA .....     | 7.08750%                     | 9.0%                         | 1.4%                         | LIBOR + 140 basis points                        |
| SA .....     | 15.30000%                    | 60.8%                        | 0.0%                         | 60.8% - (8 × LIBOR)                             |
| F .....      | 6.38750%                     | 10.0%                        | 0.7%                         | LIBOR + 70 basis points                         |
| SE .....     | 7.39375%                     | 27.3%                        | 0.0%                         | 27.3% - (3.5 × LIBOR)                           |
| SG .....     | 10.50000%                    | 10.5%                        | 0.0%                         | 65.1% - (7 × LIBOR)                             |
| SD* .....    | 8.42910%                     | 21.7%                        | 0.0%                         | 21.7% - (2.33333 × LIBOR)                       |
| S* .....     | 8.42910%                     | 21.7%                        | 0.0%                         | 21.7% - (2.33333 × LIBOR)                       |
| SB .....     | 1.28125% (1)                 | 7.0%                         | 0.0%                         | 7% - LIBOR                                      |
| SC .....     | 1.10000% (1)                 | 1.1%                         | 0.0%                         | 8.1% - LIBOR                                    |

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

- (1) The initial interest rates listed for the SB and SC Classes are assumed rates. The actual initial interest rates for the SB and SC Classes will be calculated on the basis of the applicable formulas for the calculation of such interest rates on the May 22, 1997 Index Determination Date.

The yields with respect to such Classes will be affected by changes in the applicable index as set forth in the table above (the “Index”), which changes may not correlate with changes in mortgage interest rates. It is possible that lower mortgage interest rates could occur concurrently with an increase in the level of the Index. Conversely, higher mortgage interest rates could occur concurrently with a decrease in the level of the Index.

The establishment of the Index value by Fannie Mae and Fannie Mae’s determination of the rates of interest for the applicable Classes for the related Interest Accrual Period shall (in the absence of manifest error) be final and binding. Each such rate of interest may be obtained by telephoning Fannie Mae at 1-800-BEST-MBS or 202-752-6547.

### Calculation of LIBOR

On each Index Determination Date, until the principal balances and notional principal balances of the FA, SA, F, SE, SG, SD\*\*, S\*\*, SB and SC Classes have been reduced to zero, Fannie Mae will establish LIBOR for the related Interest Accrual Period in the manner described in the REMIC Prospectus under “Description of the Certificates—Indices Applicable to Floating Rate and Inverse Floating Rate Classes—LIBOR.”

If on the initial Index Determination Date, Fannie Mae is unable to determine LIBOR in the manner specified in the REMIC Prospectus, LIBOR for the next succeeding Interest Accrual Period will be equal to 5.6875% in the case of the FA, SA, F, SE, SG, SD\*\* and S\*\* Classes and will be equal to LIBOR as determined for such Interest Accrual Period for the Underlying REMIC Certificate in the case of the SB and SC Classes.

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

## 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>                    |
|---------------------------|-----------------------------------|
| <b>Group 1 Classes</b>    |                                   |
| PAC                       | PA                                |
| Support                   | A and AB                          |
| Sequential Pay            | B, C, VA, VD, VB, VC and Z        |
| Accretion Directed        | VA, VD, VB and VC                 |
| Strip                     | R and RL                          |
| Liquid Assets             | VA and VD                         |
| RCR**                     | AC and AD                         |
| <b>Group 2 Classes</b>    |                                   |
| Redeemable/Sequential Pay | BC, BA, BD, BE, UU, FA and SA     |
| Redeemable/Retail         | UU                                |
| Redeemable/Strip          | RB                                |
| <b>Group 3 Classes</b>    |                                   |
| PAC                       | PL, PB, PC, PD, PE, PG, PH and PJ |
| TAC                       | EA, EB, EC and ED                 |
| Notional                  | PK, SE and SG                     |
| Support                   | F and PO                          |
| RCR**                     | G, SD and S                       |
| <b>Group 4 Classes</b>    |                                   |
| Notional                  | SB and SC                         |

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

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

### *Principal Distribution Amount*

On each Distribution Date, principal will be distributed on the Certificates in an amount (the “Principal Distribution Amount”) equal to the sum of (i) the aggregate distributions of principal to be made on the Group 1 MBS in the month of such Distribution Date (the “Group 1 Cash Flow Distribution Amount”) and any interest accrued and added on such Distribution Date to the principal balance of the Accrual Class (the “Group 1 Accrual Amount” and together with the Group 1 Cash Flow Distribution Amount, the “Group 1 Principal Distribution Amount”), (ii) the distribution of principal concurrently made on the Underlying Redeemable Certificate (the “Group 2 Principal Distribution Amount”) and (iii) the aggregate distributions of principal to be made on the Group 3 MBS in the month of the Distribution Date (the “Group 3 Principal Distribution Amount”).

### *Group 1 Principal Distribution Amount*

#### *Group 1 Accrual Amount*

On each Distribution Date, the Group 1 Accrual Amount, if any, will be distributed as principal of the Group 1 Classes specified below, in the following order of priority:

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>(i) concurrently, to the VA and VD Classes, in proportion to their original principal balances (or 61.8840247536% and 38.1159752464%, respectively), until the principal balances thereof are reduced to zero; and</li> <li>(ii) sequentially, to the VB and VC Classes, in that order, until the respective principal balances thereof are reduced to zero, and then to the Z Class.</li> </ul> | } | Accretion<br>Directed<br>Classes<br>and<br>Accrual<br>Class |
|---|---|---|

*Group 1 Cash Flow Distribution Amount*

On each Distribution Date, an amount equal to 0.0004% of the Group 1 Cash Flow Distribution Amount will be distributed as principal of the RL Class, and an amount equal to 0.0004% of the Group 1 Cash Flow Distribution Amount will be distributed as principal of the R Class. } Strip Classes

On each Distribution Date, an amount equal to 99.9992% of the Group 1 Cash Flow Distribution Amount will be distributed as principal of the remaining Group 1 Classes in the following order of priority:

(i) to the PA Class, until the principal balance thereof is reduced to its Planned Balance for such Distribution Date; } PAC Class

(ii) concurrently, to the A and AB Classes, in proportion to their original principal balances (or 64.9592878918% and 35.0407121082%, respectively), until the principal balances thereof are reduced to zero; } Support Classes

(iii) to the PA Class, without regard to its Planned Balance and until the principal balance thereof is reduced to zero; } PAC Class

(iv) sequentially, to the B and C Classes, in that order, until the respective principal balances thereof are reduced to zero; }

(v) concurrently, to the VA and VD Classes, in proportion to their original principal balances, until the principal balances thereof are reduced to zero; and } Sequential Pay Classes

(vi) sequentially, to the VB, VC and Z Classes, in that order, until the respective principal balances thereof are reduced to zero. }

*Group 2 Principal Distribution Amount*

On each Distribution Date, an amount equal to 0.0005% of the Group 2 Principal Distribution Amount will be distributed as principal of the RB Class. } Strip Class

On each Distribution Date, an amount equal to 99.9995% of the Group 2 Principal Distribution Amount will be distributed as principal of the remaining Group 2 Classes in the following order of priority:

(i) sequentially, to the BC, BA and BD Classes, in that order, until the respective principal balances thereof are reduced to zero; and }

(ii) concurrently, to the BE, UU, FA and SA Classes, in proportion to their original principal balances (or 11.0195497018%, 24.1354342654%, 57.6400131021% and 7.2050029307%, respectively), until the principal balances thereof are reduced to zero. } Sequential Pay Classes

*Group 3 Principal Distribution Amount*

On each Distribution Date, the Group 3 Principal Distribution Amount will be distributed as principal of the Group 3 Classes in the following order of priority:

(i) sequentially, to the PL, PB, PC, PD, PE, PG, PH and PJ Classes, in that order, until the principal balances thereof are reduced to their respective Planned Balances for such Distribution Date; } PAC Classes

(ii) sequentially, to the EA, EB, EC and ED Classes, in that order, until the principal balances thereof are reduced to their respective Targeted Balances for such Distribution Date; } TAC Classes

- |   |   |                    |
|---|---|--------------------|
| <p>(iii) concurrently, to the F and PO Classes, in proportion to their original principal balances (or 70% and 30%, respectively), until the principal balances thereof are reduced to zero;</p>            | } | Support<br>Classes |
| <p>(iv) sequentially, to the EA, EB, EC and ED Classes, in that order, without regard to their Targeted Balances and until the respective principal balances thereof are reduced to zero; and</p>           | } | TAC<br>Classes     |
| <p>(v) sequentially, to the PL, PB, PC, PD, PE, PG, PH and PJ Classes, in that order, without regard to their Planned Balances and until the respective principal balances thereof are reduced to zero.</p> | } | PAC<br>Classes     |

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.

### Effect of Redemption of the Underlying Redeemable Certificate on the Group 2 Classes

Under certain conditions, the Underlying Redeemable Certificate is subject to redemption in full on any Distribution Date commencing with the Distribution Date in May 1998, as further described in the Trust 1997-R1 Prospectus under “Description of the Certificates—Redemption and Exchange.” The REMIC Trust Factors for the Group 2 Classes for the month in which the Underlying Redeemable Certificate is to be redeemed will be zero. Upon such redemption, each Holder of a Group 2 Certificate will receive an amount (the “Redemption Distribution Amount”) equal to the sum of:

- (i) 100% of the outstanding principal balance of such Certificate;
- (ii) accrued interest at the applicable rate per annum for such Certificate for the related Interest Accrual Period; and
- (iii) accrued interest at the applicable rate per annum for such Certificate for the period from the first day of the month of redemption through the 24th day of the month in which the redemption occurs, calculated on the principal balance that would have remained outstanding immediately after such Distribution Date if such redemption were not to occur (that is, 24 days’ interest on such reduced principal balance). For this purpose, each Retail Certificate will be deemed to have been reduced by the same proportion as the UU Class as a whole, rather than in \$1,000 increments.

Distribution of the Redemption Distribution Amount will be in lieu of any distribution of principal and interest that would otherwise be made on that Distribution Date.

### Structuring Assumptions

*Pricing Assumptions.* Unless otherwise specified, the information in the tables in this Prospectus Supplement has been prepared on the basis of the actual characteristics of each Pool underlying the Underlying REMIC Certificate, the priority sequence affecting the principal distributions for the Underlying REMIC Trust and the following assumptions (such characteristics and assumptions, collectively, the “Pricing Assumptions”):

- the Mortgage Loans underlying the Group 1 MBS, the Underlying Redeemable Certificate and Group 3 MBS have the original terms to maturity, remaining terms to maturity, CAGEs and interest rates, respectively, as specified:

|                                   |            |            |           |       |
|-----------------------------------|------------|------------|-----------|-------|
| Group 1 MBS                       | 360 months | 357 months | 2 months  | 8.60% |
| Underlying Redeemable Certificate | 360 months | 352 months | 7 months  | 8.50% |
| Group 3 MBS                       | 360 months | 335 months | 20 months | 7.76% |

- 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 May 30, 1997; 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 Ranges and Rate.* The Principal Balance Schedules have been prepared on the basis of the Pricing Assumptions and the assumption that the Mortgage Loans underlying the Group 1 and Group 3 MBS, as applicable, prepay at a constant PSA rate within the Structuring Ranges or at the rate set forth below.

| <u>Principal Balance Schedule Reference</u> | <u>Related Classes</u>            | <u>Structuring Ranges and Rate</u> |
|---|-----------------------------------|------------------------------------|
| Planned Balance                             | PA                                | Between 100% and 275%              |
| Planned Balances                            | PL, PB, PC, PD, PE, PG, PH and PJ | Between 100% and 250%              |
| Targeted Balances                           | EA, EB, EC and ED                 | 140%                               |

**There is no assurance that the principal balance of any Class listed above will conform on any Distribution Date to the balance specified for such Distribution Date in the applicable Principal Balance Schedule herein, or that distributions of principal on any 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 applicable Structuring Range specified above, principal distributions may be insufficient to reduce any such Class to its scheduled balance if such prepayments do not occur at a constant PSA rate. Moreover, because of the diverse remaining terms to maturity of the Mortgage Loans underlying the Group 1 and Group 3 MBS (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 applicable Structuring Range or at the rate 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 100% and 275%           |
| PL                     | Between 100% and 373%           |
| PB                     | Between 100% and 309%           |
| PC                     | Between 100% and 282%           |
| PD                     | Between 100% and 265%           |
| PE                     | Between 100% and 254%           |
| PG                     | Between 100% and 250%           |
| PH                     | Between 99% and 250%            |
| PJ                     | Between 86% and 250%            |

The actual Effective Ranges at any time will be based upon the actual characteristics of the Mortgage Loans underlying the Group 1 and Group 3 MBS 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 related Support Classes (and, in the case of certain PAC Classes, in part by the related TAC Classes). When the Support Classes (and, if applicable, the TAC Classes) are retired, the applicable 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 Planned Balance</u> | <u>PL Class Planned Balance</u> | <u>PB Class Planned Balance</u> | <u>PC Class Planned Balance</u> | <u>PD Class Planned Balance</u> | <u>PE Class Planned Balance</u> | <u>PG Class Planned Balance</u> |
|--------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Initial Balance .....    | \$79,527,000.00                 | \$31,194,000.00                 | \$13,614,000.00                 | \$10,041,000.00                 | \$10,020,000.00                 | \$13,087,000.00                 | \$24,810,000.00                 |
| June 1997 .....          | 79,249,885.66                   | 30,312,034.61                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| July 1997 .....          | 78,930,035.83                   | 29,398,212.61                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| August 1997 .....        | 78,567,521.31                   | 28,452,927.06                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| September 1997 .....     | 78,162,434.87                   | 27,476,587.01                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| October 1997 .....       | 77,714,891.26                   | 26,469,617.12                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| November 1997 .....      | 77,225,027.19                   | 25,432,457.41                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| December 1997 .....      | 76,693,001.29                   | 24,365,562.94                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| January 1998 .....       | 76,118,994.03                   | 23,269,403.47                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| February 1998 .....      | 75,503,207.71                   | 22,144,463.10                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| March 1998 .....         | 74,845,866.29                   | 20,991,239.95                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| April 1998 .....         | 74,147,215.33                   | 19,843,726.97                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| May 1998 .....           | 73,407,521.83                   | 18,701,894.52                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| June 1998 .....          | 72,627,074.10                   | 17,565,713.09                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| July 1998 .....          | 71,806,181.58                   | 16,435,153.33                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| August 1998 .....        | 70,945,174.67                   | 15,310,186.05                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| September 1998 .....     | 70,044,404.48                   | 14,190,782.19                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| October 1998 .....       | 69,104,242.67                   | 13,076,912.85                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| November 1998 .....      | 68,125,081.16                   | 11,968,549.29                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| December 1998 .....      | 67,107,331.88                   | 10,865,662.90                   | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| January 1999 .....       | 66,051,426.50                   | 9,768,225.22                    | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| February 1999 .....      | 64,957,816.16                   | 8,676,207.95                    | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| March 1999 .....         | 63,826,971.09                   | 7,589,582.91                    | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| April 1999 .....         | 62,659,380.36                   | 6,508,322.09                    | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| May 1999 .....           | 61,455,551.47                   | 5,432,397.60                    | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| June 1999 .....          | 60,216,010.03                   | 4,361,781.72                    | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| July 1999 .....          | 58,941,299.38                   | 3,296,446.84                    | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| August 1999 .....        | 57,631,980.15                   | 2,236,365.53                    | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| September 1999 .....     | 56,288,629.93                   | 1,181,510.46                    | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| October 1999 .....       | 54,951,850.39                   | 131,854.47                      | 13,614,000.00                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| November 1999 .....      | 53,621,607.08                   | 0.00                            | 12,701,370.53                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| December 1999 .....      | 52,297,865.70                   | 0.00                            | 11,662,031.75                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| January 2000 .....       | 50,980,592.14                   | 0.00                            | 10,627,811.37                   | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| February 2000 .....      | 49,669,752.46                   | 0.00                            | 9,598,682.78                    | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| March 2000 .....         | 48,365,312.89                   | 0.00                            | 8,574,619.49                    | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| April 2000 .....         | 47,067,239.84                   | 0.00                            | 7,555,595.16                    | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| May 2000 .....           | 45,775,499.88                   | 0.00                            | 6,541,583.58                    | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| June 2000 .....          | 44,490,059.77                   | 0.00                            | 5,532,558.68                    | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| July 2000 .....          | 43,210,886.42                   | 0.00                            | 4,528,494.52                    | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| August 2000 .....        | 41,937,946.91                   | 0.00                            | 3,529,365.28                    | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| September 2000 .....     | 40,671,208.51                   | 0.00                            | 2,535,145.29                    | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| October 2000 .....       | 39,410,638.62                   | 0.00                            | 1,545,809.01                    | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| November 2000 .....      | 38,156,204.84                   | 0.00                            | 561,331.02                      | 10,041,000.00                   | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| December 2000 .....      | 36,907,874.93                   | 0.00                            | 0.00                            | 9,622,686.04                    | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| January 2001 .....       | 35,665,616.79                   | 0.00                            | 0.00                            | 8,647,848.92                    | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| February 2001 .....      | 34,429,398.50                   | 0.00                            | 0.00                            | 7,677,794.64                    | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| March 2001 .....         | 33,199,188.32                   | 0.00                            | 0.00                            | 6,712,498.29                    | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| April 2001 .....         | 31,974,954.65                   | 0.00                            | 0.00                            | 5,751,935.11                    | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| May 2001 .....           | 30,756,666.04                   | 0.00                            | 0.00                            | 4,796,080.46                    | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| June 2001 .....          | 29,544,291.24                   | 0.00                            | 0.00                            | 3,844,909.81                    | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| July 2001 .....          | 28,337,799.13                   | 0.00                            | 0.00                            | 2,898,398.80                    | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| August 2001 .....        | 27,137,158.74                   | 0.00                            | 0.00                            | 1,956,523.14                    | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |

| <u>Distribution Date</u> | <u>PA Class Planned Balance</u> | <u>PL Class Planned Balance</u> | <u>PB Class Planned Balance</u> | <u>PC Class Planned Balance</u> | <u>PD Class Planned Balance</u> | <u>PE Class Planned Balance</u> | <u>PG Class Planned Balance</u> |
|--------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| September 2001.....      | \$25,942,339.29                 | \$ 0.00                         | \$ 0.00                         | \$ 1,019,258.70                 | \$10,020,000.00                 | \$13,087,000.00                 | \$24,810,000.00                 |
| October 2001.....        | 24,753,310.13                   | 0.00                            | 0.00                            | 86,581.47                       | 10,020,000.00                   | 13,087,000.00                   | 24,810,000.00                   |
| November 2001.....       | 23,570,040.77                   | 0.00                            | 0.00                            | 0.00                            | 9,178,467.54                    | 13,087,000.00                   | 24,810,000.00                   |
| December 2001.....       | 22,392,500.90                   | 0.00                            | 0.00                            | 0.00                            | 8,254,893.16                    | 13,087,000.00                   | 24,810,000.00                   |
| January 2002.....        | 21,220,660.33                   | 0.00                            | 0.00                            | 0.00                            | 7,335,834.66                    | 13,087,000.00                   | 24,810,000.00                   |
| February 2002.....       | 20,054,489.05                   | 0.00                            | 0.00                            | 0.00                            | 6,421,268.53                    | 13,087,000.00                   | 24,810,000.00                   |
| March 2002.....          | 18,893,957.19                   | 0.00                            | 0.00                            | 0.00                            | 5,511,171.36                    | 13,087,000.00                   | 24,810,000.00                   |
| April 2002.....          | 17,739,035.02                   | 0.00                            | 0.00                            | 0.00                            | 4,605,519.86                    | 13,087,000.00                   | 24,810,000.00                   |
| May 2002.....            | 16,589,693.00                   | 0.00                            | 0.00                            | 0.00                            | 3,704,290.86                    | 13,087,000.00                   | 24,810,000.00                   |
| June 2002.....           | 15,445,901.70                   | 0.00                            | 0.00                            | 0.00                            | 2,807,461.32                    | 13,087,000.00                   | 24,810,000.00                   |
| July 2002.....           | 14,307,631.86                   | 0.00                            | 0.00                            | 0.00                            | 1,915,008.30                    | 13,087,000.00                   | 24,810,000.00                   |
| August 2002.....         | 13,174,854.37                   | 0.00                            | 0.00                            | 0.00                            | 1,026,908.99                    | 13,087,000.00                   | 24,810,000.00                   |
| September 2002.....      | 12,047,540.26                   | 0.00                            | 0.00                            | 0.00                            | 143,140.70                      | 13,087,000.00                   | 24,810,000.00                   |
| October 2002.....        | 10,925,660.72                   | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 12,350,680.84                   | 24,810,000.00                   |
| November 2002.....       | 9,809,187.06                    | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 11,475,506.96                   | 24,810,000.00                   |
| December 2002.....       | 8,698,090.77                    | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 10,604,596.70                   | 24,810,000.00                   |
| January 2003.....        | 7,592,343.46                    | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 9,737,927.82                    | 24,810,000.00                   |
| February 2003.....       | 6,491,916.91                    | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 8,875,478.22                    | 24,810,000.00                   |
| March 2003.....          | 5,396,783.01                    | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 8,017,225.88                    | 24,810,000.00                   |
| April 2003.....          | 4,306,913.82                    | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 7,163,148.90                    | 24,810,000.00                   |
| May 2003.....            | 3,222,281.53                    | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 6,313,225.51                    | 24,810,000.00                   |
| June 2003.....           | 2,142,858.47                    | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 5,467,434.04                    | 24,810,000.00                   |
| July 2003.....           | 1,068,617.13                    | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 4,625,752.92                    | 24,810,000.00                   |
| August 2003.....         | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 3,788,160.71                    | 24,810,000.00                   |
| September 2003.....      | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 2,954,636.07                    | 24,810,000.00                   |
| October 2003.....        | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 2,125,157.77                    | 24,810,000.00                   |
| November 2003.....       | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 1,299,704.69                    | 24,810,000.00                   |
| December 2003.....       | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 478,255.81                      | 24,810,000.00                   |
| January 2004.....        | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 24,470,790.23                   |
| February 2004.....       | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 23,657,287.16                   |
| March 2004.....          | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 22,847,725.90                   |
| April 2004.....          | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 22,042,085.87                   |
| May 2004.....            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 21,240,346.58                   |
| June 2004.....           | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 20,442,487.67                   |
| July 2004.....           | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 19,648,488.86                   |
| August 2004.....         | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 18,858,329.98                   |
| September 2004.....      | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 18,071,990.98                   |
| October 2004.....        | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 17,289,451.89                   |
| November 2004.....       | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 16,510,692.86                   |
| December 2004.....       | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 15,735,694.12                   |
| January 2005.....        | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 14,964,436.03                   |
| February 2005.....       | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 14,196,899.02                   |
| March 2005.....          | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 13,433,063.65                   |
| April 2005.....          | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 12,672,910.55                   |
| May 2005.....            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 11,916,420.48                   |
| June 2005.....           | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 11,164,932.27                   |
| July 2005.....           | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 10,424,161.64                   |
| August 2005.....         | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 9,693,960.14                    |
| September 2005.....      | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 8,974,181.30                    |
| October 2005.....        | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 8,264,680.69                    |
| November 2005.....       | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 7,565,315.81                    |
| December 2005.....       | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 6,875,946.16                    |

| <u>Distribution Date</u>           | <u>PA Class Planned Balance</u> | <u>PL Class Planned Balance</u> | <u>PB Class Planned Balance</u> | <u>PC Class Planned Balance</u> | <u>PD Class Planned Balance</u> | <u>PE Class Planned Balance</u> | <u>PG Class Planned Balance</u> |
|------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| January 2006 .....                 | \$ 0.00                         | \$ 0.00                         | \$ 0.00                         | \$ 0.00                         | \$ 0.00                         | \$ 0.00                         | \$ 6,196,433.10                 |
| February 2006 .....                | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 5,526,639.94                    |
| March 2006 .....                   | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 4,866,431.82                    |
| April 2006 .....                   | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 4,215,675.74                    |
| May 2006 .....                     | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 3,574,240.51                    |
| June 2006 .....                    | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 2,941,996.74                    |
| July 2006 .....                    | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 2,318,816.80                    |
| August 2006 .....                  | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 1,704,574.83                    |
| September 2006 .....               | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 1,099,146.65                    |
| October 2006 .....                 | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 502,409.80                      |
| November 2006 and thereafter ..... | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            | 0.00                            |

| <u>Distribution Date</u> | <u>PH Class Planned Balance</u> | <u>PJ Class Planned Balance</u> | <u>EA Class Targeted Balance</u> | <u>EB Class Targeted Balance</u> | <u>EC Class Targeted Balance</u> | <u>ED Class Targeted Balance</u> |
|--------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Initial Balance .....    | \$17,629,000.00                 | \$19,921,000.00                 | \$12,737,000.00                  | \$2,494,000.00                   | \$4,922,000.00                   | \$3,756,000.00                   |
| June 1997 .....          | 17,629,000.00                   | 19,921,000.00                   | 12,443,647.94                    | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| July 1997 .....          | 17,629,000.00                   | 19,921,000.00                   | 12,138,770.67                    | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| August 1997 .....        | 17,629,000.00                   | 19,921,000.00                   | 11,822,703.65                    | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| September 1997 .....     | 17,629,000.00                   | 19,921,000.00                   | 11,495,796.39                    | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| October 1997 .....       | 17,629,000.00                   | 19,921,000.00                   | 11,158,411.95                    | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| November 1997 .....      | 17,629,000.00                   | 19,921,000.00                   | 10,810,926.49                    | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| December 1997 .....      | 17,629,000.00                   | 19,921,000.00                   | 10,453,728.78                    | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| January 1998 .....       | 17,629,000.00                   | 19,921,000.00                   | 10,087,219.64                    | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| February 1998 .....      | 17,629,000.00                   | 19,921,000.00                   | 9,711,811.43                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| March 1998 .....         | 17,629,000.00                   | 19,921,000.00                   | 9,327,927.45                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| April 1998 .....         | 17,629,000.00                   | 19,921,000.00                   | 8,949,676.44                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| May 1998 .....           | 17,629,000.00                   | 19,921,000.00                   | 8,577,005.30                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| June 1998 .....          | 17,629,000.00                   | 19,921,000.00                   | 8,209,861.37                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| July 1998 .....          | 17,629,000.00                   | 19,921,000.00                   | 7,848,192.43                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| August 1998 .....        | 17,629,000.00                   | 19,921,000.00                   | 7,491,946.73                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| September 1998 .....     | 17,629,000.00                   | 19,921,000.00                   | 7,141,072.93                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| October 1998 .....       | 17,629,000.00                   | 19,921,000.00                   | 6,795,520.16                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| November 1998 .....      | 17,629,000.00                   | 19,921,000.00                   | 6,455,237.95                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| December 1998 .....      | 17,629,000.00                   | 19,921,000.00                   | 6,120,176.27                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| January 1999 .....       | 17,629,000.00                   | 19,921,000.00                   | 5,790,285.54                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| February 1999 .....      | 17,629,000.00                   | 19,921,000.00                   | 5,465,516.56                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| March 1999 .....         | 17,629,000.00                   | 19,921,000.00                   | 5,145,820.59                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| April 1999 .....         | 17,629,000.00                   | 19,921,000.00                   | 4,831,149.28                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| May 1999 .....           | 17,629,000.00                   | 19,921,000.00                   | 4,521,454.71                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| June 1999 .....          | 17,629,000.00                   | 19,921,000.00                   | 4,216,689.35                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| July 1999 .....          | 17,629,000.00                   | 19,921,000.00                   | 3,916,806.08                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| August 1999 .....        | 17,629,000.00                   | 19,921,000.00                   | 3,621,758.21                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| September 1999 .....     | 17,629,000.00                   | 19,921,000.00                   | 3,331,499.42                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| October 1999 .....       | 17,629,000.00                   | 19,921,000.00                   | 3,045,983.78                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| November 1999 .....      | 17,629,000.00                   | 19,921,000.00                   | 2,765,165.79                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| December 1999 .....      | 17,629,000.00                   | 19,921,000.00                   | 2,489,000.31                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| January 2000 .....       | 17,629,000.00                   | 19,921,000.00                   | 2,217,442.60                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| February 2000 .....      | 17,629,000.00                   | 19,921,000.00                   | 1,950,448.29                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| March 2000 .....         | 17,629,000.00                   | 19,921,000.00                   | 1,687,973.40                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| April 2000 .....         | 17,629,000.00                   | 19,921,000.00                   | 1,429,974.33                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| May 2000 .....           | 17,629,000.00                   | 19,921,000.00                   | 1,176,407.86                     | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| June 2000 .....          | 17,629,000.00                   | 19,921,000.00                   | 927,231.12                       | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| July 2000 .....          | 17,629,000.00                   | 19,921,000.00                   | 682,401.63                       | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| August 2000 .....        | 17,629,000.00                   | 19,921,000.00                   | 441,877.27                       | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| September 2000 .....     | 17,629,000.00                   | 19,921,000.00                   | 205,616.27                       | 2,494,000.00                     | 4,922,000.00                     | 3,756,000.00                     |
| October 2000 .....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 2,467,577.23                     | 4,922,000.00                     | 3,756,000.00                     |
| November 2000 .....      | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 2,239,719.12                     | 4,922,000.00                     | 3,756,000.00                     |
| December 2000 .....      | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 2,016,001.24                     | 4,922,000.00                     | 3,756,000.00                     |
| January 2001 .....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 1,796,383.26                     | 4,922,000.00                     | 3,756,000.00                     |
| February 2001 .....      | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 1,580,825.17                     | 4,922,000.00                     | 3,756,000.00                     |
| March 2001 .....         | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 1,369,287.35                     | 4,922,000.00                     | 3,756,000.00                     |
| April 2001 .....         | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 1,161,730.48                     | 4,922,000.00                     | 3,756,000.00                     |
| May 2001 .....           | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 958,115.61                       | 4,922,000.00                     | 3,756,000.00                     |
| June 2001 .....          | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 758,404.10                       | 4,922,000.00                     | 3,756,000.00                     |
| July 2001 .....          | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 562,557.67                       | 4,922,000.00                     | 3,756,000.00                     |
| August 2001 .....        | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 370,538.37                       | 4,922,000.00                     | 3,756,000.00                     |

| <u>Distribution Date</u> | <u>PH Class Planned Balance</u> | <u>PJ Class Planned Balance</u> | <u>EA Class Targeted Balance</u> | <u>EB Class Targeted Balance</u> | <u>EC Class Targeted Balance</u> | <u>ED Class Targeted Balance</u> |
|--------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| September 2001.....      | \$17,629,000.00                 | \$19,921,000.00                 | \$ 0.00                          | \$ 182,308.55                    | \$4,922,000.00                   | \$3,756,000.00                   |
| October 2001.....        | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 4,919,830.91                     | 3,756,000.00                     |
| November 2001.....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 4,739,068.48                     | 3,756,000.00                     |
| December 2001.....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 4,561,984.60                     | 3,756,000.00                     |
| January 2002.....        | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 4,388,542.92                     | 3,756,000.00                     |
| February 2002.....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 4,218,707.42                     | 3,756,000.00                     |
| March 2002.....          | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 4,052,442.39                     | 3,756,000.00                     |
| April 2002.....          | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 3,889,712.43                     | 3,756,000.00                     |
| May 2002.....            | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 3,730,482.44                     | 3,756,000.00                     |
| June 2002.....           | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 3,574,717.64                     | 3,756,000.00                     |
| July 2002.....           | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 3,422,383.55                     | 3,756,000.00                     |
| August 2002.....         | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 3,273,445.98                     | 3,756,000.00                     |
| September 2002.....      | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 3,127,871.05                     | 3,756,000.00                     |
| October 2002.....        | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 2,985,625.17                     | 3,756,000.00                     |
| November 2002.....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 2,846,675.05                     | 3,756,000.00                     |
| December 2002.....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 2,710,987.68                     | 3,756,000.00                     |
| January 2003.....        | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 2,578,530.35                     | 3,756,000.00                     |
| February 2003.....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 2,449,270.63                     | 3,756,000.00                     |
| March 2003.....          | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 2,323,176.37                     | 3,756,000.00                     |
| April 2003.....          | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 2,200,215.72                     | 3,756,000.00                     |
| May 2003.....            | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 2,080,357.09                     | 3,756,000.00                     |
| June 2003.....           | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 1,963,569.17                     | 3,756,000.00                     |
| July 2003.....           | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 1,849,820.94                     | 3,756,000.00                     |
| August 2003.....         | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 1,739,081.63                     | 3,756,000.00                     |
| September 2003.....      | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 1,631,320.77                     | 3,756,000.00                     |
| October 2003.....        | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 1,526,508.12                     | 3,756,000.00                     |
| November 2003.....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 1,424,613.74                     | 3,756,000.00                     |
| December 2003.....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 1,325,607.94                     | 3,756,000.00                     |
| January 2004.....        | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 1,229,461.29                     | 3,756,000.00                     |
| February 2004.....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 1,136,144.63                     | 3,756,000.00                     |
| March 2004.....          | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 1,045,629.03                     | 3,756,000.00                     |
| April 2004.....          | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 957,885.86                       | 3,756,000.00                     |
| May 2004.....            | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 872,886.70                       | 3,756,000.00                     |
| June 2004.....           | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 790,603.42                       | 3,756,000.00                     |
| July 2004.....           | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 711,008.10                       | 3,756,000.00                     |
| August 2004.....         | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 634,073.09                       | 3,756,000.00                     |
| September 2004.....      | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 559,770.99                       | 3,756,000.00                     |
| October 2004.....        | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 488,074.63                       | 3,756,000.00                     |
| November 2004.....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 418,957.08                       | 3,756,000.00                     |
| December 2004.....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 352,391.66                       | 3,756,000.00                     |
| January 2005.....        | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 288,351.93                       | 3,756,000.00                     |
| February 2005.....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 226,811.67                       | 3,756,000.00                     |
| March 2005.....          | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 167,744.90                       | 3,756,000.00                     |
| April 2005.....          | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 111,125.88                       | 3,756,000.00                     |
| May 2005.....            | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 56,929.08                        | 3,756,000.00                     |
| June 2005.....           | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 3,771.22                         | 3,756,000.00                     |
| July 2005.....           | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 3,701,892.45                     |
| August 2005.....         | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 3,639,397.44                     |
| September 2005.....      | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 3,572,389.16                     |
| October 2005.....        | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 3,500,968.88                     |
| November 2005.....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 3,425,236.23                     |
| December 2005.....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 3,345,289.21                     |

| <u>Distribution Date</u> | <u>PH Class Planned Balance</u> | <u>PJ Class Planned Balance</u> | <u>EA Class Targeted Balance</u> | <u>EB Class Targeted Balance</u> | <u>EC Class Targeted Balance</u> | <u>ED Class Targeted Balance</u> |
|--------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| January 2006 .....       | \$17,629,000.00                 | \$19,921,000.00                 | \$ 0.00                          | \$ 0.00                          | \$ 0.00                          | \$3,261,224.19                   |
| February 2006 .....      | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 3,173,135.97                     |
| March 2006 .....         | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 3,081,117.77                     |
| April 2006 .....         | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 2,985,261.29                     |
| May 2006 .....           | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 2,885,656.71                     |
| June 2006 .....          | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 2,782,392.70                     |
| July 2006 .....          | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 2,675,556.48                     |
| August 2006 .....        | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 2,565,233.79                     |
| September 2006 .....     | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 2,451,508.97                     |
| October 2006 .....       | 17,629,000.00                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 2,334,464.95                     |
| November 2006 .....      | 17,543,243.51                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 2,214,183.24                     |
| December 2006 .....      | 16,963,528.65                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 2,090,744.03                     |
| January 2007 .....       | 16,392,147.70                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 1,964,226.13                     |
| February 2007 .....      | 15,828,984.77                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 1,834,707.05                     |
| March 2007 .....         | 15,273,925.55                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 1,702,262.97                     |
| April 2007 .....         | 14,726,857.30                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 1,566,968.79                     |
| May 2007 .....           | 14,187,668.82                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 1,428,898.15                     |
| June 2007 .....          | 13,656,250.41                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 1,288,123.45                     |
| July 2007 .....          | 13,132,493.92                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 1,144,715.84                     |
| August 2007 .....        | 12,616,292.63                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 998,745.27                       |
| September 2007 .....     | 12,107,541.31                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 850,280.48                       |
| October 2007 .....       | 11,606,136.17                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 699,389.07                       |
| November 2007 .....      | 11,111,974.83                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 546,137.46                       |
| December 2007 .....      | 10,624,956.32                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 390,590.92                       |
| January 2008 .....       | 10,144,981.06                   | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 232,813.61                       |
| February 2008 .....      | 9,671,950.80                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 72,868.58                        |
| March 2008 .....         | 9,205,768.69                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2008 .....         | 8,746,339.17                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2008 .....           | 8,293,567.99                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2008 .....          | 7,847,362.21                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2008 .....          | 7,407,630.15                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2008 .....        | 6,974,281.40                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2008 .....     | 6,547,226.78                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2008 .....       | 6,126,378.33                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2008 .....      | 5,711,649.30                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2008 .....      | 5,302,954.14                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2009 .....       | 4,900,208.45                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2009 .....      | 4,503,329.02                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2009 .....         | 4,112,233.76                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2009 .....         | 3,726,841.71                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2009 .....           | 3,347,073.02                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2009 .....          | 2,972,848.95                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2009 .....          | 2,604,091.82                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2009 .....        | 2,240,725.03                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2009 .....     | 1,882,673.03                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2009 .....       | 1,529,861.31                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2009 .....      | 1,182,216.38                    | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2009 .....      | 839,665.76                      | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2010 .....       | 502,137.96                      | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2010 .....      | 169,562.49                      | 19,921,000.00                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2010 .....         | 0.00                            | 19,762,869.81                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2010 .....         | 0.00                            | 19,439,991.35                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |

| <u>Distribution Date</u> | <u>PH Class Planned Balance</u> | <u>PJ Class Planned Balance</u> | <u>EA Class Targeted Balance</u> | <u>EB Class Targeted Balance</u> | <u>EC Class Targeted Balance</u> | <u>ED Class Targeted Balance</u> |
|--------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| May 2010 .....           | \$ 0.00                         | \$19,121,859.48                 | \$ 0.00                          | \$ 0.00                          | \$ 0.00                          | \$ 0.00                          |
| June 2010 .....          | 0.00                            | 18,808,407.49                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2010 .....          | 0.00                            | 18,499,569.60                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2010 .....        | 0.00                            | 18,195,280.93                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2010 .....     | 0.00                            | 17,895,477.48                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2010 .....       | 0.00                            | 17,600,096.16                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2010 .....      | 0.00                            | 17,309,074.72                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2010 .....      | 0.00                            | 17,022,351.79                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2011 .....       | 0.00                            | 16,739,866.82                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2011 .....      | 0.00                            | 16,461,560.11                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2011 .....         | 0.00                            | 16,187,372.79                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2011 .....         | 0.00                            | 15,917,246.77                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2011 .....           | 0.00                            | 15,651,124.80                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2011 .....          | 0.00                            | 15,388,950.38                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2011 .....          | 0.00                            | 15,130,667.82                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2011 .....        | 0.00                            | 14,876,222.19                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2011 .....     | 0.00                            | 14,625,559.30                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2011 .....       | 0.00                            | 14,378,625.72                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2011 .....      | 0.00                            | 14,135,368.75                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2011 .....      | 0.00                            | 13,895,736.44                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2012 .....       | 0.00                            | 13,659,677.53                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2012 .....      | 0.00                            | 13,427,141.48                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2012 .....         | 0.00                            | 13,198,078.44                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2012 .....         | 0.00                            | 12,972,439.25                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2012 .....           | 0.00                            | 12,750,175.43                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2012 .....          | 0.00                            | 12,531,239.17                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2012 .....          | 0.00                            | 12,315,583.33                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2012 .....        | 0.00                            | 12,103,161.40                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2012 .....     | 0.00                            | 11,893,927.52                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2012 .....       | 0.00                            | 11,687,836.48                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2012 .....      | 0.00                            | 11,484,843.67                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2012 .....      | 0.00                            | 11,284,905.11                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2013 .....       | 0.00                            | 11,087,977.42                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2013 .....      | 0.00                            | 10,894,017.84                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2013 .....         | 0.00                            | 10,702,984.18                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2013 .....         | 0.00                            | 10,514,834.84                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2013 .....           | 0.00                            | 10,329,528.79                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2013 .....          | 0.00                            | 10,147,025.59                   | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2013 .....          | 0.00                            | 9,967,285.32                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2013 .....        | 0.00                            | 9,790,268.65                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2013 .....     | 0.00                            | 9,615,936.78                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2013 .....       | 0.00                            | 9,444,251.45                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2013 .....      | 0.00                            | 9,275,174.91                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2013 .....      | 0.00                            | 9,108,669.97                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2014 .....       | 0.00                            | 8,944,699.93                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2014 .....      | 0.00                            | 8,783,228.59                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2014 .....         | 0.00                            | 8,624,220.28                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2014 .....         | 0.00                            | 8,467,639.81                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2014 .....           | 0.00                            | 8,313,452.47                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2014 .....          | 0.00                            | 8,161,624.04                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2014 .....          | 0.00                            | 8,012,120.79                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2014 .....        | 0.00                            | 7,864,909.42                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |

| <u>Distribution Date</u> | <u>PH Class Planned Balance</u> | <u>PJ Class Planned Balance</u> | <u>EA Class Targeted Balance</u> | <u>EB Class Targeted Balance</u> | <u>EC Class Targeted Balance</u> | <u>ED Class Targeted Balance</u> |
|--------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| September 2014 .....     | \$ 0.00                         | \$ 7,719,957.12                 | \$ 0.00                          | \$ 0.00                          | \$ 0.00                          | \$ 0.00                          |
| October 2014 .....       | 0.00                            | 7,577,231.53                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2014 .....      | 0.00                            | 7,436,700.75                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2014 .....      | 0.00                            | 7,298,333.30                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2015 .....       | 0.00                            | 7,162,098.15                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2015 .....      | 0.00                            | 7,027,964.71                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2015 .....         | 0.00                            | 6,895,902.78                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2015 .....         | 0.00                            | 6,765,882.64                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2015 .....           | 0.00                            | 6,637,874.91                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2015 .....          | 0.00                            | 6,511,850.69                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2015 .....          | 0.00                            | 6,387,781.43                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2015 .....        | 0.00                            | 6,265,638.99                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2015 .....     | 0.00                            | 6,145,395.65                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2015 .....       | 0.00                            | 6,027,024.03                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2015 .....      | 0.00                            | 5,910,497.16                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2015 .....      | 0.00                            | 5,795,788.44                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2016 .....       | 0.00                            | 5,682,871.65                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2016 .....      | 0.00                            | 5,571,720.91                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2016 .....         | 0.00                            | 5,462,310.72                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2016 .....         | 0.00                            | 5,354,615.94                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2016 .....           | 0.00                            | 5,248,611.76                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2016 .....          | 0.00                            | 5,144,273.73                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2016 .....          | 0.00                            | 5,041,577.75                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2016 .....        | 0.00                            | 4,940,500.02                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2016 .....     | 0.00                            | 4,841,017.12                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2016 .....       | 0.00                            | 4,743,105.92                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2016 .....      | 0.00                            | 4,646,743.64                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2016 .....      | 0.00                            | 4,551,907.79                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2017 .....       | 0.00                            | 4,458,576.21                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2017 .....      | 0.00                            | 4,366,727.06                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2017 .....         | 0.00                            | 4,276,338.78                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2017 .....         | 0.00                            | 4,187,390.13                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2017 .....           | 0.00                            | 4,099,860.17                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2017 .....          | 0.00                            | 4,013,728.24                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2017 .....          | 0.00                            | 3,928,973.96                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2017 .....        | 0.00                            | 3,845,577.27                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2017 .....     | 0.00                            | 3,763,518.35                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2017 .....       | 0.00                            | 3,682,777.70                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2017 .....      | 0.00                            | 3,603,336.05                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2017 .....      | 0.00                            | 3,525,174.43                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2018 .....       | 0.00                            | 3,448,274.12                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2018 .....      | 0.00                            | 3,372,616.68                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2018 .....         | 0.00                            | 3,298,183.91                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2018 .....         | 0.00                            | 3,224,957.87                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2018 .....           | 0.00                            | 3,152,920.87                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2018 .....          | 0.00                            | 3,082,055.49                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2018 .....          | 0.00                            | 3,012,344.52                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2018 .....        | 0.00                            | 2,943,771.01                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2018 .....     | 0.00                            | 2,876,318.25                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2018 .....       | 0.00                            | 2,809,969.77                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2018 .....      | 0.00                            | 2,744,709.31                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2018 .....      | 0.00                            | 2,680,520.85                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |

| <u>Distribution Date</u> | <u>PH Class Planned Balance</u> | <u>PJ Class Planned Balance</u> | <u>EA Class Targeted Balance</u> | <u>EB Class Targeted Balance</u> | <u>EC Class Targeted Balance</u> | <u>ED Class Targeted Balance</u> |
|--------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| January 2019 .....       | \$ 0.00                         | \$ 2,617,388.61                 | \$ 0.00                          | \$ 0.00                          | \$ 0.00                          | \$ 0.00                          |
| February 2019 .....      | 0.00                            | 2,555,297.01                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2019 .....         | 0.00                            | 2,494,230.69                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2019 .....         | 0.00                            | 2,434,174.53                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2019 .....           | 0.00                            | 2,375,113.60                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2019 .....          | 0.00                            | 2,317,033.19                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2019 .....          | 0.00                            | 2,259,918.78                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2019 .....        | 0.00                            | 2,203,756.09                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2019 .....     | 0.00                            | 2,148,531.01                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2019 .....       | 0.00                            | 2,094,229.63                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2019 .....      | 0.00                            | 2,040,838.27                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2019 .....      | 0.00                            | 1,988,343.39                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2020 .....       | 0.00                            | 1,936,731.69                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2020 .....      | 0.00                            | 1,885,990.04                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2020 .....         | 0.00                            | 1,836,105.47                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2020 .....         | 0.00                            | 1,787,065.24                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2020 .....           | 0.00                            | 1,738,856.76                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2020 .....          | 0.00                            | 1,691,467.62                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2020 .....          | 0.00                            | 1,644,885.59                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2020 .....        | 0.00                            | 1,599,098.61                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2020 .....     | 0.00                            | 1,554,094.80                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2020 .....       | 0.00                            | 1,509,862.45                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2020 .....      | 0.00                            | 1,466,389.99                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2020 .....      | 0.00                            | 1,423,666.04                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2021 .....       | 0.00                            | 1,381,679.38                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2021 .....      | 0.00                            | 1,340,418.94                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2021 .....         | 0.00                            | 1,299,873.80                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2021 .....         | 0.00                            | 1,260,033.21                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2021 .....           | 0.00                            | 1,220,886.56                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2021 .....          | 0.00                            | 1,182,423.41                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2021 .....          | 0.00                            | 1,144,633.45                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2021 .....        | 0.00                            | 1,107,506.53                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2021 .....     | 0.00                            | 1,071,032.62                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2021 .....       | 0.00                            | 1,035,201.87                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2021 .....      | 0.00                            | 1,000,004.53                    | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2021 .....      | 0.00                            | 965,431.02                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2022 .....       | 0.00                            | 931,471.88                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2022 .....      | 0.00                            | 898,117.80                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2022 .....         | 0.00                            | 865,359.58                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2022 .....         | 0.00                            | 833,188.17                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2022 .....           | 0.00                            | 801,594.63                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2022 .....          | 0.00                            | 770,570.18                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2022 .....          | 0.00                            | 740,106.14                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2022 .....        | 0.00                            | 710,193.95                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2022 .....     | 0.00                            | 680,825.19                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2022 .....       | 0.00                            | 651,991.56                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2022 .....      | 0.00                            | 623,684.85                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2022 .....      | 0.00                            | 595,897.00                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2023 .....       | 0.00                            | 568,620.06                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2023 .....      | 0.00                            | 541,846.17                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2023 .....         | 0.00                            | 515,567.62                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2023 .....         | 0.00                            | 489,776.78                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |

| <u>Distribution Date</u>        | <u>PH Class Planned Balance</u> | <u>PJ Class Planned Balance</u> | <u>EA Class Targeted Balance</u> | <u>EB Class Targeted Balance</u> | <u>EC Class Targeted Balance</u> | <u>ED Class Targeted Balance</u> |
|---------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| May 2023 .....                  | \$ 0.00                         | \$ 464,466.15                   | \$ 0.00                          | \$ 0.00                          | \$ 0.00                          | \$ 0.00                          |
| June 2023 .....                 | 0.00                            | 439,628.31                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2023 .....                 | 0.00                            | 415,255.98                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2023 .....               | 0.00                            | 391,341.96                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2023 .....            | 0.00                            | 367,879.17                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2023 .....              | 0.00                            | 344,860.61                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2023 .....             | 0.00                            | 322,279.41                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2023 .....             | 0.00                            | 300,128.78                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2024 .....              | 0.00                            | 278,402.02                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2024 .....             | 0.00                            | 257,092.55                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2024 .....                | 0.00                            | 236,193.87                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2024 .....                | 0.00                            | 215,699.58                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| May 2024 .....                  | 0.00                            | 195,603.36                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| June 2024 .....                 | 0.00                            | 175,898.99                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| July 2024 .....                 | 0.00                            | 156,580.34                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| August 2024 .....               | 0.00                            | 137,641.38                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| September 2024 .....            | 0.00                            | 119,076.14                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| October 2024 .....              | 0.00                            | 100,878.75                      | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| November 2024 .....             | 0.00                            | 83,043.44                       | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| December 2024 .....             | 0.00                            | 65,564.50                       | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| January 2025 .....              | 0.00                            | 48,436.32                       | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| February 2025 .....             | 0.00                            | 31,653.36                       | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| March 2025 .....                | 0.00                            | 15,210.16                       | 0.00                             | 0.00                             | 0.00                             | 0.00                             |
| April 2025 and thereafter ..... | 0.00                            | 0.00                            | 0.00                             | 0.00                             | 0.00                             | 0.00                             |

## Yield Tables

*General.* The tables below indicate the sensitivity of the pre-tax corporate bond equivalent yields to maturity of the applicable Classes to various constant percentages of PSA and, where specified, to changes in the Index. The yields set forth in the tables were calculated by determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the applicable Classes, would cause the discounted present value of such assumed streams of cash flows to equal the assumed aggregate purchase prices of such Classes and converting such monthly rates to corporate bond equivalent rates. Such calculations do not take into account variations that may occur in the interest rates at which investors may be able to reinvest funds received by them as distributions on the Certificates and consequently do not purport to reflect the return on any investment in the Certificates when such reinvestment rates are considered. *There can be no assurance that the pre-tax yields on the Certificates will correspond to any of the pre-tax yields shown herein or that the aggregate purchase prices of the Certificates will be as assumed. In addition, there can be no assurance that the Index will correspond to the levels shown herein. Furthermore, because some of the Mortgage Loans will likely have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the principal distributions on the Certificates are likely to differ from those assumed, even if all such Mortgage Loans prepay at the indicated constant percentages of PSA. Moreover, it is not likely that the Mortgage Loans will prepay at a constant PSA rate until maturity, that all of such Mortgage Loans will prepay at the same rate or that the level of the Index will remain constant.*

*The Inverse Floating Rate Classes (other than the SA Class) and the PK, SD and S Classes.* **The yields to investors in the Inverse Floating Rate Classes specified in the following tables and the PK, SD\* and S\* Classes will be very sensitive to the rate of principal payments (including prepayments) of the Mortgage Loans underlying the Group 3 MBS or the Underlying REMIC Certificate, as applicable, and in the case of the Inverse Floating Rate Classes and the SD\* and S\* Classes, to the level of the Index. The Mortgage Loans generally can be prepaid at any time. In addition, the rate of principal payments (including prepayments) of the Mortgage Loans is likely to vary, and may vary considerably, from Pool to Pool. As indicated in the tables below, it is possible that, under certain prepayment and, where applicable, Index scenarios, investors in the Interest Only Classes and the SD\* Class would not fully recoup their initial investments. Moreover, on the basis of the assumptions described below, the yield to maturity on the PK Class would be 0% if prepayments were to occur at a constant rate of approximately 347% PSA. If the actual prepayment rate of the related Mortgage Loans were to exceed this level for as little as one month while equaling such level for the remaining months, the investors in the PK Class would not fully recoup their initial investment.**

Changes in the Index may not correlate with changes in prevailing mortgage interest rates. It is possible that lower prevailing mortgage interest rates, which might be expected to result in faster prepayments, could occur concurrently with an increased level of the Index.

The information set forth in the following tables was prepared on the basis of the Pricing Assumptions and the assumptions that (i) the interest rates applicable to the Classes specified in the following tables for the initial Interest Accrual Period are the actual and assumed rates appearing in the table under “Distributions of Interest—*Floating Rate and Inverse Floating Rate Classes*” herein and for each Interest Accrual Period subsequent to the initial Interest Accrual Period will be based on the indicated level of the Index and (ii) the aggregate purchase prices of the Inverse Floating Rate

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

Classes and the PK Class (expressed in each case as a percentage of original principal balance) are as follows:

| <u>Class</u> | <u>Price*</u> |
|--------------|---------------|
| PK .....     | 15.531250%    |
| SE .....     | 20.968750%    |
| SG .....     | 40.562500%    |
| SD** .....   | 27.500000%    |
| S** .....    | 76.078125%    |
| SB .....     | 2.500000%     |
| SC .....     | 2.593750%     |

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

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

### Sensitivity of the PK Class to Prepayments

|                                  | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|----------------------------------|----------------------------------|-------------|-------------|-------------|-------------|
|                                  | <u>50%</u>                       | <u>100%</u> | <u>140%</u> | <u>250%</u> | <u>500%</u> |
| Pre-Tax Yields to Maturity ..... | 26.1%                            | 7.6%        | 7.6%        | 7.6%        | (23.0)%     |

### Sensitivity of the SE Class to Prepayments and LIBOR (Pre-Tax Yields to Maturity)

| <u>LIBOR</u>            | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|-------------------------|----------------------------------|-------------|-------------|-------------|-------------|
|                         | <u>50%</u>                       | <u>100%</u> | <u>140%</u> | <u>250%</u> | <u>500%</u> |
| 3.6875% .....           | 77.8%                            | 77.8%       | 77.8%       | 16.1%       | *           |
| 5.6875% .....           | 37.9%                            | 37.9%       | 37.8%       | (28.3)%     | *           |
| 7.6875% .....           | (5.0)%                           | (6.4)%      | (8.6)%      | *           | *           |
| 7.8000% and above ..... | *                                | *           | *           | *           | *           |

\* The pre-tax yield to maturity will be less than (99.9%).

### Sensitivity of the SG Class to Prepayments and LIBOR (Pre-Tax Yields to Maturity)

| <u>LIBOR</u>         | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|----------------------|----------------------------------|-------------|-------------|-------------|-------------|
|                      | <u>50%</u>                       | <u>100%</u> | <u>140%</u> | <u>250%</u> | <u>500%</u> |
| 7.8% and below ..... | 27.3%                            | 27.2%       | 26.8%       | (42.7)%     | *           |
| 8.5% .....           | 13.8%                            | 13.4%       | 12.5%       | (64.7)%     | *           |
| 9.3% .....           | *                                | *           | *           | *           | *           |

\* The pre-tax yield to maturity will be less than (99.9%).

**Sensitivity of the SD\*\* Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

| <u>LIBOR</u>  | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|---------------|----------------------------------|-------------|-------------|-------------|-------------|
|               | <u>50%</u>                       | <u>100%</u> | <u>140%</u> | <u>250%</u> | <u>500%</u> |
| 3.6875% ..... | 52.1%                            | 52.1%       | 52.1%       | (11.4)%     | *           |
| 5.6875% ..... | 32.7%                            | 32.6%       | 32.4%       | (35.2)%     | *           |
| 7.6875% ..... | 13.7%                            | 13.3%       | 12.4%       | (64.9)%     | *           |
| 9.3100% ..... | *                                | *           | *           | *           | *           |

\* The pre-tax yield to maturity will be less than (99.9%).

**Sensitivity of the S\*\* Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

| <u>LIBOR</u>  | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|---------------|----------------------------------|-------------|-------------|-------------|-------------|
|               | <u>50%</u>                       | <u>100%</u> | <u>140%</u> | <u>250%</u> | <u>500%</u> |
| 3.6875% ..... | 17.9%                            | 17.9%       | 18.1%       | 34.6%       | 87.5%       |
| 5.6875% ..... | 11.6%                            | 11.7%       | 11.9%       | 28.3%       | 80.7%       |
| 7.6875% ..... | 5.6%                             | 5.7%        | 6.0%        | 22.1%       | 74.1%       |
| 9.3100% ..... | 1.1%                             | 1.2%        | 1.5%        | 17.2%       | 68.8%       |

**Sensitivity of the SB Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

| <u>LIBOR</u>             | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|--------------------------|----------------------------------|-------------|-------------|-------------|-------------|
|                          | <u>50%</u>                       | <u>100%</u> | <u>150%</u> | <u>250%</u> | <u>500%</u> |
| 3.71875% .....           | 139.6%                           | 132.6%      | 124.7%      | 112.0%      | 94.8%       |
| 5.71875% .....           | 38.3%                            | 32.9%       | 27.1%       | 19.0%       | 5.8%        |
| 7.00000% and above ..... | *                                | *           | *           | *           | *           |

\* The pre-tax yield to maturity will be less than (99.9%).

**Sensitivity of the SC Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

| <u>LIBOR</u>         | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|----------------------|----------------------------------|-------------|-------------|-------------|-------------|
|                      | <u>50%</u>                       | <u>100%</u> | <u>150%</u> | <u>250%</u> | <u>500%</u> |
| 7.0% and below ..... | 27.4%                            | 22.2%       | 16.7%       | 9.1%        | (3.9)%      |
| 7.5% .....           | 3.2%                             | (1.5)%      | (6.0)%      | (12.5)%     | (25.3)%     |
| 8.1% .....           | *                                | *           | *           | *           | *           |

\* The pre-tax yield to maturity will be less than (99.9%).

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

*The Principal Only Class.* **The Principal Only Class will not bear interest. As indicated in the table below, a low rate of principal payments (including prepayments) on the Mortgage Loans underlying the Group 3 MBS will have a negative effect on the yield to investors in the Principal Only Class.**

The information set forth in the following table was prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase price of the Principal Only Class (expressed as a percentage of original principal balance) is as follows:

| <u>Class</u> | <u>Price</u> |
|--------------|--------------|
| PO.....      | 48.578125%   |

**Sensitivity of the Principal Only Class to Prepayments  
(Pre-Tax Yields to Maturity)**

| <u>Class</u> | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|--------------|----------------------------------|-------------|-------------|-------------|-------------|
|              | <u>50%</u>                       | <u>100%</u> | <u>140%</u> | <u>250%</u> | <u>500%</u> |
| PO.....      | 2.9%                             | 3.3%        | 4.0%        | 54.7%       | 260.8%      |

*The Group 2 Classes.* **The yields to investors in the Group 2 Classes will be sensitive to the rate of principal payments (including prepayments) of the Mortgage Loans underlying the Underlying Redeemable Certificate and to any redemption of the Underlying Redeemable Certificate. The Mortgage Loans generally can be prepaid at any time. In addition, the yields to investors in the FA and SA Classes will be sensitive to the level of the Index.**

Changes in the Index may not correlate with changes in prevailing mortgage interest rates. It is possible that lower prevailing mortgage interest rates, which might be expected to result in faster prepayments, could occur concurrently with an increased level of the Index.

The information set forth in the following tables was prepared on the basis of the Pricing Assumptions and the assumptions that (i) a redemption of the Underlying Redeemable Certificate either does not occur or occurs on the May 1998 Distribution Date, as specified in the applicable tables, (ii) interest is paid through the 24th day of the month in which the redemption, if any, is assumed to occur, (iii) the interest rate applicable to the FA and SA Classes for each Interest Accrual Period subsequent to the initial Interest Accrual Period will be based on the indicated level of the Index and (iv) the aggregate purchase prices of the Group 2 Classes (expressed in each case as a percentage of the original principal balance) are as follows:

| <u>Class</u> | <u>Price*</u> |
|--------------|---------------|
| BC .....     | 100.062500%   |
| BA .....     | 100.421875%   |
| BD .....     | 98.250000%    |
| BE .....     | 98.250000%    |
| UU .....     | 98.250000%    |
| FA .....     | 100.000000%   |
| SA .....     | 85.656250%    |

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

**Pre-Tax Yields of the BC, BA, BD, BE and UU\* Classes  
(Assuming Redemption of Underlying Redeemable Certificate  
on the May 1998 Distribution Date)**

| <u>Class</u> | <u>50% PSA</u> | <u>100% PSA</u> | <u>190% PSA</u> | <u>250% PSA</u> | <u>500% PSA</u> |
|--------------|----------------|-----------------|-----------------|-----------------|-----------------|
| BC .....     | 7.0%           | 6.5%            | 5.7%            | 5.3%            | 3.7%            |
| BA .....     | 7.6%           | 7.6%            | 7.6%            | 7.6%            | 7.5%            |
| BD .....     | 10.0%          | 10.0%           | 10.0%           | 10.0%           | 10.0%           |
| BE .....     | 10.0%          | 10.0%           | 10.0%           | 10.0%           | 10.0%           |
| UU* .....    | 10.0%          | 10.0%           | 10.0%           | 10.0%           | 10.0%           |

\* The yields shown in the table for the UU Class apply to such Class taken as a whole. As a result of the distribution priorities and allocations applicable to the UU Class, the yields of the UU Certificates beneficially owned by individual investors may vary significantly from the yield of such Class taken as a whole.

**Pre-Tax Yield and Sensitivity of the FA Class to LIBOR  
(Assuming Redemption of the Underlying Redeemable Certificate  
on the May 1998 Distribution Date)**

| <u>LIBOR</u>  | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|---------------|----------------------------------|-------------|-------------|-------------|-------------|
|               | <u>50%</u>                       | <u>100%</u> | <u>190%</u> | <u>250%</u> | <u>500%</u> |
| 3.6875% ..... | 5.1%                             | 5.1%        | 5.1%        | 5.1%        | 5.1%        |
| 5.6875% ..... | 7.2%                             | 7.2%        | 7.2%        | 7.2%        | 7.2%        |
| 7.6000% ..... | 9.1%                             | 9.1%        | 9.1%        | 9.1%        | 9.1%        |

**Pre-Tax Yield and Sensitivity of the SA Class to LIBOR  
(Assuming Redemption of Underlying Redeemable Certificate  
on the May 1998 Distribution Date)**

| <u>LIBOR</u>  | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|---------------|----------------------------------|-------------|-------------|-------------|-------------|
|               | <u>50%</u>                       | <u>100%</u> | <u>190%</u> | <u>250%</u> | <u>500%</u> |
| 3.6875% ..... | 54.1%                            | 54.1%       | 54.1%       | 54.1%       | 54.1%       |
| 5.6875% ..... | 34.4%                            | 34.4%       | 34.4%       | 34.4%       | 34.4%       |
| 7.6000% ..... | 16.4%                            | 16.4%       | 16.4%       | 16.4%       | 16.4%       |

**(Assuming No Redemption of Underlying Redeemable Certificate)**

| <u>LIBOR</u>  | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|---------------|----------------------------------|-------------|-------------|-------------|-------------|
|               | <u>50%</u>                       | <u>100%</u> | <u>190%</u> | <u>250%</u> | <u>500%</u> |
| 3.6875% ..... | 38.4%                            | 38.4%       | 38.4%       | 38.5%       | 38.8%       |
| 5.6875% ..... | 18.3%                            | 18.4%       | 18.4%       | 18.5%       | 19.2%       |
| 7.6000% ..... | 0.6%                             | 0.6%        | 0.8%        | 1.0%        | 1.8%        |

**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 applicable 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 sequences of distributions of principal of the Group 1, Group 2 and Group 3 Classes and, in the case of the Group 2 Classes, whether and, if so, when a redemption of the Underlying Redeemable Certificate occurs. The weighted average lives of the Group 1 and Group 3 Classes will also depend on the distribution of principal of certain Classes in accordance with the Principal Balance Schedules herein. In particular, if the amount distributable as principal of the Group 1 and Group 3 Classes on any Distribution Date exceeds the amount required to reduce the principal balances of certain Classes to their scheduled amounts as set forth in the Principal Balance Schedules, such excess principal will be distributed on certain remaining Group 1 or Group 3 Classes, as applicable, on such Distribution Date. Conversely, if the principal distributable on any Distribution Date is less than the amount so required to reduce the applicable Classes to their scheduled amounts, no principal will be distributed on certain remaining Group 1 or Group 3 Classes on such Distribution Date. Accordingly, the rate of principal payments on the Mortgage Loans underlying the Group 1 MBS is expected to have a greater effect on the weighted average lives of the related Support Classes than on the weighted average life of the related PAC Class, and the rate of principal payments on the Mortgage Loans underlying the Group 3 MBS is expected to have a greater effect on the weighted average lives of the related Support Classes and, under certain scenarios, the TAC Classes, than on the weighted average lives of the related PAC Classes. See “—Distributions of Principal” herein and “Description of the Certificates—Distributions of Principal” in the Trust 1997-R1 Prospectus.

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

## 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 (a) the assumption that no redemption is made on the Underlying Redeemable Certificate and (b) the Pricing Assumptions, except that with respect to the information set forth for each such Class under 0% PSA it has been assumed that the underlying Mortgage Loans have the original and remaining terms to maturity and bear interest at the per annum rates specified below:

| <b>Mortgage Loans relating to Trust MBS, Underlying Grantor Trust and Underlying REMIC Trust specified below</b> | <b>Original Terms to Maturity</b> | <b>Remaining Terms to Maturity</b> | <b>Interest Rates</b> | <b>Related Groups</b> |
|--|-----------------------------------|------------------------------------|-----------------------|-----------------------|
| Group 1 MBS  | 360 months                        | 360 months                         | 10.5%                 | Group 1               |
| Underlying Grantor Trust   | 360 months                        | 360 months                         | 10.5%                 | Group 2               |
| Group 3 MBS  | 360 months                        | 360 months                         | 9.5%                  | Group 3               |
| 1994-33  | 180 months                        | 142 months                         | 9.0%                  | Group 4               |

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 terms to maturity and the weighted average CAGEs of the Mortgage Loans are identical to the remaining terms to maturity and CAGEs specified in the Pricing Assumptions. Finally, it is uncertain whether and, if so, when a redemption of the Underlying Redeemable Certificate will occur.

## Percent of Original Principal Balances Outstanding

| Date                            | PA Class                  |      |      |      |      | A and AB Classes          |      |      |      |      | B Class                   |      |      |      |      | C Class                   |      |      |      |      |
|---------------------------------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|
|                                 | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |
|                                 | 0%                        | 100% | 180% | 275% | 500% | 0%                        | 100% | 180% | 275% | 500% | 0%                        | 100% | 180% | 275% | 500% | 0%                        | 100% | 180% | 275% | 500% |
| Initial Percent                 | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 1998                        | 98                        | 92   | 92   | 92   | 92   | 100                       | 100  | 96   | 90   | 78   | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 1999                        | 97                        | 77   | 77   | 77   | 77   | 100                       | 100  | 86   | 69   | 32   | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 2000                        | 95                        | 58   | 58   | 58   | 40   | 100                       | 100  | 73   | 44   | 0    | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 2001                        | 93                        | 39   | 39   | 39   | 0    | 100                       | 100  | 63   | 25   | 0    | 100                       | 100  | 100  | 100  | 38   | 100                       | 100  | 100  | 100  | 100  |
| May 2002                        | 90                        | 21   | 21   | 21   | 0    | 100                       | 100  | 55   | 11   | 0    | 100                       | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 8    |
| May 2003                        | 88                        | 4    | 4    | 4    | 0    | 100                       | 100  | 49   | 2    | 0    | 100                       | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 0    |
| May 2004                        | 85                        | 0    | 0    | 0    | 0    | 100                       | 88   | 33   | 0    | 0    | 100                       | 100  | 100  | 0    | 0    | 100                       | 100  | 100  | 90   | 0    |
| May 2005                        | 81                        | 0    | 0    | 0    | 0    | 100                       | 73   | 14   | 0    | 0    | 100                       | 100  | 100  | 0    | 0    | 100                       | 100  | 100  | 33   | 0    |
| May 2006                        | 78                        | 0    | 0    | 0    | 0    | 100                       | 58   | 0    | 0    | 0    | 100                       | 100  | 84   | 0    | 0    | 100                       | 100  | 100  | 0    | 0    |
| May 2007                        | 74                        | 0    | 0    | 0    | 0    | 100                       | 44   | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 88   | 0    | 0    |
| May 2008                        | 69                        | 0    | 0    | 0    | 0    | 100                       | 32   | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 48   | 0    | 0    |
| May 2009                        | 64                        | 0    | 0    | 0    | 0    | 100                       | 19   | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 12   | 0    | 0    |
| May 2010                        | 59                        | 0    | 0    | 0    | 0    | 100                       | 8    | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    |
| May 2011                        | 53                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 75   | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    |
| May 2012                        | 46                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 98   | 0    | 0    | 0    |
| May 2013                        | 38                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 67   | 0    | 0    | 0    |
| May 2014                        | 30                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 38   | 0    | 0    | 0    |
| May 2015                        | 21                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 10   | 0    | 0    | 0    |
| May 2016                        | 10                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2017                        | 0                         | 0    | 0    | 0    | 0    | 99                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2018                        | 0                         | 0    | 0    | 0    | 0    | 86                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2019                        | 0                         | 0    | 0    | 0    | 0    | 71                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2020                        | 0                         | 0    | 0    | 0    | 0    | 55                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2021                        | 0                         | 0    | 0    | 0    | 0    | 37                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2022                        | 0                         | 0    | 0    | 0    | 0    | 18                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2023                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 66                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2024                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 51                        | 0    | 0    | 0    | 0    |
| May 2025                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2026                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2027                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| Weighted Average Life (years)** | 13.2                      | 3.4  | 3.4  | 3.4  | 2.6  | 23.2                      | 9.7  | 5.2  | 2.9  | 1.6  | 26.1                      | 14.3 | 9.3  | 6.5  | 4.0  | 27.0                      | 16.6 | 11.0 | 7.7  | 4.6  |

| Date                            | VA and VD Classes         |      |      |      |      | VB Class                  |      |      |      |      | VC Class                  |      |      |      |      | Z Class                   |      |      |      |      |
|---------------------------------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|
|                                 | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |
|                                 | 0%                        | 100% | 180% | 275% | 500% | 0%                        | 100% | 180% | 275% | 500% | 0%                        | 100% | 180% | 275% | 500% | 0%                        | 100% | 180% | 275% | 500% |
| Initial Percent                 | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 1998                        | 83                        | 83   | 83   | 83   | 83   | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 1999                        | 64                        | 64   | 64   | 64   | 64   | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 2000                        | 44                        | 44   | 44   | 44   | 44   | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 2001                        | 23                        | 23   | 23   | 23   | 23   | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 2002                        | 0                         | 0    | 0    | 0    | 0    | 99                        | 99   | 99   | 99   | 99   | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 2003                        | 0                         | 0    | 0    | 0    | 0    | 85                        | 85   | 85   | 85   | 0    | 100                       | 100  | 100  | 100  | 78   | 161                       | 161  | 161  | 161  | 161  |
| May 2004                        | 0                         | 0    | 0    | 0    | 0    | 69                        | 69   | 69   | 69   | 0    | 100                       | 100  | 100  | 100  | 0    | 175                       | 175  | 175  | 175  | 159  |
| May 2005                        | 0                         | 0    | 0    | 0    | 0    | 52                        | 52   | 52   | 52   | 0    | 100                       | 100  | 100  | 100  | 0    | 189                       | 189  | 189  | 189  | 110  |
| May 2006                        | 0                         | 0    | 0    | 0    | 0    | 33                        | 33   | 33   | 9    | 0    | 100                       | 100  | 100  | 100  | 0    | 205                       | 205  | 205  | 205  | 75   |
| May 2007                        | 0                         | 0    | 0    | 0    | 0    | 13                        | 13   | 13   | 0    | 0    | 100                       | 100  | 100  | 28   | 0    | 222                       | 222  | 222  | 222  | 52   |
| May 2008                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 91                        | 91   | 91   | 0    | 0    | 240                       | 240  | 240  | 202  | 36   |
| May 2009                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 69                        | 69   | 69   | 0    | 0    | 260                       | 260  | 260  | 165  | 24   |
| May 2010                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 44                        | 44   | 13   | 0    | 0    | 282                       | 282  | 282  | 134  | 17   |
| May 2011                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 18                        | 18   | 0    | 0    | 0    | 305                       | 305  | 255  | 109  | 11   |
| May 2012                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 321                       | 321  | 220  | 88   | 8    |
| May 2013                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 321                       | 321  | 189  | 71   | 5    |
| May 2014                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 321                       | 321  | 162  | 57   | 3    |
| May 2015                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 321                       | 321  | 138  | 45   | 2    |
| May 2016                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 321                       | 299  | 117  | 36   | 2    |
| May 2017                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 321                       | 264  | 98   | 28   | 1    |
| May 2018                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 321                       | 231  | 82   | 22   | 1    |
| May 2019                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 321                       | 200  | 67   | 17   | *    |
| May 2020                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 321                       | 170  | 54   | 13   | **   |
| May 2021                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 321                       | 142  | 43   | 9    | *    |
| May 2022                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 321                       | 115  | 33   | 7    | *    |
| May 2023                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 321                       | 88   | 24   | 5    | *    |
| May 2024                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 321                       | 64   | 16   | 3    | *    |
| May 2025                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 274                       | 40   | 10   | 2    | *    |
| May 2026                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 144                       | 17   | 4    | 1    | *    |
| May 2027                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| Weighted Average Life (years)** | 2.6                       | 2.6  | 2.6  | 2.6  | 2.6  | 8.0                       | 8.0  | 8.0  | 7.7  | 5.4  | 12.7                      | 12.7 | 12.3 | 9.7  | 6.3  | 28.9                      | 23.6 | 18.8 | 15.0 | 9.5  |

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

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

| Date                            | R and RL Classes          |      |      |      |      | AC*** Class               |      |      |      |      | AD*** Class               |      |      |      |      |
|---------------------------------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|
|                                 | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |
|                                 | 0%                        | 100% | 180% | 275% | 500% | 0%                        | 100% | 180% | 275% | 500% | 0%                        | 100% | 180% | 275% | 500% |
| Initial Percent                 | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 1998                        | 99                        | 98   | 96   | 95   | 91   | 98                        | 98   | 94   | 90   | 79   | 96                        | 96   | 93   | 89   | 79   |
| May 1999                        | 99                        | 93   | 88   | 83   | 71   | 96                        | 96   | 83   | 69   | 35   | 91                        | 91   | 81   | 68   | 39   |
| May 2000                        | 98                        | 86   | 78   | 69   | 50   | 94                        | 94   | 70   | 44   | 5    | 86                        | 86   | 66   | 44   | 11   |
| May 2001                        | 98                        | 80   | 69   | 57   | 35   | 92                        | 92   | 59   | 24   | 2    | 81                        | 81   | 53   | 24   | 5    |
| May 2002                        | 97                        | 75   | 61   | 47   | 24   | 89                        | 89   | 49   | 10   | 0    | 76                        | 76   | 42   | 8    | 0    |
| May 2003                        | 96                        | 69   | 54   | 39   | 17   | 89                        | 89   | 44   | 1    | 0    | 76                        | 76   | 37   | 1    | 0    |
| May 2004                        | 95                        | 64   | 47   | 32   | 11   | 89                        | 78   | 29   | 0    | 0    | 76                        | 67   | 25   | 0    | 0    |
| May 2005                        | 94                        | 60   | 42   | 26   | 8    | 89                        | 65   | 13   | 0    | 0    | 76                        | 55   | 11   | 0    | 0    |
| May 2006                        | 93                        | 55   | 36   | 22   | 5    | 89                        | 52   | 0    | 0    | 0    | 76                        | 44   | 0    | 0    | 0    |
| May 2007                        | 92                        | 51   | 32   | 18   | 4    | 89                        | 40   | 0    | 0    | 0    | 76                        | 34   | 0    | 0    | 0    |
| May 2008                        | 90                        | 47   | 28   | 15   | 3    | 89                        | 28   | 0    | 0    | 0    | 76                        | 24   | 0    | 0    | 0    |
| May 2009                        | 89                        | 43   | 24   | 12   | 2    | 89                        | 17   | 0    | 0    | 0    | 76                        | 15   | 0    | 0    | 0    |
| May 2010                        | 87                        | 39   | 21   | 10   | 1    | 89                        | 7    | 0    | 0    | 0    | 76                        | 6    | 0    | 0    | 0    |
| May 2011                        | 85                        | 36   | 18   | 8    | 1    | 89                        | 0    | 0    | 0    | 0    | 76                        | 0    | 0    | 0    | 0    |
| May 2012                        | 83                        | 33   | 16   | 6    | 1    | 89                        | 0    | 0    | 0    | 0    | 76                        | 0    | 0    | 0    | 0    |
| May 2013                        | 80                        | 30   | 14   | 5    | *    | 89                        | 0    | 0    | 0    | 0    | 76                        | 0    | 0    | 0    | 0    |
| May 2014                        | 78                        | 27   | 12   | 4    | *    | 89                        | 0    | 0    | 0    | 0    | 76                        | 0    | 0    | 0    | 0    |
| May 2015                        | 75                        | 24   | 10   | 3    | *    | 89                        | 0    | 0    | 0    | 0    | 76                        | 0    | 0    | 0    | 0    |
| May 2016                        | 71                        | 22   | 8    | 3    | *    | 89                        | 0    | 0    | 0    | 0    | 76                        | 0    | 0    | 0    | 0    |
| May 2017                        | 68                        | 19   | 7    | 2    | *    | 88                        | 0    | 0    | 0    | 0    | 75                        | 0    | 0    | 0    | 0    |
| May 2018                        | 64                        | 17   | 6    | 2    | *    | 76                        | 0    | 0    | 0    | 0    | 65                        | 0    | 0    | 0    | 0    |
| May 2019                        | 59                        | 14   | 5    | 1    | *    | 63                        | 0    | 0    | 0    | 0    | 54                        | 0    | 0    | 0    | 0    |
| May 2020                        | 54                        | 12   | 4    | 1    | *    | 49                        | 0    | 0    | 0    | 0    | 42                        | 0    | 0    | 0    | 0    |
| May 2021                        | 49                        | 10   | 3    | 1    | *    | 33                        | 0    | 0    | 0    | 0    | 28                        | 0    | 0    | 0    | 0    |
| May 2022                        | 43                        | 8    | 2    | *    | *    | 16                        | 0    | 0    | 0    | 0    | 13                        | 0    | 0    | 0    | 0    |
| May 2023                        | 36                        | 6    | 2    | *    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2024                        | 28                        | 5    | 1    | *    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2025                        | 20                        | 3    | 1    | *    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2026                        | 10                        | 1    | *    | *    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2027                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| Weighted Average Life (years)** | 21.8                      | 11.8 | 8.4  | 6.1  | 3.7  | 20.9                      | 9.0  | 4.9  | 2.9  | 1.7  | 18.2                      | 8.0  | 4.6  | 2.9  | 1.8  |

  

| Date                            | BC Class                  |      |      |      |      | BA Class                  |      |      |      |      | BD Class                  |      |      |      |      | BE, UU****, FA and SA Classes |      |      |      |      |
|---------------------------------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|-------------------------------|------|------|------|------|
|                                 | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption     |      |      |      |      |
|                                 | 0%                        | 100% | 190% | 250% | 500% | 0%                        | 100% | 190% | 250% | 500% | 0%                        | 100% | 190% | 250% | 500% | 0%                            | 100% | 190% | 250% | 500% |
| Initial Percent                 | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                           | 100  | 100  | 100  | 100  |
| May 1998                        | 75                        | 0    | 0    | 0    | 0    | 100                       | 98   | 95   | 93   | 84   | 100                       | 100  | 100  | 100  | 100  | 100                           | 100  | 100  | 100  | 100  |
| May 1999                        | 47                        | 0    | 0    | 0    | 0    | 100                       | 90   | 82   | 76   | 54   | 100                       | 100  | 100  | 100  | 100  | 100                           | 100  | 100  | 100  | 100  |
| May 2000                        | 16                        | 0    | 0    | 0    | 0    | 100                       | 82   | 68   | 59   | 27   | 100                       | 100  | 100  | 100  | 100  | 100                           | 100  | 100  | 100  | 100  |
| May 2001                        | 0                         | 0    | 0    | 0    | 0    | 100                       | 74   | 55   | 45   | 9    | 100                       | 100  | 100  | 100  | 100  | 100                           | 100  | 100  | 100  | 100  |
| May 2002                        | 0                         | 0    | 0    | 0    | 0    | 99                        | 67   | 45   | 32   | 0    | 100                       | 100  | 100  | 100  | 73   | 100                           | 100  | 100  | 100  | 100  |
| May 2003                        | 0                         | 0    | 0    | 0    | 0    | 97                        | 59   | 35   | 22   | 0    | 100                       | 100  | 100  | 100  | *    | 100                           | 100  | 100  | 100  | 100  |
| May 2004                        | 0                         | 0    | 0    | 0    | 0    | 96                        | 53   | 27   | 13   | 0    | 100                       | 100  | 100  | 100  | 0    | 100                           | 100  | 100  | 100  | 69   |
| May 2005                        | 0                         | 0    | 0    | 0    | 0    | 95                        | 47   | 19   | 6    | 0    | 100                       | 100  | 100  | 100  | 0    | 100                           | 100  | 100  | 100  | 48   |
| May 2006                        | 0                         | 0    | 0    | 0    | 0    | 93                        | 41   | 13   | 0    | 0    | 100                       | 100  | 100  | 100  | 0    | 100                           | 100  | 100  | 100  | 33   |
| May 2007                        | 0                         | 0    | 0    | 0    | 0    | 91                        | 35   | 7    | 0    | 0    | 100                       | 100  | 100  | 56   | 0    | 100                           | 100  | 100  | 100  | 22   |
| May 2008                        | 0                         | 0    | 0    | 0    | 0    | 90                        | 30   | 2    | 0    | 0    | 100                       | 100  | 100  | 19   | 0    | 100                           | 100  | 100  | 100  | 15   |
| May 2009                        | 0                         | 0    | 0    | 0    | 0    | 87                        | 25   | 0    | 0    | 0    | 100                       | 100  | 78   | 0    | 0    | 100                           | 100  | 100  | 93   | 11   |
| May 2010                        | 0                         | 0    | 0    | 0    | 0    | 85                        | 20   | 0    | 0    | 0    | 100                       | 100  | 45   | 0    | 0    | 100                           | 100  | 100  | 77   | 7    |
| May 2011                        | 0                         | 0    | 0    | 0    | 0    | 82                        | 15   | 0    | 0    | 0    | 100                       | 100  | 16   | 0    | 0    | 100                           | 100  | 100  | 63   | 5    |
| May 2012                        | 0                         | 0    | 0    | 0    | 0    | 80                        | 11   | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    | 100                           | 100  | 94   | 52   | 3    |
| May 2013                        | 0                         | 0    | 0    | 0    | 0    | 76                        | 7    | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    | 100                           | 100  | 80   | 43   | 2    |
| May 2014                        | 0                         | 0    | 0    | 0    | 0    | 73                        | 3    | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    | 100                           | 100  | 68   | 35   | 1    |
| May 2015                        | 0                         | 0    | 0    | 0    | 0    | 69                        | 0    | 0    | 0    | 0    | 100                       | 97   | 0    | 0    | 0    | 100                           | 100  | 57   | 28   | 1    |
| May 2016                        | 0                         | 0    | 0    | 0    | 0    | 64                        | 0    | 0    | 0    | 0    | 100                       | 68   | 0    | 0    | 0    | 100                           | 100  | 48   | 23   | 1    |
| May 2017                        | 0                         | 0    | 0    | 0    | 0    | 60                        | 0    | 0    | 0    | 0    | 100                       | 40   | 0    | 0    | 0    | 100                           | 100  | 40   | 18   | *    |
| May 2018                        | 0                         | 0    | 0    | 0    | 0    | 54                        | 0    | 0    | 0    | 0    | 100                       | 14   | 0    | 0    | 0    | 100                           | 100  | 33   | 14   | *    |
| May 2019                        | 0                         | 0    | 0    | 0    | 0    | 48                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                           | 93   | 27   | 11   | *    |
| May 2020                        | 0                         | 0    | 0    | 0    | 0    | 41                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                           | 79   | 21   | 8    | *    |
| May 2021                        | 0                         | 0    | 0    | 0    | 0    | 34                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                           | 65   | 16   | 6    | *    |
| May 2022                        | 0                         | 0    | 0    | 0    | 0    | 26                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                           | 51   | 12   | 4    | *    |
| May 2023                        | 0                         | 0    | 0    | 0    | 0    | 17                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                           | 39   | 9    | 3    | *    |
| May 2024                        | 0                         | 0    | 0    | 0    | 0    | 6                         | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                           | 27   | 6    | 2    | *    |
| May 2025                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 59                        | 0    | 0    | 0    | 0    | 100                           | 15   | 3    | 1    | *    |
| May 2026                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 72                            | 4    | 1    | *    | *    |
| May 2027                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                             | 0    | 0    | 0    | 0    |
| Weighted Average Life (years)** | 1.9                       | 0.4  | 0.3  | 0.2  | 0.1  | 20.2                      | 8.1  | 5.0  | 4.0  | 2.3  | 28.1                      | 19.7 | 12.9 | 10.2 | 5.3  | 29.3                          | 25.2 | 19.7 | 16.3 | 8.7  |

\* 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.

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

| Date                            | RB Class                  |      |      |      |      | PL Class                  |      |      |      |      | PB Class                  |      |      |      |      | PC Class                  |      |      |      |      |
|---------------------------------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|
|                                 | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |
|                                 | 0%                        | 100% | 190% | 250% | 500% | 0%                        | 100% | 140% | 250% | 500% | 0%                        | 100% | 140% | 250% | 500% | 0%                        | 100% | 140% | 250% | 500% |
| Initial Percent                 | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 1998                        | 99                        | 97   | 94   | 92   | 86   | 96                        | 60   | 60   | 60   | 60   | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 1999                        | 99                        | 91   | 84   | 80   | 63   | 92                        | 17   | 17   | 17   | 0    | 100                       | 100  | 100  | 100  | 40   | 100                       | 100  | 100  | 100  | 100  |
| May 2000                        | 98                        | 85   | 74   | 67   | 44   | 87                        | 0    | 0    | 0    | 0    | 100                       | 48   | 48   | 48   | 0    | 100                       | 100  | 100  | 100  | 0    |
| May 2001                        | 98                        | 79   | 65   | 57   | 30   | 82                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 48   | 48   | 48   | 0    |
| May 2002                        | 97                        | 73   | 57   | 48   | 21   | 76                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2003                        | 96                        | 68   | 50   | 40   | 15   | 70                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2004                        | 95                        | 63   | 43   | 33   | 10   | 63                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2005                        | 94                        | 58   | 38   | 28   | 7    | 55                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2006                        | 93                        | 54   | 33   | 23   | 5    | 46                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2007                        | 92                        | 49   | 29   | 19   | 3    | 37                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2008                        | 90                        | 46   | 25   | 16   | 2    | 27                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2009                        | 89                        | 42   | 21   | 13   | 2    | 16                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2010                        | 87                        | 38   | 18   | 11   | 1    | 4                         | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2011                        | 85                        | 35   | 16   | 9    | 1    | 0                         | 0    | 0    | 0    | 0    | 77                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2012                        | 83                        | 32   | 14   | 8    | *    | 0                         | 0    | 0    | 0    | 0    | 43                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2013                        | 80                        | 29   | 12   | 6    | *    | 0                         | 0    | 0    | 0    | 0    | 6                         | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2014                        | 78                        | 26   | 10   | 5    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 52                        | 0    | 0    | 0    | 0    |
| May 2015                        | 75                        | 23   | 8    | 4    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2016                        | 71                        | 21   | 7    | 3    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2017                        | 68                        | 18   | 6    | 3    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2018                        | 64                        | 16   | 5    | 2    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2019                        | 59                        | 14   | 4    | 2    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2020                        | 54                        | 11   | 3    | 1    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2021                        | 49                        | 9    | 2    | 1    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2022                        | 43                        | 7    | 2    | 1    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2023                        | 36                        | 6    | 1    | *    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2024                        | 28                        | 4    | 1    | *    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2025                        | 20                        | 2    | *    | *    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2026                        | 10                        | 1    | *    | *    | *    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2027                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| Weighted Average Life (years)** | 21.8                      | 11.5 | 7.7  | 6.3  | 3.4  | 8.0                       | 1.2  | 1.2  | 1.2  | 1.1  | 14.8                      | 3.0  | 3.0  | 3.0  | 2.0  | 17.0                      | 4.0  | 4.0  | 4.0  | 2.3  |

| Date                            | PD Class                  |      |      |      |      | PE Class                  |      |      |      |      | PK† Class                 |      |      |      |      | PG Class                  |      |      |      |      |
|---------------------------------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|
|                                 | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |
|                                 | 0%                        | 100% | 140% | 250% | 500% | 0%                        | 100% | 140% | 250% | 500% | 0%                        | 100% | 140% | 250% | 500% | 0%                        | 100% | 140% | 250% | 500% |
| Initial Percent                 | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 1998                        | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 98                        | 77   | 77   | 77   | 77   | 100                       | 100  | 100  | 100  | 100  |
| May 1999                        | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 95                        | 53   | 53   | 53   | 35   | 100                       | 100  | 100  | 100  | 100  |
| May 2000                        | 100                       | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 56   | 93                        | 36   | 36   | 36   | 7    | 100                       | 100  | 100  | 100  | 100  |
| May 2001                        | 100                       | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 0    | 90                        | 26   | 26   | 26   | 0    | 100                       | 100  | 100  | 100  | 43   |
| May 2002                        | 100                       | 37   | 37   | 37   | 0    | 100                       | 100  | 100  | 100  | 0    | 86                        | 15   | 15   | 15   | 0    | 100                       | 100  | 100  | 100  | 0    |
| May 2003                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 48   | 48   | 48   | 0    | 83                        | 6    | 6    | 6    | 0    | 100                       | 100  | 100  | 100  | 0    |
| May 2004                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 79                        | 0    | 0    | 0    | 0    | 100                       | 86   | 86   | 86   | 0    |
| May 2005                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 74                        | 0    | 0    | 0    | 0    | 100                       | 48   | 48   | 48   | 0    |
| May 2006                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 69                        | 0    | 0    | 0    | 0    | 100                       | 14   | 14   | 14   | 0    |
| May 2007                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 64                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2008                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 58                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2009                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 52                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2010                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 45                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2011                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 40                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2012                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 36                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2013                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 31                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2014                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 26                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2015                        | 90                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 20                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2016                        | 23                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    | 14                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2017                        | 0                         | 0    | 0    | 0    | 0    | 61                        | 0    | 0    | 0    | 0    | 7                         | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2018                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 99                        | 0    | 0    | 0    | 0    |
| May 2019                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 63                        | 0    | 0    | 0    | 0    |
| May 2020                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 23                        | 0    | 0    | 0    | 0    |
| May 2021                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2022                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2023                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2024                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2025                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2026                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2027                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| Weighted Average Life (years)** | 18.6                      | 4.9  | 4.9  | 4.9  | 2.6  | 20.2                      | 6.0  | 6.0  | 6.0  | 3.0  | 12.1                      | 2.6  | 2.6  | 2.6  | 1.7  | 22.3                      | 8.0  | 8.0  | 8.0  | 3.9  |

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

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

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

| Date                            | PH Class                  |      |      |      |      | PJ Class                  |      |      |      |      | EA Class                  |      |      |      |      | EB Class                  |      |      |      |      |
|---------------------------------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|
|                                 | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |
|                                 | 0%                        | 100% | 140% | 250% | 500% | 0%                        | 100% | 140% | 250% | 500% | 0%                        | 100% | 140% | 250% | 500% | 0%                        | 100% | 140% | 250% | 500% |
| Initial Percent                 | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 1998                        | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 67   | 67   | 54   | 100                       | 100  | 100  | 100  | 100  |
| May 1999                        | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 35   | 35   | 0    | 100                       | 100  | 100  | 100  | 0    |
| May 2000                        | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 9    | 9    | 0    | 100                       | 100  | 100  | 100  | 0    |
| May 2001                        | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 38   | 38   | 0    |
| May 2002                        | 100                       | 100  | 100  | 100  | 75   | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    |
| May 2003                        | 100                       | 100  | 100  | 100  | 17   | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    |
| May 2004                        | 100                       | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 79   | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    |
| May 2005                        | 100                       | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 54   | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    |
| May 2006                        | 100                       | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 37   | 100                       | 96   | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    |
| May 2007                        | 100                       | 80   | 80   | 80   | 0    | 100                       | 100  | 100  | 100  | 25   | 100                       | 86   | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    |
| May 2008                        | 100                       | 47   | 47   | 47   | 0    | 100                       | 100  | 100  | 100  | 17   | 100                       | 71   | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    |
| May 2009                        | 100                       | 19   | 19   | 19   | 0    | 100                       | 100  | 100  | 100  | 12   | 100                       | 52   | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    |
| May 2010                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 96   | 96   | 96   | 8    | 100                       | 29   | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    |
| May 2011                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 79   | 79   | 79   | 5    | 100                       | 5    | 0    | 0    | 0    | 100                       | 100  | 0    | 0    | 0    |
| May 2012                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 64   | 64   | 64   | 4    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2013                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 52   | 52   | 52   | 2    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2014                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 42   | 42   | 42   | 2    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2015                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 33   | 33   | 33   | 1    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2016                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 26   | 26   | 26   | 1    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2017                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 21   | 21   | 21   | *    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2018                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 16   | 16   | 16   | *    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2019                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 12   | 12   | 12   | *    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2020                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 9    | 9    | 9    | *    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2021                        | 70                        | 0    | 0    | 0    | 0    | 100                       | 6    | 6    | 6    | *    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2022                        | 3                         | 0    | 0    | 0    | 0    | 100                       | 4    | 4    | 4    | *    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2023                        | 0                         | 0    | 0    | 0    | 0    | 36                        | 2    | 2    | 2    | *    | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2024                        | 0                         | 0    | 0    | 0    | 0    | 1                         | 1    | 1    | 1    | *    | 42                        | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | 0    | 0    |
| May 2025                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2026                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2027                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| Weighted Average Life (years)** | 24.3                      | 11.0 | 11.0 | 11.0 | 5.4  | 25.8                      | 17.1 | 17.1 | 17.1 | 9.0  | 26.9                      | 11.9 | 1.6  | 1.6  | 0.9  | 27.4                      | 14.6 | 3.9  | 3.9  | 1.2  |

| Date                            | EC Class                  |      |      |      |      | ED Class                  |      |      |      |      | PO, F, SE†, SG†, G*** SD†*** and S*** Classes |      |      |      |      | SB† and SC† Classes       |      |      |      |      |
|---------------------------------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---|------|------|------|------|---------------------------|------|------|------|------|
|                                 | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption |      |      |      |      | PSA Prepayment Assumption                     |      |      |      |      | PSA Prepayment Assumption |      |      |      |      |
|                                 | 0%                        | 100% | 140% | 250% | 500% | 0%                        | 100% | 140% | 250% | 500% | 0%  | 100% | 140% | 250% | 500% | 0%                        | 100% | 150% | 250% | 500% |
| Initial Percent                 | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100   | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  |
| May 1998                        | 100                       | 100  | 100  | 100  | 100  | 100                       | 100  | 100  | 100  | 100  | 100   | 100  | 100  | 68   | 0    | 93                        | 83   | 79   | 72   | 65   |
| May 1999                        | 100                       | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 0    | 100   | 100  | 100  | 40   | 0    | 85                        | 70   | 63   | 54   | 43   |
| May 2000                        | 100                       | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 0    | 100   | 100  | 100  | 19   | 0    | 78                        | 58   | 49   | 39   | 27   |
| May 2001                        | 100                       | 100  | 100  | 100  | 0    | 100                       | 100  | 100  | 100  | 0    | 100   | 100  | 100  | 5    | 0    | 70                        | 45   | 35   | 26   | 15   |
| May 2002                        | 100                       | 100  | 76   | 45   | 0    | 100                       | 100  | 100  | 100  | 0    | 100   | 100  | 100  | 0    | 0    | 62                        | 33   | 24   | 18   | 8    |
| May 2003                        | 100                       | 100  | 42   | 0    | 0    | 100                       | 100  | 100  | 66   | 0    | 100   | 100  | 100  | 0    | 0    | 53                        | 22   | 18   | 12   | 5    |
| May 2004                        | 100                       | 100  | 18   | 0    | 0    | 100                       | 100  | 100  | 16   | 0    | 100   | 100  | 100  | 0    | 0    | 43                        | 17   | 14   | 9    | 3    |
| May 2005                        | 100                       | 100  | 1    | 0    | 0    | 100                       | 100  | 100  | *    | 0    | 100   | 100  | 100  | 0    | 0    | 32                        | 13   | 10   | 6    | 2    |
| May 2006                        | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 77   | *    | 0    | 100   | 100  | 100  | 0    | 0    | 18                        | 8    | 6    | 4    | 1    |
| May 2007                        | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 38   | *    | 0    | 100   | 100  | 100  | 0    | 0    | 12                        | 5    | 3    | 2    | *    |
| May 2008                        | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 0    | *    | 0    | 100   | 100  | 99   | 0    | 0    | 6                         | 1    | 1    | *    | *    |
| May 2009                        | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 0    | *    | 0    | 100   | 100  | 93   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2010                        | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 0    | *    | 0    | 100   | 100  | 86   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2011                        | 100                       | 100  | 0    | 0    | 0    | 100                       | 100  | 0    | *    | 0    | 100   | 100  | 80   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2012                        | 100                       | 94   | 0    | 0    | 0    | 100                       | 100  | 0    | *    | 0    | 100   | 100  | 73   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2013                        | 100                       | 23   | 0    | 0    | 0    | 100                       | 100  | 0    | *    | 0    | 100   | 100  | 66   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2014                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 35   | 0    | *    | 0    | 100   | 100  | 59   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2015                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | *    | 0    | 100   | 93   | 52   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2016                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | *    | 0    | 100   | 83   | 45   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2017                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | *    | 0    | 100   | 73   | 39   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2018                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | *    | 0    | 100   | 63   | 33   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2019                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | *    | 0    | 100   | 53   | 27   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2020                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | *    | 0    | 100   | 44   | 22   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2021                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | *    | 0    | 100   | 34   | 17   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2022                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | *    | 0    | 100   | 25   | 12   | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2023                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | *    | 0    | 100   | 16   | 8    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2024                        | 100                       | 0    | 0    | 0    | 0    | 100                       | 0    | 0    | *    | 0    | 100   | 8    | 4    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2025                        | 0                         | 0    | 0    | 0    | 0    | 23                        | 0    | 0    | 0    | 0    | 100   | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2026                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 54  | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| May 2027                        | 0                         | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    | 0   | 0    | 0    | 0    | 0    | 0                         | 0    | 0    | 0    | 0    |
| Weighted Average Life (years)** | 27.7                      | 15.6 | 5.9  | 5.0  | 1.3  | 27.9                      | 16.8 | 9.7  | 6.4  | 1.5  | 29.1  | 22.4 | 18.7 | 1.8  | 0.5  | 6.0                       | 4.1  | 3.5  | 2.9  | 2.2  |

\* 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.

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

## **Characteristics of the R, RL and RB Classes**

In addition to distributions of principal and 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, the Holder of the RL Class will be entitled to receive the proceeds of the remaining assets of the first Lower Tier REMIC, if any, after the principal balances of the related Lower Tier Regular Interests have been reduced to zero, and the Holder of the RB Class will be entitled to receive the proceeds of the remaining assets of the second Lower Tier REMIC, if any, after the principal balances of the related Lower Tier Regular Interests have been reduced to zero. It is not anticipated that there will be any material assets remaining in any such circumstance.

The R, RL and RB Classes will be subject to certain transfer restrictions. No transfer of record or beneficial ownership of the R, RL or RB Certificate will be allowed to a “disqualified organization.” In addition, no transfer of record or beneficial ownership of the R, RL or RB 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, RL and RB Classes may constitute noneconomic residual interests under the Regulations. Any transferee of the R, RL or RB 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 the R, RL or RB 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, the Holder of the RL Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the first Lower Tier REMIC, and the Holder of the RB Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the second Lower Tier REMIC. See “Certain Federal Income Tax Consequences” in the REMIC Prospectus. Pursuant to the Trust Agreement, Fannie Mae will be obligated to provide to such Holders (i) such information as is necessary to enable them to prepare their federal income tax returns and (ii) any reports regarding the R, RL or RB Class that may be required under the Code.

## **CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES**

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

## **REMIC Elections and Special Tax Attributes**

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

As a consequence of the qualification of the Lower Tier REMICs and the Trust as REMICs, the REMIC Certificates and the related RCR 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, RL and RB Classes, 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 REMIC 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 Notional Classes, the Accrual Class, the Principal Only Class and the SA 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 180% PSA in the case of the Group 1 Classes, 190% PSA in the case of the Group 2 Classes, 140% PSA in the case of the Group 3 Classes, and 150% PSA in the case of the Group 4 Classes. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the REMIC Prospectus. No representation is made as to whether the Mortgage Loans underlying the MBS will prepay at any of these rates 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 REMIC 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, none of the R Class, RL Class or RB Class will 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 (or either of the Lower Tier REMICs) that generally will not be treated as excess inclusions, the rate to be used is 120% of the “federal long-term rate.” The rate will be published on or about April 20, 1997. 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, RL or RB Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

Fannie Mae intends to determine the accruals of OID on the Underlying REMIC Certificate using the same Prepayment Assumption, as provided above, that will be used to determine the accruals of OID on the Regular Certificates. The IRS, however, could take the position that the proper Prepayment Assumption to be used with respect to the Underlying REMIC Certificate is the Prepayment Assumption set forth in the related Underlying REMIC Disclosure Documents. See also “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Taxable Income or Net Loss of a REMIC Trust*” in the REMIC Prospectus.

As the owner of the Underlying Redeemable Certificate, the second Lower Tier REMIC will be treated as (i) owning an undivided interest in the related MBS and (ii) writing a call option on such undivided interest at the time of its acquisition on the applicable Settlement Date. For a discussion of

the tax consequences associated with such treatment, see “Certain Federal Income Tax Consequences” in the Trust 1997-R1 Prospectus.

### **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. The RCR Certificates (the “Combination RCR Certificates”) will represent beneficial ownership of undivided interests in two or more underlying Regular Certificates.

*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 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 values 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 REMIC Certificates and RCR Certificates for the related RCR Class or (ii) all or a portion of an RCR Class for the related REMIC Certificates 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.

### **ADDITIONAL ERISA CONSIDERATIONS**

The Group 2 Classes would appear to qualify as “guaranteed governmental mortgage pool certificates” as defined in the Department of Labor regulation described under “ERISA Considerations” in the REMIC Prospectus. However, the acquisition of the right to effect the redemption of the Underlying Redeemable Certificate (the “Redemption Right”) by the beneficial owner of such Right, as well as the consequences of the exercise of the Redemption Right by such a beneficial owner, might be treated under ERISA as principal transactions between the beneficial owner of a Group 2 Class and the beneficial owner of the Redemption Right. Thus, in theory, the acquisition or exercise of the Redemption Right could be characterized under certain circumstances as an ERISA prohibited transaction between a plan and a “party in interest” (assuming that such plan holds a Group 2 Class or the Redemption Right and such “party in interest” holds the Redemption Right or a Group 2 Class), unless an ERISA prohibited transaction exemption, such as PTE 84-14 (for Transactions by Independent Qualified Professional Asset Managers), is applicable. ERISA plan fiduciaries should consult with their counsel concerning these issues.

## PLAN OF DISTRIBUTION

*General.* The Dealers will receive the applicable Certificates in exchange for the Trust MBS, the Underlying Redeemable Certificate and the Underlying REMIC Certificate pursuant to a Fannie Mae commitment. The Dealers propose to offer the applicable Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealers may effect such transactions to or through dealers.

*Increase in Certificates.* Before the Settlement Date, Fannie Mae and the Dealers may agree to offer hereby Group 1 and Group 3 Classes in addition to those contemplated as of the date hereof. In such event, the Trust MBS in the related MBS Group will be increased in principal balance, but it is expected that all additional Trust MBS will have the same characteristics as described herein under “Description of the Certificates—The Trust MBS.” The proportion that the original principal balance of each Group 1 and Group 3 Class bears to the aggregate original principal balance of all the Group 1 and Group 3 Classes, respectively, will remain the same. In addition, the dollar amounts reflected in the Principal Balance Schedules with respect to any Group 1 or Group 3 Class will be increased in a pro rata amount that corresponds to the increase of the principal balances of the Group 1 or Group 3 Classes, as applicable.

## LEGAL MATTERS

Certain legal matters will be passed upon for the Dealers by Cadwalader, Wickersham & Taft.

Underlying REMIC Certificate

| Underlying<br>REMIC<br>Trust | Class | Date<br>of<br>Issue | CUSIP<br>Number | Interest<br>Rate | Interest<br>Type (1) | Final<br>Distribution<br>Date | Principal<br>Type (1) | Original<br>Notional<br>Principal<br>Balance<br>of Class | May 1997<br>Class<br>Factor | Notional<br>Principal<br>Balance<br>in Related<br>Lower Tier<br>REMIC<br>as of<br>Issue Date | Approximate<br>Weighted<br>Average<br>WAC | Approximate<br>Weighted<br>Average<br>WAM<br>(in months) | Approximate<br>Weighted<br>Average<br>CAGE<br>(in months) | Underlying<br>Security<br>Type | Class<br>Group |
|------------------------------|-------|---------------------|-----------------|------------------|----------------------|-------------------------------|-----------------------|--|-----------------------------|--|---|--|---|--------------------------------|----------------|
| 1994-33                      | S     | March 1994          | 31359HAP9       | (2)              | INV/IO               | March 2009                    | NTL                   | \$368,634,669  | 0.62374770                  | \$165,377,139  | 6.957%                                    | 136  | 40  | MBS                            | 4              |

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

(2) This Class bears interest during its interest accrual periods, subject to the applicable maximum and minimum interest rates, as further described in the Underlying Prospectus Supplement.

| Available Recombinations |  |                     |                  |  |               |                   |                    |              |                         |
|--------------------------|--|---------------------|------------------|--|---------------|-------------------|--------------------|--------------|-------------------------|
| REMIC Certificates       |  |                     | RCR Certificates |  |               |                   |                    |              |                         |
| Class                    | Original Principal or Notional Principal Balance | Exchange Ratios (1) | RCR Class        | Original Principal or Notional Principal Balance | Interest Rate | Interest Type (2) | Principal Type (2) | CUSIP Number | Final Distribution Date |
| Recombination 1          |  |                     |                  |  |               |                   |                    |              |                         |
| AB                       | \$27,241,000                                     | 89.1189845258%      | AC               | \$30,567,000                                     | 8.0%          | FIX               | SEQ/AD/SUP         | 31359PUH7    | April 2023              |
| VD                       | 3,326,000  | 10.8810154742%      |                  |  |               |                   |                    |              |                         |
| Recombination 2          |  |                     |                  |  |               |                   |                    |              |                         |
| AB                       | 27,241,000                                       | 75.7388717436%      | AD               | \$35,967,000                                     | 8.0%          | FIX               | SEQ/AD/SUP         | 31359PUJ3    | April 2023              |
| VD                       | 3,326,000  | 9.2473656407%       |                  |  |               |                   |                    |              |                         |
| VA                       | 5,400,000  | 15.0137626157%      |                  |  |               |                   |                    |              |                         |
| Recombination 3          |  |                     |                  |  |               |                   |                    |              |                         |
| F                        | 25,042,500                                       | 70.0000000000%      | G                | \$35,775,000                                     | 7.0%          | FIX               | SUP                | 31359PUE4    | June 2027               |
| SE                       | 7,155,000  | 20.0000000000%      |                  |  |               |                   |                    |              |                         |
| SG                       | 3,577,500  | 10.0000000000%      |                  |  |               |                   |                    |              |                         |
| PO                       | 10,732,500                                       | 30.0000000000%      |                  |  |               |                   |                    |              |                         |
| Recombination 4          |  |                     |                  |  |               |                   |                    |              |                         |
| SE                       | 7,155,000  | 66.6666666667%      | SD               | \$10,732,500                                     | (3)           | INV/IO            | NTL                | 31359PUF1    | June 2027               |
| SG                       | 3,577,500  | 33.3333333333%      |                  |  |               |                   |                    |              |                         |
| Recombination 5          |  |                     |                  |  |               |                   |                    |              |                         |
| SE                       | 7,155,000  | 66.6666666667%      | S                | \$10,732,500                                     | (3)           | INV               | SUP                | 31359PUG9    | June 2027               |
| SG                       | 3,577,500  | 33.3333333333%      |                  |  |               |                   |                    |              |                         |
| PO                       | 10,732,500                                       | 100.0000000000%     |                  |  |               |                   |                    |              |                         |

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- (1) Each exchange ratio represents the percentage relationship which the original principal or notional principal balance of the Certificate of each REMIC Class presented for exchange must bear to the original principal or notional principal balance of the Certificate of the RCR Class received in any such exchange. Correspondingly, in connection with any reverse exchange of RCR Certificates for Certificates of each related REMIC Class, such exchange ratio represents the percentage relationship which the original principal or notional principal balance of the Certificate of each RCR Class presented for exchange must bear to the original principal or notional principal balance of the Certificate of the REMIC Class received in any such exchange.
- (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.
- (3) For a description of these interest rates, see “Description of the Certificates—Distributions of Interest” herein.

**\$200,000,000**



**Guaranteed Grantor Trust Redeemable/Redemption Certificates  
Fannie Mae Grantor Trust 1997-R1**

The Guaranteed Grantor Trust Redeemable/Redemption Certificates offered hereby (the "Certificates") will represent interests in Fannie Mae Grantor Trust 1997-R1 (the "Trust"). The Certificates consist of the A Class (the "Redeemable Class" or the "Redeemable Certificates") and the B Class (the "Redemption Class" or the "Redemption Certificate"). The assets of the Trust will consist of certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the "MBS") held in the form of a Fannie Mae Guaranteed MBS Pass-Through Certificate (the "Mega Certificate"). Each MBS represents a beneficial ownership 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 Redeemable Class will receive all of the distributions on the MBS. As described herein, the Redemption Class (i) will not receive distributions of interest or principal and (ii) subject to certain conditions described herein, will have the right to direct Fannie Mae to redeem the Redeemable Class on any Distribution Date commencing with the May 1998 Distribution Date. The redemption price payable by Fannie Mae for the Redeemable Class will be equal to its outstanding principal balance plus interest through the 24th day of the month in which such redemption occurs, calculated as set forth herein. Upon such redemption, the Redemption Class will then receive from Fannie Mae the Mega Certificate in exchange for the Redemption Class together with the Redemption Amount and the Exchange Fee (each as defined herein). See "Description of the Certificates—Redemption and Exchange" herein. The Redeemable Class will be issued and guaranteed as to timely distribution of principal and interest by Fannie Mae. The Redemption Class will be issued and guaranteed by Fannie Mae as to all proceeds due to such Class in exchange for the Redemption Amount (defined herein) as described herein.

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

**See "Risk Factors" beginning on page 6 for a discussion of certain risks that should be considered in connection with an Investment in the Certificates.**

*(Cover continued on next page)*

**THE CERTIFICATES MAY NOT BE SUITABLE INVESTMENTS FOR ALL INVESTORS. NO INVESTOR SHOULD PURCHASE CERTIFICATES UNLESS SUCH INVESTOR UNDERSTANDS AND IS ABLE TO BEAR THE REDEMPTION, 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.**

| <u>Class</u> | <u>Original Principal Balance</u> | <u>Principal Type(1)</u> | <u>Interest Rate</u> | <u>Interest Type(1)</u> | <u>CUSIP Number</u> | <u>Final Distribution Date</u> |
|--------------|-----------------------------------|--------------------------|----------------------|-------------------------|---------------------|--------------------------------|
| A .....      | \$200,000,000                     | Redeemable /PT           | 8.0%                 | FIX                     | 31359PUK0           | June 2027                      |
| B .....      | (2)                               | Redemption               | (2)                  | (2)                     | 31359PUL8           | N/A                            |

(1) See "Description of the Certificates—Certain Definitions and Abbreviations," "—Distributions of Interest" and "—Distributions of Principal" herein.

(2) The Redemption Class will not receive distributions of principal or interest. For convenience in effecting a redemption and exchange transaction, the Redemption Class will have a notional principal balance equal at all times to the principal balance of the Redeemable Class (initially, \$200,000,000). See "Description of the Certificates—Distributions of Principal" herein.

The Certificates will be offered by Goldman, Sachs & Co. and LaSalle National Bank (the "Dealers") as set forth herein under "Plan of Distribution."

The Certificates will be offered by the Dealers, subject to issuance by Fannie Mae, and to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by the Dealers subject to approval of certain legal matters by counsel. It is expected that the Redemption Certificate, in registered, certificated form, will be available for delivery at the offices of Goldman, Sachs & Co., New York, New York, on or about May 30, 1997 (the "Settlement Date").

**Goldman, Sachs & Co.**

**LaSalle National Bank**

(Cover continued from previous page)

The yields to investors in the Redeemable Class will be sensitive to, among other things, the rate of distributions on the MBS, which in turn will depend upon the rate of principal payments of the Mortgage Loans and the actual characteristics of the Mortgage Loans. The yield to investors in the Redeemable Class will also depend upon whether and, if so, when a redemption of such Class occurs and the purchase price paid for such Class. Accordingly, investors should consider the following risks:

- Subject to certain conditions described herein, the Redeemable Class may be redeemed on any Distribution Date commencing with the Distribution Date in May 1998. Such a redemption is more likely to occur to the extent that prevailing mortgage interest rates have declined or the MBS otherwise have a market value in excess of their aggregate principal balance. In addition, the Holder of any direct or indirect interest in a Redeemable Certificate (including any certificate representing beneficial ownership interests in Fannie Mae REMIC Trust 1997-35) may obtain the right to exercise (or otherwise seek to influence the exercise of) a redemption of the Redeemable Class, and such Holder's decision may depend, in part, on whether such interest was purchased at a discount or at a premium.
- 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 life and yield of the Redeemable Class.
- In the case of any Redeemable 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 Redeemable Certificates purchased at a premium to their principal amounts, a redemption or a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield.

The value of the Redemption Class will depend primarily upon the market value of the MBS from time to time (which will depend on prevailing interest rates and other market and economic conditions), market expectations regarding their likely future values, and the costs associated with any exercise of the right of redemption. In particular, the expectation of the likely increase in prepayments of the Mortgage Loans in a low interest rate environment may inhibit significantly the amount of any premium for the MBS and the corresponding value of the Redemption Class. As indicated herein, the right associated with the Redemption Class to cause a redemption of the Redeemable Class may not be exercised prior to May 1998. An investor in the Redemption Class should consider the risk that it may suffer an actual loss of all of its initial investment.

See "Risk Factors" beginning on page 6.

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

- The actual final payment of the Redeemable Class will likely occur earlier, and could occur much earlier, than the Final Distribution Date specified on the cover page. See "Description of the Certificates—Weighted Average Life and Yield Table" herein.
- The rate of principal distributions of the Redeemable Class is uncertain and investors may be unable to reinvest the distributions thereon at yields equaling the yield on the Redeemable Class. See "Risk Factors—Reinvestment Risk" herein.
- The existence of the Redemption Class may inhibit significantly the ability of the Redeemable Class to sell at a premium in the market.
- 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 the Certificates. Investors should consult their legal advisors to determine whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment. See "Legal Investment Considerations" herein.
- The Dealers intend to make a market for the Redemption Certificate but are not obligated to do so. The Dealers currently do not intend to make a market for the Redeemable Certificates. In either case, there can be no assurance that any such secondary market will develop or, if developed, that it will continue. Thus, investors may not be able to sell their Certificates readily or at prices that will enable them to realize their anticipated yield. No investor should purchase Certificates unless such investor understands and is able to bear the risk that the value of the Certificates will fluctuate over time and that the Certificates may not be readily salable.

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

No REMIC election will be made with respect to the Trust. See "Certain Federal Income Tax Consequences" herein.

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

- Fannie Mae's Prospectus for Guaranteed Mortgage Pass-Through Certificates dated January 1, 1997 (the "MBS Prospectus");
- Fannie Mae's Prospectus for Guaranteed MBS Pass-Through Certificates dated October 1, 1996 (the "Mega Prospectus"); and
- Fannie Mae's Information Statement dated March 31, 1997 and any supplements thereto (collectively, the "Information Statement").

The MBS Prospectus, the Mega 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 Goldman, Sachs & Co. by writing or calling its Registration Department at 85 Broad Street, New York, New York 10004 (telephone 212-902-6685) or LaSalle National Bank at 327 Plaza Real, Boca Raton, Florida 33432 (telephone 561-361-1100).

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## REFERENCE SHEET

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

### General

#### *Description*

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

#### *Investment Objective*

Each individual investor should determine, in consultation with his or her investment advisor, whether or not the Certificates satisfy his or her specified investment objectives, particularly in light of the redemption feature described herein. See “Risk Factors—Redemption Risk” herein.

#### *Liquidity*

If any Certificate is sold prior to its maturity, an investor may receive sales proceeds (less applicable transaction costs) that are less than the amount originally invested. The Dealers intend to make a market for the purchase and sale of the Redemption Certificate, but are not obligated to do so. The Dealers currently have no intention to make a market for the purchase and sale of the Redeemable Certificates. In either case, there can be no assurance that any such secondary market will develop or, if it develops, that it will continue. See “Risk Factors” herein.

#### *Federal Income Taxes*

Interest on the Redeemable Certificates will be includible in income by an investor in accordance with such investor’s method of accounting. Relevant federal income tax information for the preceding calendar year will be mailed to investors, as required by the Internal Revenue Service (“IRS”). Investors should be aware, however, that such information need not be furnished before March 15 of any calendar year following a calendar year in which income accrues on a Certificate. See “Certain Federal Income Tax Consequences” herein.

#### *Maturity*

Unlike many other fixed income securities, the Redeemable Certificates do not have fixed principal redemption schedules or fixed principal distribution dates. Subject to the effect of a redemption, timing of principal distributions may vary considerably based upon a number of factors, including changes in prevailing interest rates. If prevailing interest rates decrease, principal distributions on the Certificates may accelerate, and any reinvestment of such distributions might be at such lower prevailing interest rates. Conversely, if prevailing interest rates increase, principal distributions on the Certificates may slow down, and investors might not be able to reinvest their principal at such higher prevailing interest rates. In such case, the market value of any such Certificates is likely to have declined. See “Risk Factors” herein.

**Assumed Mortgage Loan Characteristics (as of May 1, 1997)**

| <u>Approximate<br/>Principal<br/>Balance</u> | <u>Approximate<br/>Weighted Average<br/>Remaining Term<br/>To Maturity<br/>(in months)</u> | <u>Approximate<br/>Calculated<br/>Loan Age<br/>(in months)</u> | <u>Approximate<br/>Weighted Average<br/>Coupon</u> |
|--|--|--|--|
| \$200,000,000                                | 352  | 7  | 8.50%  |

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

**Interest Rates**

The Redeemable Class will bear interest at the per annum interest rate set forth on the cover.

The Redemption Class will bear no interest.

**Distributions of Principal**

*Principal Distribution Amount*

To the Redeemable Class, to zero.

The Redemption Class will receive no principal distributions.

**Redemption**

The Holder of the Redemption Class will have the right to direct Fannie Mae to redeem the Redeemable Class, in whole but not in part, on any Distribution Date commencing with the May 1998 Distribution Date. However, a redemption of the Redeemable Class will be effected only if, as of the date Fannie Mae receives notice from the Holder of the Redemption Class directing Fannie Mae to redeem, the Mega Certificate has market value in excess of its outstanding principal balance.

The price payable by Fannie Mae for the Redeemable Class upon redemption will be equal to its outstanding principal balance plus accrued and unpaid interest to the date of redemption, calculated as set forth herein. Fannie Mae will redeem the Redeemable Class only upon receipt of payment by the Holder of the Redemption Class of the Redemption Amount (as defined herein) for the Redeemable Class and an exchange fee (the “Exchange Fee”) equal to the greater of (i) \$5,000 or (ii) the lesser of \$15,000 or 1/32 of 1% of the outstanding principal balance of the Redeemable Class. The holder of the Redemption Class will then be entitled to receive from Fannie Mae the Mega Certificate in exchange for the Redemption Class. See “Description of the Certificates—Redemption and Exchange” herein.

**Weighted Average Life (years) \***

| <u>Class</u>     | <u>PSA Prepayment Assumption</u> |             |             |             |             |
|------------------|----------------------------------|-------------|-------------|-------------|-------------|
|                  | <u>0%</u>                        | <u>100%</u> | <u>190%</u> | <u>250%</u> | <u>500%</u> |
| Redeemable ..... | 21.8                             | 11.5        | 7.7         | 6.3         | 3.4         |

\* Determined as specified under “Weighted Average Life and Yield Table” herein, and subject to the assumptions and qualifications in that section, including the assumption that no redemption occurs.

## **RISK FACTORS**

### **Yield Considerations**

The effective yield to holders of the Redeemable Class will depend upon the purchase price of the related Certificates, the rate of principal payments, including prepayments, on the Mortgage Loans, whether and, if so, when a redemption of that Class occurs (as described under “Description of the Certificates—Redemption and Exchange” herein) and the actual characteristics of the Mortgage Loans. Generally, if the actual rate of payments on the Mortgage Loans is slower than the rate anticipated by an investor who purchased a Redeemable Certificate at a discount, the actual yield to such investor will be lower than such investor’s anticipated yield. If a redemption of the Redeemable Class occurs or if the actual rate of payment on the Mortgage Loans is faster than the rate anticipated by an investor who purchased a Redeemable Certificate at a premium, the actual yield to such investor will also be lower than such investor’s anticipated yield. An investor should purchase Certificates only after performing an analysis of such Certificates based upon the investor’s own assumptions as to future rates of prepayment and the likelihood and timing of any redemption.

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

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

The value of the Redemption Class will depend primarily upon the market value of the MBS from time to time (which will depend on prevailing interest rates and other market and economic conditions), market expectations regarding their likely future values and the costs associated with any exercise of the right of redemption. In particular, the expectation of the likely increase in prepayments of the Mortgage Loans in a low interest rate environment may inhibit significantly the amount of any premium for the MBS and the corresponding value of the Redemption Class. Fannie Mae makes no representations regarding the value of an investment in the Redemption Class. An investor in the Redemption Class should consider the risk that it may suffer an actual loss of all of its initial investment.

### **Redemption Risk**

The Redeemable Class will also be affected by an early redemption as described herein under “Description of the Certificates—Redemption and Exchange.” There will be no reimbursement to investors for any premium paid by investors, or for any loss in an investor’s yield if such investors receive early payments of principal (including early payments received as a result of an early redemption of the Redeemable Class). Moreover, at any time beginning in May 1998, the Redeemable Class is more likely to be redeemed to the extent that prevailing mortgage interest rates have declined or the MBS otherwise have a market value in excess of their aggregate principal balance. In addition, the Holder of any direct or indirect interest in a Redeemable Certificate (including any certificate

representing beneficial ownership interests in Fannie Mae REMIC Trust 1997-35) may obtain the right to exercise (or otherwise seek to influence the exercise of) a redemption of the Redeemable Class, and such Holder's decision may depend, in part, on whether such interest was purchased at a discount or at a premium. Finally, the existence of the Redemption Class may inhibit significantly the ability of the Redeemable Class to sell at a premium in the market.

### **Reinvestment Risk**

Because the Mortgage Loans may be prepaid at any time, it is not possible to predict the rate at which distributions of principal of the Redeemable Class will be received. Since prevailing interest rates are subject to fluctuation, there can be no assurance that investors in the Redeemable Class will be able to reinvest the distributions thereon at a yield equalling or exceeding the yield on the Redeemable Class. It is possible that yields on such reinvestments will be lower, and may be significantly lower, than the yield on the Redeemable Class. Prospective investors in the Redeemable Class should carefully consider the related reinvestment risk in light of other investments that may be available to such investors.

### **Prepayment Considerations and Risks**

Subject to the effect of any redemption, the rate of distributions of principal of the Redeemable Class is related directly to the rate of payments of principal of the Mortgage Loans, which may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations resulting from default, casualty or condemnation and payments made pursuant to any guaranty of payment by Fannie Mae, or option to repurchase of Fannie Mae). In general, when the level of prevailing interest rates declines sufficiently relative to the interest rate on fixed-rate mortgage loans, the rate of prepayment is likely to increase, although the prepayment rate is influenced by a number of other factors as well, including general economic conditions and homeowner mobility. See "Maturity and Prepayment Assumptions" in the MBS Prospectus.

Acceleration of mortgage payments as a result of transfers of the mortgaged property is another factor affecting prepayment rates. The Mortgage Loans generally provide by their terms that, in the event of the transfer or prospective transfer of title to the underlying mortgaged property, the full unpaid principal balance of the Mortgage Loan is due and payable at the option of the holder. As set forth under "Description of Certificates—Collection and Other Servicing Procedures" in the MBS Prospectus, Fannie Mae is required to exercise its right to accelerate the maturity of Mortgage Loans containing enforceable "due-on-sale" provisions upon certain transfers of the mortgaged property.

**For a discussion of certain additional risks, see "Certain Federal Income Tax Consequences" and "ERISA Considerations" herein.**

## **DESCRIPTION OF THE CERTIFICATES**

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

### **General**

*Structure.* The Certificates will be issued and guaranteed by the Federal National Mortgage Association ("Fannie Mae"), a corporation organized and existing under the laws of the United States, under the authority of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.). The Trust will be created pursuant to a trust agreement dated as of May 1, 1997 (the "Trust

Agreement”), executed by the Federal National Mortgage Association (“Fannie Mae”) in its corporate capacity and in its capacity as trustee (the “Trustee”), and the Certificates in the Classes and aggregate original principal balance set forth on the cover hereof will be issued by Fannie Mae pursuant thereto. The assets of the Trust will consist primarily of the MBS (held in the form of a Mega Certificate). A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement.

*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. The guarantee obligations of Fannie Mae with respect to the Mega Certificate are described in the Mega Prospectus. In addition, Fannie Mae will be obligated to distribute on a timely basis to the Redeemable Class required installments of principal and interest and to distribute the principal balance of the Redeemable Class in full no later than the Final Distribution Date. Fannie Mae will guarantee to the Redemption Class all proceeds due to such Class in exchange for the Redemption Amount as described herein. See “Description of Certificates—The Corporation’s Guaranty” in the MBS Prospectus and “The Certificates—Fannie Mae’s Guaranty” in the Mega Prospectus. The guaranties of Fannie Mae are not backed by the full faith and credit of the United States.

*Characteristics of Certificates.* The Redeemable Certificates will be issued and maintained and may be transferred by Holders only on the book-entry system of the Federal Reserve Banks. Such entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities for whose accounts such Certificates have been deposited are herein referred to as “Holders” or “Certificateholders.” The Redeemable Certificates may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Beneficial owners ordinarily will hold Redeemable Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of a Redeemable Certificate, and each other financial intermediary in the chain to the beneficial owner, will have the responsibility of establishing and maintaining accounts for their respective customers. The rights of the beneficial owner of a Redeemable Certificate with respect to Fannie Mae and the Federal Reserve Banks may be exercised only through the Holder of such Certificate. Fannie Mae and the Federal Reserve Banks will have no direct obligation to a beneficial owner of a Redeemable Certificate that is not also the Holder of such Certificate. The Federal Reserve Banks will act only upon the instructions of the Holder in recording transfers of a Redeemable Certificate. Fannie Mae’s fiscal agent for the Redeemable Certificates is the Federal Reserve Bank of New York. The Federal Reserve Banks will make distributions on the Redeemable Certificates on behalf of Fannie Mae on the applicable Distribution Dates by crediting Holders’ accounts at the Federal Reserve Banks.

The Redemption Certificate will not be issued in book-entry form but will be issued in fully registered, certificated form. As to the Redemption Certificate, “Holder” or “Certificateholder” refers to the registered owner thereof. The Redemption 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 Redemption Certificate and Fannie Mae may require payment of a sum sufficient to cover any tax or other governmental charge. The distribution to the Holder of the Redemption Certificate of the Mega Certificate in a redemption and exchange transaction will be made only upon presentation and surrender of the Redemption Certificate at the office of the Paying Agent. The Paying Agent initially will be State Street.

*Authorized Denominations.* The Redeemable Class will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. The Redemption Class will be issued as a single Certificate and will not have a principal balance. The Redemption Class must be maintained and

transferred in a denomination equal to the total notional principal balance of such Class, which will be equal at any time to the principal balance of the Redeemable Class.

*Distribution Dates.* Distributions on the Redeemable Class will be made on the 25th day of each month (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day), commencing in the month following the Settlement Date (each, a “Distribution Date”).

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

*Trust Factors.* As soon as practicable following the eleventh calendar day of each month, Fannie Mae will publish or otherwise make available for the Redeemable Class 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. The factor for the Redemption Class will be the same as that for the Redeemable Class.

*Redemption.* A redemption of the Redeemable Class may be effected as described herein under “—Redemption and Exchange.”

*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.

## 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 are held in the form of a Mega Certificate, the general characteristics of which are described in the Mega Prospectus. The MBS will provide that principal and interest on the underlying Mortgage Loans will be passed through monthly, commencing in the month following the month of the initial issuance thereof. 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 May 1, 1997 (the “Issue Date”) are expected to be as follows:

### **MBS (Mega Certificate CL-313566)**

|  |               |
|--|---------------|
| Aggregate Unpaid Principal Balance ..... | \$200,000,000 |
| MBS Pass-Through Rate .....              | 8.00%         |

### **Mortgage Loans**

|   |                          |
|---|--------------------------|
| Range of WACs (per annum percentages) (1) ..... | 8.25% to 10.50%          |
| Range of WAMs(2) .....                          | 241 months to 360 months |
| Approximate Weighted Average WAM .....          | 352 months               |
| Approximate Weighted Average CAGE(3) .....      | 7 months                 |

(1) “WAC” is defined as the weighted average coupon of the Mortgage Loans in each Pool.

(2) “WAM” is defined as the weighted average remaining term to maturity (in months) of the Mortgage Loans in each Pool. “Adjusted WAM” is defined as the WAM of the Mortgage Loans in each Pool at the issue date of the related MBS, less the number of months elapsed from such issue date through the Issue Date.

(3) “CAGE” is defined as the weighted average calculated loan age of the Mortgage Loans in each Pool. The CAGE of such Mortgage Loans is determined by subtracting the original WAM for a Pool from the original term to maturity (in months) of such Mortgage Loans, and adding thereto the number of months elapsed since the issue date of the related MBS.

Following the issuance of the Certificates, Fannie Mae will prepare a Final Data Statement setting forth the Pool number, the current WAC (or original WAC, if the current WAC is not available) and

the current WAM (or Adjusted WAM (as defined above), 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 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

### *Category of Class*

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

| <u>Interest Type*</u> | <u>Class</u> |
|-----------------------|--------------|
| Fixed Rate            | A            |

\* See “—Certain Definitions and Abbreviations” herein. The B Class will bear no interest.

*General.* The Redeemable Class will bear interest at the per annum interest rate set forth on the cover. The Redemption Class will bear no interest. Interest on the Redeemable Class will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be distributable monthly on each Distribution Date, commencing in the month after the Settlement Date. Interest to be distributed 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. In addition, in the event the Redeemable Class is redeemed, the final distribution on such Class will include an amount representing interest accrued and unpaid to the date of redemption. See “—Redemption and Exchange” below.

*Interest Accrual Period.* Interest to be distributed on a Distribution Date will accrue on the Redeemable Class during the calendar month preceding the month in which the Distribution Date occurs (an “Interest Accrual Period”). See “Risk Factors—Yield Considerations” herein.

## Distributions of Principal

### *Categories of Classes*

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

| <u>Principal Type*</u>  | <u>Classes</u> |
|-------------------------|----------------|
| Redeemable/Pass-Through | A              |
| Redemption              | B              |

\* See “—Certain Definitions and Abbreviations” herein.

### *Principal Distribution Amount*

Principal will be distributed monthly on the Redeemable Class in an amount (the “Principal Distribution Amount”) equal to the aggregate distributions of principal concurrently made on the MBS (the “Principal Distribution Amount”).

On each Distribution Date, the Principal Distribution Amount will be distributed as principal of the Redeemable Class, until the principal balance thereof is reduced to zero. } Redeemable / Pass-Through Class

### *The Redemption Class*

The Redemption Class will receive no principal distributions. For convenience in effecting a redemption and exchange transaction, the Redemption Class will have a notional principal balance

equal at all times to the principal balance of the Redeemable Class. See “—Redemption and Exchange” below.

### **Redemption and Exchange**

The Holder of the Redemption Class will have the right to direct Fannie Mae to redeem the Redeemable Class, in whole but not in part, on any Distribution Date commencing with the May 1998 Distribution Date. However, a redemption of the Redeemable Class will be effected only if, as of the date Fannie Mae receives notice from the Holder of the related Redemption Class directing Fannie Mae to redeem, the Mega Certificate has a market value in excess of its outstanding principal balance. For this purpose, the “market value” of the Mega Certificate will be determined by reference to bid quotations obtained by Fannie Mae as of the date Fannie Mae receives notice of the intention to direct a redemption. The determination by Fannie Mae of the market value as described above will (in the absence of manifest error) be final and binding.

The price payable by Fannie Mae for the Redeemable Class upon redemption will be equal to its outstanding principal balance plus accrued and unpaid interest to the date of redemption, calculated as set forth below. Fannie Mae will redeem the Redeemable Class only upon receipt of payment by the Holder of the Redemption Class of the Redemption Amount (as defined below) for the Redeemable Class and an exchange fee (the “Exchange Fee”) equal to the greater of (i) \$5,000 or (ii) the lesser of \$15,000 or  $1/32$  of 1% of the outstanding principal balance of the Redeemable Class.

The Holder of the Redemption Class proposing to effect a redemption and exchange as of any applicable Distribution Date must so notify Fannie Mae no sooner than the first business day and no later than 11:00 a.m. on the fifth business day occurring in the month of such Distribution Date. Not later than the fifth business day in the month of redemption, the Holder of the Redemption Class must deposit with Fannie Mae the Redemption Amount, which shall equal the sum of (i) 100% of the outstanding principal balance of the Redeemable Class based on the Trust Factor published for the Redeemable Class for the month prior to the month of redemption and (ii) an amount equal to interest on the Redeemable Class, for the period from the first day of the month of redemption through the 24th day of the month in which the redemption will occur (that is, 24 days’ interest), calculated based on the Trust Factor published for the Redeemable Class for the month prior to the month of redemption. Upon delivery of the Redemption Amount and the Exchange Fee and determination of a satisfactory market value for the Mega Certificate as described above, the notice of redemption and exchange will become irrevocable and redemption of the Redeemable Class will be made on the Distribution Date.

The Trust Factor for the month of redemption for the Redeemable Class and the Redemption Class will be zero. The redemption of the Redeemable Class will be at a redemption price (the “Redemption Price”) equal to the sum of:

- (a) 100% of the outstanding principal balance of the Redeemable Class;
- (b) accrued interest at the applicable rate per annum for the Redeemable Class for the related Interest Accrual Period; and
- (c) accrued interest at the applicable rate per annum for the Redeemable Class for the period from the first day of the month of redemption through the 24th day of the month in which the redemption occurs, calculated on the principal balance that would have remained outstanding on the Redeemable Class immediately after such Distribution Date if such redemption were not to occur (that is, 24 days’ interest on such reduced principal balance).

Distribution of the Redemption Price will be in lieu of any distribution of principal and interest that would otherwise be made on that Distribution Date.

On the day Fannie Mae receives the Redemption Amount, subject to the conditions described above, Fannie Mae will exchange the Mega Certificate for the Redemption Class and the Exchange

Fee. On the Distribution Date in the month of redemption, Fannie Mae will remit to the Holder of the Redemption Class (a) the excess of (i) the Redemption Amount paid to Fannie Mae by the Holder of the Redemption Class and the distributions received on the MBS in the month of redemption over (ii) the Redemption Price for the Redeemable Class and (b) interest on the Redemption Amount from the date the Redemption Amount is received by Fannie Mae through the 24th day of the month in which the redemption of the Redeemable Class occurs. Such interest will be calculated for each day at a per annum rate equal to the prevailing daily Federal Funds rate determined as of the close of business, less 25 basis points. Fannie Mae will provide instructions for delivery of the Redemption Class and the Exchange Fee to the Dealer through which delivery will be made.

The first distribution on the MBS delivered in an exchange for the Redemption Class will be made on the distribution date therefor in the month following the month of 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 exchange.

### Certain Definitions and Abbreviations

The following chart identifies and generally defines the categories specified on the cover page of the Prospectus.

| <u>Abbreviation</u>   | <u>Category</u> | <u>Definition</u>  |
|-----------------------|-----------------|--|
| <b>PRINCIPAL TYPE</b> |                 |  |
| PT                    | Pass-Through    | Certificates that are designed to receive principal payments based on actual or scheduled payments on the underlying mortgage loans or actual or scheduled distributions on the underlying securities.   |
| <b>INTEREST TYPE</b>  |                 |  |
| FIX                   | Fixed Rate      | Certificates whose interest rate is fixed throughout the life of the Certificates.   |
| <b>OTHER TYPE</b>     |                 |  |
| REDEMPTION            | Redemption      | Certificates whose Holder has the right upon the satisfaction of certain conditions (i) to cause Fannie Mae to redeem a related Redeemable Class and (ii) upon payment of the Redemption Amount and any exchange fee, to receive the securities underlying such Redeemable Class. Such Certificates do not represent beneficial ownership interests in such underlying securities. |
| REDEEMABLE or RDM     | Redeemable      | Certificates that are redeemable by Fannie Mae at the direction of the Holder of the related Redemption Class.   |

### Structuring Assumptions

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

- the Mortgage Loans bear interest at a rate of 8.50% per annum and have an original term to maturity of 360 months, a CAGE of 7 months and a remaining term to maturity of 352 months;
- the Mortgage Loans prepay at the constant percentages of PSA specified in the related table;

- the closing date for the sale of the Certificates is the Settlement Date; and
- the first Distribution Date for the Certificates occurs in the month following the Settlement Date.

*Prepayment Assumptions.* Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this Prospectus Supplement is the Public Securities Association’s standard prepayment model (“PSA”), which represents an assumed rate of prepayment each month of the then outstanding principal balance of a pool of new mortgage loans. 100% PSA assumes prepayment rates of 0.2% per annum of the then unpaid principal balance of such pool of mortgage loans in the first month of the life of such mortgage loans and an additional 0.2% per annum in each month thereafter (for example, 0.4% per annum in the second month) until the 30th month. Beginning in the 30th month and in each month thereafter during the life of such mortgage loans, 100% PSA assumes a constant prepayment rate of 6% per annum. Multiples may be calculated from this prepayment rate sequence. For example, 190% PSA assumes prepayment rates will be 0.38% per annum in month one, 0.76% per annum in month two, and increasing by 0.38% in each succeeding month until reaching a rate of 11.4% per annum in month 30 and remaining constant at 11.4% per annum thereafter. 0% PSA assumes no prepayments. It is highly unlikely that prepayments will occur at any constant PSA rate or at any other constant rate.

### **Weighted Average Life and Yield Table**

There can be no assurance that the Mortgage Loans will have the characteristics assumed herein or will prepay at any of the rates assumed herein or at any other particular rate, that the pre-tax yield on the Redeemable Class will correspond to any of the pre-tax yields shown herein or that the aggregate purchase price of the Redeemable Class will be as assumed. In addition, because some of the Mortgage Loans will likely have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the principal distributions on the Redeemable Class are likely to differ from those assumed, even if all Mortgage Loans prepay at the indicated constant percentages of PSA. Furthermore, it is not likely that the Mortgage Loans will prepay at a constant PSA rate until maturity or that all of such Mortgage Loans will prepay at the same rate. Finally, it is uncertain whether and, if so, when a redemption of the Redeemable Class will occur.

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

The information set forth in the following table was prepared on the basis of the Pricing Assumptions and the assumptions that (i) a redemption of the Redeemable Class either does not occur or occurs on the Distribution Date shown, (ii) interest is paid through the 24th day of the month in which a redemption occurs and (iii) the aggregate purchase price of the Redeemable Class (expressed as a percentage of original principal balance) is as follows:

| <u>Class</u>         | <u>Price*</u> |
|----------------------|---------------|
| Redeemable . . . . . | 99.46875%     |

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

**Redeemable Class  
(Pre-Tax Yields to Maturity)**

| <u>Distribution Date<br/>On Which Assumed<br/>Redemption Occurs</u> | <u>50% PSA</u> | <u>100% PSA</u> | <u>190% PSA</u> | <u>250% PSA</u> | <u>500% PSA</u> |
|---|----------------|-----------------|-----------------|-----------------|-----------------|
| May 1998 .....  | 8.7%           | 8.7%            | 8.7%            | 8.6%            | 8.6%            |
| No Redemption .....   | 8.1%           | 8.1%            | 8.1%            | 8.1%            | 8.1%            |

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).

In general, the weighted average life of the Redeemable Class will be shortened if the level of prepayments of principal of the Mortgage Loans increases. However, the weighted average life will depend upon a variety of other factors, including the timing of changes in such rate of principal payments and whether and, if so, when a redemption of that Class occurs. See “Risk Factors” herein.

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

**Final Distribution Date**

The Final Distribution Date for the Redeemable Class is the date by which the principal balance of such Class is required to be fully paid, assuming no prepayments on the Mortgage Loans and no redemption of the Redeemable Class, and is specified on the cover page hereof. The Final Distribution Date has been determined so that distributions on the MBS will be sufficient to retire the Redeemable Class on or before such Final Distribution Date without the necessity of any call on Fannie Mae under its guaranty of the Certificates.

## Decrement Table

The following table indicates the percentages of original principal balance of the Redeemable Class that would be outstanding after each of the dates shown at various constant PSA levels and the corresponding weighted average life of such Class. The table has been prepared on the basis of the Pricing Assumptions (except that with respect to the information set forth for such Class under 0% PSA it has been assumed that (a) each Mortgage Loan has an original and remaining term to maturity of 360 months and (b) each Mortgage Loan bears a per annum interest rate of 10.5%) and the assumption that no redemption is made on such Class. It is not likely that (i) all of the Mortgage Loans will have the interest rates, CAGEs or remaining terms to maturity assumed or (ii) the Mortgage Loans will prepay at a constant PSA level. Moreover, the diverse remaining terms to maturity of the 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. Finally, it is uncertain whether and, if so, when a redemption of the Redeemable Class will occur.

### Percent of Original Principal Balance Outstanding (Assuming No Redemption of Redeemable Certificates)

| Date                                  | A Class                   |      |      |      |      |
|---------------------------------------|---------------------------|------|------|------|------|
|                                       | PSA Prepayment Assumption |      |      |      |      |
|                                       | 0%                        | 100% | 190% | 250% | 500% |
| Initial Percent .....                 | 100                       | 100  | 100  | 100  | 100  |
| May 1998 .....                        | 99                        | 97   | 94   | 92   | 86   |
| May 1999 .....                        | 99                        | 91   | 84   | 80   | 63   |
| May 2000 .....                        | 98                        | 85   | 74   | 67   | 44   |
| May 2001 .....                        | 98                        | 79   | 65   | 57   | 30   |
| May 2002 .....                        | 97                        | 73   | 57   | 48   | 21   |
| May 2003 .....                        | 96                        | 68   | 50   | 40   | 15   |
| May 2004 .....                        | 95                        | 63   | 43   | 33   | 10   |
| May 2005 .....                        | 94                        | 58   | 38   | 28   | 7    |
| May 2006 .....                        | 93                        | 54   | 33   | 23   | 5    |
| May 2007 .....                        | 92                        | 49   | 29   | 19   | 3    |
| May 2008 .....                        | 90                        | 46   | 25   | 16   | 2    |
| May 2009 .....                        | 89                        | 42   | 21   | 13   | 2    |
| May 2010 .....                        | 87                        | 38   | 18   | 11   | 1    |
| May 2011 .....                        | 85                        | 35   | 16   | 9    | 1    |
| May 2012 .....                        | 83                        | 32   | 14   | 8    | *    |
| May 2013 .....                        | 80                        | 29   | 12   | 6    | *    |
| May 2014 .....                        | 78                        | 26   | 10   | 5    | *    |
| May 2015 .....                        | 75                        | 23   | 8    | 4    | *    |
| May 2016 .....                        | 71                        | 21   | 7    | 3    | *    |
| May 2017 .....                        | 68                        | 18   | 6    | 3    | *    |
| May 2018 .....                        | 64                        | 16   | 5    | 2    | *    |
| May 2019 .....                        | 59                        | 14   | 4    | 2    | *    |
| May 2020 .....                        | 54                        | 11   | 3    | 1    | *    |
| May 2021 .....                        | 49                        | 9    | 2    | 1    | *    |
| May 2022 .....                        | 43                        | 7    | 2    | 1    | *    |
| May 2023 .....                        | 36                        | 6    | 1    | *    | *    |
| May 2024 .....                        | 28                        | 4    | 1    | *    | *    |
| May 2025 .....                        | 20                        | 2    | *    | *    | *    |
| May 2026 .....                        | 10                        | 1    | *    | *    | *    |
| May 2027 .....                        | 0                         | 0    | 0    | 0    | 0    |
| Weighted Average Life (years)** ..... | 21.8                      | 11.5 | 7.7  | 6.3  | 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 and Yield Table" herein.

## THE TRUST AGREEMENT

The following summaries describe certain provisions of the Trust Agreement not otherwise summarized in this Prospectus. Certain capitalized terms in these summaries are used as defined in the Trust Agreement. These summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the more complete provisions of the Trust Agreement.

### Reports to Certificateholders

As soon as practicable following the eleventh calendar day of each month, Fannie Mae will publish or otherwise make available the Trust Factor (carried to eight decimal places) for the Redeemable Class after giving effect to the distribution of principal, if any, to be made on the following Distribution Date. Fannie Mae also will furnish to each person who was a Certificateholder at any time during a calendar year such statements and information as shall be required to be furnished pursuant to the Code (as defined below).

Calculations with respect to amounts due to Certificateholders will be made by Fannie Mae or on its behalf by another entity retained specifically for that purpose.

### Certain Matters Regarding Fannie Mae

The Trust Agreement provides that Fannie Mae may not resign from its obligations and duties thereunder, except upon determination that those duties are no longer permissible under applicable law. No such resignation will become effective until a successor has assumed Fannie Mae's obligations and duties under the Trust Agreement; provided, however, that no successor will succeed to Fannie Mae's guaranty obligations described above. Fannie Mae will continue to be responsible under its guaranty notwithstanding any termination of its other duties and responsibilities under the Trust Agreement.

The Trust Agreement also provides that neither Fannie Mae nor any director, officer, employee, or agent of Fannie Mae will be under any liability to the Trust or to Certificateholders for any action taken, or for refraining from the taking of any action, in good faith pursuant to the Trust Agreement or for errors in judgment; provided, however, that neither Fannie Mae nor any such person will be protected against any liability that would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of willful disregard of obligations and duties.

In addition, the Trust Agreement provides that Fannie Mae is not under any obligation to appear in, prosecute, or defend any legal action that is not incidental to its responsibilities under the Trust Agreement and that in its opinion may involve it in any expense or liability. Fannie Mae may, however, in its discretion undertake any such legal action that it may deem necessary or desirable in the interests of the Certificateholders. In such event, the legal expenses and costs of such action will be expenses and costs of Fannie Mae.

Any corporation into which Fannie Mae may be merged or consolidated, or any corporation resulting from any merger, conversion, or consolidation to which Fannie Mae is a party, or any corporation succeeding to the business of Fannie Mae, will be the successor of Fannie Mae under the terms of the Trust Agreement.

### Events of Default

Events of Default under the Trust Agreement will consist of (i) any failure by Fannie Mae to distribute to Holders of Certificates of any Class any required distribution that continues unremedied for 15 days after the giving of written notice of such failure to Fannie Mae by the Holders of Redeemable Certificates representing principal balances aggregating not less than five percent of the aggregate principal balances of all Certificates of such Class and by the Holder of the Redemption Certificate affected thereby, (ii) any failure by Fannie Mae duly to observe or perform in any material respect any other of its covenants or agreements in the Trust Agreement, which failure continues

unremedied for 60 days after the giving of written notice of such failure to Fannie Mae by the Holders of Redeemable Certificates representing principal balances aggregating not less than 25 percent of the aggregate principal balance of all of the Certificates of such Class and by the Holder of any Redemption Certificate affected thereby; and (iii) certain events of insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings and certain actions by or against Fannie Mae indicating its insolvency, reorganization or inability to pay its obligations.

### **Rights Upon Event of Default**

As long as an Event of Default under the Trust Agreement remains unremedied, the Holders of Redeemable Certificates representing principal balances aggregating not less than 25 percent of the aggregate of the principal balances of all Certificates of such Class and the Holder of any Redemption Certificate affected thereby may, in writing, terminate all of the obligations and duties of Fannie Mae as Trustee and in its corporate capacity under the Trust Agreement (other than its guaranty obligations described above, which continue notwithstanding any such termination) and name and appoint, in writing, a successor to succeed to all such responsibilities, duties and obligations of Fannie Mae thereunder (other than Fannie Mae's guaranty obligations) and to the legal title of the Mega Certificate and other assets held in the Trust.

### **Amendment**

The Trust Agreement may be amended by Fannie Mae and the Trustee without the consent of or notice to any of the Certificateholders, for one or more of the following purposes: (i) to add to the covenants of Fannie Mae; (ii) to evidence the succession of another party or parties to Fannie Mae and the assumption by such successor or successors of the obligations of Fannie Mae thereunder in its corporate capacity or in its capacity as Trustee or in both such capacities; (iii) to eliminate any right reserved to or conferred upon Fannie Mae in its corporate capacity; (iv) to make provisions for the purpose of curing any ambiguity or correcting any provision in the Trust Agreement; or (v) to make provisions for supplementing any provision in the Trust Agreement, provided such provisions do not adversely affect the interest of any Certificateholder.

The Trust Agreement also may be amended by Fannie Mae with the consent of the Holders of Redeemable Certificates representing principal balances aggregating not less than 66 percent of the aggregate principal balance of all Certificates of such Class and the Holder of the Redemption Class so as to waive compliance by Fannie Mae with any terms of the Trust Agreement, or to allow Fannie Mae to eliminate, change, add to or modify the terms of the Trust Agreement. However, no such waiver or amendment may, without the consent of all Certificateholders, terminate or modify the guaranty obligations of Fannie Mae or reduce the percentages of the Certificates the Holders of which are required to consent to any waiver or amendments. In addition, no waiver or amendment shall, without the consent of each Certificateholder affected thereby, reduce in any manner the amount of, or delay the timing of, payments received on the Mega Certificate or other assets in the Trust that are required to be distributed on the Certificates.

### **Termination**

The Trust Agreement will terminate upon the distribution to Certificateholders of all required distributions on the Certificates. The Trust Agreement will terminate also upon repurchase by Fannie Mae, at its option, of the Mortgage Loans underlying the MBS, provided that Fannie Mae will not exercise such option 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 principal balance thereof as of the Issue Date. The exercise of such repurchase option will effect retirement of the Certificates.

In no event, however, will the Trust continue beyond the expiration of 21 years from the death of the last survivor of the persons named in the Trust Agreement. Fannie Mae will give written notice of

termination of the Trust Agreement as it relates to each affected Certificateholder, and the final distribution will be made to the person entitled thereto.

## **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

### **General**

The following is a general discussion of the anticipated material federal income tax consequences to beneficial owners of the purchase, ownership and disposition of the Certificates. The discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. The discussion does not purport to deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the Certificates.

The Certificates, evidencing interests in the Trust, will be issued under a book-entry system to Holders acting on behalf of beneficial owners (“Owners”). The arrangement pursuant to which the Trust will be administered by Fannie Mae and the Certificates will be issued will be classified as a grantor trust under subpart E, Part I of subchapter J of the Internal Revenue Code of 1986, as amended (the “Code”), and not as an association taxable as a corporation. The Certificates will be issued in a pair of classes. The A Class will be the Redeemable Class, representing the beneficial ownership interest in the MBS, and the B Class will be the Redemption Class, representing the right (the “Redemption Right”) to direct Fannie Mae to redeem the Redeemable Class and to acquire the MBS.

Because of the existence of the Redemption Right, a thrift, REMIC, real estate investment trust or regulated investment company is particularly advised to consult its own tax advisor before purchasing an interest in either a Redeemable Class or a Redemption Class.

### **The Redeemable Class**

*Status.* An Owner of an interest in the Redeemable Class will be treated as (i) owning an undivided interest in the MBS and (ii) writing a call option on such undivided interest at the time of the purchase of the interest in the Redeemable Class. Such call option is represented by a proportionate part of the Redemption Right. The Owner will be treated as having written such call option in exchange for an option premium in an amount equal to the fair market value of the call option.

*Allocations.* An Owner should be considered to have purchased its interest in the Redeemable Class for an amount equal to the cost of such interest plus the option premium it is deemed to have received. Accordingly, such Owner’s basis in its interest in the MBS will be greater than the amount such Owner paid directly for its interest in the Redeemable Class.

When an Owner sells an interest in the Redeemable Class, such Owner will be deemed to have sold its interest in the MBS for a price equal to the sales price for its interest in the Redeemable Class plus an amount equal to the fair market value, at the time of such sale, of the call option, which amount the Owner is deemed to have paid to be relieved from the obligation under the call option. Accordingly, the amount realized by the Owner upon the sale of its interest in the MBS will be greater than the amount received directly for its interest in the Redeemable Class.

*Taxation of an Interest in the MBS.* Except as described below under “Application of the Straddle Rules,” the anticipated material federal income tax consequences to an Owner of the purchase, ownership and disposition of an interest in the MBS are as described under “Certain Federal Income Tax Consequences” in the MBS Prospectus.

*Taxation of Redemption Option Premium.* An Owner of an interest in the Redeemable Class will not be required to include immediately in income the option premium that it is deemed to receive when it purchases such interest. Instead, the Owner must account for such premium when the Redemption Right lapses, is exercised or is otherwise terminated with respect to such Owner. As discussed under “Allocations,” an Owner’s basis in the MBS includes the option premium such Owner is deemed to have received. An Owner’s recovery of such basis will not occur at the same rate as its inclusion in income of the option premium.

An Owner of an interest in the Redeemable Class will include the option premium in income as short-term capital gain when the Call Right lapses. It is expected that the MBS subject to the Redemption Right will be reduced over time through principal payments prior to the expiration of the Redemption Right. Under existing authorities, it is not entirely clear whether the Redemption Right would thus be deemed to lapse as the MBS pay down, and if so, at what rate. Fannie Mae intends to assume that the Redemption Right lapses, and the related premium is recognized by the Owner proportionately as principal (including both scheduled and unscheduled payments) is paid on the MBS after the first date on which the Redemption Right may be exercised. There is no assurance that the Service would agree with this method of determining income from the lapse of the Redemption Right. Each Owner is urged to consult its own tax advisor regarding these matters.

If the Redemption Right is exercised, an Owner of an interest in the Redeemable Class will include in its amount realized from the sale of the MBS an amount equal to the unamortized portion of the option premium. If an Owner transfers its interest in the Redeemable Class, such transfer will be treated as a “closing transaction” with respect to the call option the Owner is deemed to have written. Accordingly, such Owner will recognize a short-term capital gain or loss equal to the difference between the unamortized amount of option premium and the amount such Owner is deemed to pay to be relieved from the obligation under the call option.

## **The Redemption Class**

*Status.* The Owner of the Redemption Class will be treated as having purchased a call option on all of the MBS for an option premium in an amount equal to the price paid for the Redemption Class. It would appear that if the Owner of the Redemption Class acquired an interest in the Redeemable Class, such call option would be proportionately extinguished for at least as long as the Owner of the Redemption Class held such interest, and the Owner would be treated as holding solely its proportionate share of the MBS.

*Taxation of Redemption Option Premium.* Because the price paid by the Owner of the Redemption Class to purchase such Class will be treated as an option premium for the Redemption Right, it will be added to the purchase price of the MBS (in addition to the exchange fee, as discussed under “Description of the Certificates—Redemption and Exchange”) if the MBS are purchased upon exercise of the Redemption Right, and will be treated as a loss as the Redemption Right lapses. For a discussion of when the Redemption Right may be deemed to lapse, see “The Redeemable Classes—*Taxation of Redemption Option Premium*” above. If the MBS, if acquired, would be a capital asset in the hands of the Owner, then loss recognized with respect to such lapse will be a capital loss.

## **Application of the Straddle Rules**

With respect to an Owner of an interest in the Redeemable Class, the IRS might take the position that the Owner’s interest in the MBS and call option constitute positions in a straddle. If this position were sustained, the straddle rules of section 1092 of the Code would apply. Under those rules, an Owner selling its interest in the Redeemable Class would be treated as selling its interest in the MBS at a gain or loss. Such gain or loss would be short-term because the Owner’s holding period would be tolled. In addition, the straddle rules might require an Owner to capitalize, rather than deduct, a portion of any interest and carrying charges allocable to such Owner’s interest in the Redeemable Class. Further, if the IRS were to take the position that an Owner’s interest in the MBS and the call

option constituted a “conversion transaction” as well as a straddle, then a portion of the gain with respect to the MBS or the call option might be characterized as ordinary income. Each Owner of an interest in the Redeemable Class is advised to consult its own tax advisor regarding these issues.

## **LEGAL INVESTMENT CONSIDERATIONS**

Institutions whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investment in the Certificates. Any financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration or other federal or state agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing the Certificates. Financial institutions should review and consider the applicability of the Federal Financial Institutions Examination Council Supervisory Policy Statement on Securities Activities (to the extent adopted by their respective federal regulators), which, among other things, sets forth guidelines for investing in certain types of mortgage related securities, including securities such as the Certificates. In addition, financial institutions should consult their regulators concerning the risk-based capital treatment of any Certificate.

Pursuant to the Secondary Mortgage Market Enhancement Act of 1984 (“SMMEA”), securities issued or guaranteed by Fannie Mae (such as the Certificates) will be legal investments for such entities created under the laws of the United States or any state whose authorized investments are subject to state regulation to the same extent as obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. Under SMMEA, if a state enacted legislation prior to October 4, 1991 specifically limiting the legal investment authority of any such entities with respect to securities issued or guaranteed by Fannie Mae, such securities will constitute legal investments for such entities only to the extent provided in such legislation. Certain states have adopted such legislation prior to the October 4, 1991 deadline. Investors should consult their own legal advisors in determining whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment.

## **LEGAL OPINION**

Any purchaser of Certificates will be furnished upon request an opinion by the General Counsel or Deputy General Counsel of Fannie Mae as to the validity of the Certificates and the Trust Agreement.

## **ERISA CONSIDERATIONS**

A Department of Labor regulation provides that, if an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), acquires a “guaranteed governmental mortgage pool certificate,” then, for purposes of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code, the plan’s assets include the certificate and all of its rights with respect to the certificate, but do not, solely by reason of the plan’s holding of the certificate, include any of the mortgages underlying the certificate. Under this regulation, the term “guaranteed governmental mortgage pool certificate” includes a certificate “backed by, or evidencing an interest in, specified mortgages or participation interests therein” if interest and principal payable on the certificate are guaranteed by Fannie Mae. The effect of the regulation is to make clear that the sponsor (that is, the entity that organizes and services the pool, in this case Fannie Mae) and other persons, in providing services with respect to the assets in the pool, would not be subject to the fiduciary responsibility provisions of Title 1 of ERISA, or the prohibited transaction provisions of Section 406 of ERISA or Code Section 4975, merely by reason of the plan’s investment in a certificate.

The Redeemable Class would appear to qualify as “guaranteed governmental mortgage pool certificates” as defined in the Department of Labor regulation. However, the acquisition of the

Redemption Right (as defined in “Certain Federal Income Tax Consequences”) by the beneficial owner of the Redemption Class, as well as the consequences of the exercise of the Redemption Right by such a beneficial owner, might be treated under ERISA as principal transactions between the beneficial owners of the Redeemable Class and the beneficial owner of the Redemption Class. Thus, in theory, the acquisition or exercise of the Redemption Right could be characterized under certain circumstances as an ERISA prohibited transaction between a plan and a “party in interest” (assuming that such plan holds the Redeemable or Redemption Class and such “party in interest” holds the Redemption or Redeemable Class), unless an ERISA prohibited transaction exemption, such as PTE 84-14 (for Transactions by Independent Qualified Professional Asset Managers), is applicable. The Redemption Class may be deemed to be an option to acquire a guaranteed governmental mortgage pool certificate rather than such a certificate. ERISA plan fiduciaries should consult with their counsel concerning these issues.

### **PLAN OF DISTRIBUTION**

*General.* The Dealers will receive the Certificates in exchange for the MBS pursuant to a Fannie Mae commitment. The Dealers propose to sell the Redeemable Class to Fannie Mae. The Dealers propose to offer the Redemption Class in a negotiated transaction with a single purchaser at a price to be determined at the time of sale. The Dealers may effect such transaction to or through dealers.

*Increase in Certificates.* Before the Settlement Date, Fannie Mae and the Dealers 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.”

### **LEGAL MATTERS**

Certain legal matters will be passed upon for the Dealers by Cadwalader, Wickersham & Taft.

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.

**\$650,000,000**



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**Guaranteed REMIC  
Pass-Through Certificates  
Fannie Mae REMIC Trust 1997-35**

**PROSPECTUS SUPPLEMENT**

**Goldman, Sachs & Co.  
LaSalle National Bank**

**April 11, 1997**