

**\$250,000,000**



**FannieMae**

**Guaranteed REMIC Pass-Through Certificates**  
**Fannie Mae REMIC Trust 1997-49**

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "REMIC Certificates") will represent beneficial ownership interests in one of two trust funds. The REMIC Certificates, other than the RL Class, will represent beneficial ownership interests in Fannie Mae REMIC Trust 1997-49 (the "Trust"). The assets of the Trust will consist of the "regular interests" in a separate trust fund (the "Lower Tier REMIC"). The assets of the Lower Tier REMIC will consist of certain "fully modified pass-through" mortgage-backed securities (the "GNMA Certificates") guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA"). Each GNMA Certificate is based on and backed by a pool (the "Pool") of mortgage loans (the "Mortgage Loans") which are either insured or guaranteed by the Federal Housing Administration ("FHA"), the Department of Veterans Affairs ("VA") or the Rural Housing Service ("FmHA"). 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 a certain Class or Classes (the "RCR Classes") of Combinable and Recombinable REMIC Certificates ("RCR Certificates") as provided herein. Each RCR Certificate issued in such an exchange will represent a beneficial ownership interest in, and will entitle the Holder thereof to receive a proportionate share of the distributions on, the related Classes of REMIC Certificates. The characteristics of the RCR Classes are set forth in Schedule 1 hereto. As used herein, unless the context requires otherwise, the term "Certificates" includes REMIC Certificates and RCR Certificates and the term "Classes" includes the Classes of REMIC Certificates and the Classes of RCR Certificates. See "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-6 hereof and "Risk Factors" beginning on page 8 of the GNMA Prospectus attached hereto for a discussion of certain risks that should be considered in connection with an investment in the Certificates.**

*(Cover continued on next page)*

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

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

Class(1)	Original Principal Balance	Principal Type(2)	Interest Rate	Interest Type(2)	CUSIP Number	Final Distribution Date
A	\$10,500,000	SEQ	8.5%	FIX	31359PA89	July 2002
F	95,800,000	SEQ	(4)	FLT	31359PB88	June 2027
S	(3)	NTL	(4)	INV/IO	31359PB96	June 2027
SA	(3)	NTL	(4)	INV/IO	31359PC20	June 2027
C	95,000,000	SEQ	7.5	FIX	31359PB21	June 2023
D	26,500,000	SEQ	7.5	FIX	31359PB39	November 2025
E	22,200,000	SEQ	7.5	FIX	31359PB47	June 2027
R	0	NPR	0	NPR	31359PB54	June 2027
RL	0	NPR	0	NPR	31359PR24	June 2027

- (1) The RCR Classes are set forth on Schedule 1 herein.
- (2) See "Description of the Certificates—Class Definitions and Abbreviations" in the GNMA Prospectus and "Description of the Certificates—Distributions of Interest" and "—Distributions of Principal" herein.
- (3) The S and SA Classes will be Notional Classes, will not have principal balances and will bear interest on their notional principal balances (initially \$95,800,000 each). 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.
- (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 GNMA Prospectus.

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

The Certificates will be offered by the Dealer, subject to 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 Dealer, and subject to approval of certain legal matters by counsel. It is expected that the Certificates, other than the R and RL Classes, will be available through the book-entry facilities of The Depository Trust Company on or about June 30, 1997 (the "Settlement Date"). It is expected that the R and RL Classes in registered, certificated form will be available for delivery at the offices of the Dealer, New York, New York, on or about the Settlement Date.

**Chase Securities Inc.**

May 28, 1997

(Cover continued from previous page)

The yields to investors in the Classes will be sensitive in varying degrees to, among other things, the rates of principal distributions on the GNMA Certificates, which in turn will be determined by the rates of principal payments of the Mortgage Loans and the characteristics of the Mortgage Loans. The yield to investors in each Class will also be sensitive to the purchase price paid for such Class and, in the case of any Floating Rate or Inverse Floating Rate Class, 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, a slower than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of any Certificates purchased at a premium to their principal amounts, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of any Interest Only Class, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield and, in certain cases, an actual loss on the investment.
- 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.

See “Risk Factors—Yield Considerations” in the GNMA Prospectus and “Additional Risk Factors—Additional Yield and Prepayment Considerations” and “Description of the Certificates—Yield Tables” herein.

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

- The actual final payment of any Class will likely occur earlier, and could occur much earlier, than the Final Distribution Date for such Class specified on the cover page. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the GNMA 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 GNMA Prospectus.
- Investors whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities may be subject to restrictions on investment in certain Classes of the Certificates. Investors should consult their legal advisors to determine whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment. See “Legal Investment Considerations” in the GNMA Prospectus.
- The Dealer intends to make a market for the Certificates but is not obligated to do so. There can be no assurance that such a secondary market will develop or, if developed, that it will continue. Thus, investors may not be able to sell their Certificates readily or at prices that will enable them to realize their anticipated yield. No investor should purchase Certificates unless such investor understands and is able to bear the risk that the value of the Certificates will fluctuate over time and that the Certificates may not be readily salable.

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

Elections will be made to treat the Lower Tier REMIC and the Trust as “real estate mortgage investment conduits” (“REMICs”) pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). The R and RL Classes will be subject to transfer restrictions. See “Description of the Certificates—Characteristics of the R and RL Classes” and “Certain Additional Federal Income Tax Consequences” herein, and “Description of the Certificates—Additional Characteristics of Residual Certificates” and “Certain Federal Income Tax Consequences” in the GNMA 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 (backed by GNMA Certificates) dated June 14, 1996 (the “GNMA Prospectus”), which is attached to this Prospectus Supplement; and
- Fannie Mae’s Information Statement dated March 31, 1997 and any supplements thereto (collectively, the “Information Statement”).

The Information Statement is 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 document may also be obtained from Chase Securities Inc. by writing or calling its Prospectus Department at 270 Park Avenue, 6th Floor, New York, New York 10017 (telephone 212-834-5307).

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## REFERENCE SHEET

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

### Assumed Characteristics of the Mortgage Loans Underlying the GNMA Certificates (as of June 1, 1997)

<u>Aggregate Unpaid Principal Balance</u>	<u>Original Term to Maturity (in months)</u>	<u>WARM (in months)</u>	<u>WALA (in months)</u>	<u>WAC</u>
\$250,000,000	360	358	2	9.0%

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

### Combination and Recombination

Holders of certain Classes of REMIC Certificates will be entitled, upon notice and payment of an exchange fee, to exchange all or a portion of such Classes for a proportionate interest in the related RCR 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 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 Classes and the B\*, BA\* and BI\* Classes will bear interest at the applicable per annum interest rates set forth on the cover and on Schedule 1 hereto.

The following 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>
F .....	6.18750%	10.0%	0.5%	LIBOR + 50 basis points
S .....	1.81250%	7.5%	0.0%	7.5% – LIBOR
SA .....	2.00000%	2.0%	0.0%	9.5% – LIBOR

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 or Classes.

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

**Notional Classes**

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

<u>Class</u>	
S .....	100% of F Class
SA .....	100% of F Class
BI* .....	100% of F Class

See “Description of the Certificates—Distributions of Interest—*Notional Classes*” and “—Yield Tables—*The Interest Only Classes*” herein.

**Distributions of Principal**

The portion of the Principal Distribution Amount allocated to each Class of REMIC Certificates will be determined by distributions of principal of the GNMA Certificates.

*Principal Distribution Amount*

1. To the A Class, to zero.
2. To the F and C Classes, in the proportions of 40% and 60%, respectively, until the C Class is reduced to zero.
3. To the F and D Classes, in the proportions of 40% and 60%, respectively, until the D Class is reduced to zero.
4. To the F and E Classes, in the proportions of 40% and 60%, respectively, to zero.

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

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

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>210%</u>	<u>350%</u>	<u>600%</u>
A .....	2.7	0.9	0.6	0.4	0.3
F, S, SA, B*, BA* and BI* .....	21.8	12.4	7.8	5.2	3.3
C .....	18.6	7.6	4.4	3.0	2.1
D .....	27.2	18.5	11.0	7.0	4.4
E .....	29.2	25.7	18.8	12.6	7.5

\*\* 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.

## ADDITIONAL RISK FACTORS

### Additional Yield and Prepayment Considerations

The rate of distributions of principal of the Classes will be sensitive in varying degrees to the rate of principal distributions on the GNMA Certificates, which in turn will reflect the rate of amortization (including prepayments) of the Mortgage Loans. There can be no assurance that the Mortgage Loans underlying the GNMA Certificates will have the characteristics assumed herein. Because the rate of principal distributions on the Classes will be related to the rate of amortization of the Mortgage Loans, which are likely to include Mortgage Loans with remaining terms to maturity shorter or longer than those assumed, the rate of principal distributions on such Classes is likely to differ from the rate anticipated by investors, even if the Mortgage Loans prepay at the indicated constant percentages of PSA. In addition, it is highly unlikely that the Mortgage Loans will prepay at a constant PSA rate until maturity or that all such Mortgage Loans will prepay at the same rate.

Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the Certificates. See “Risk Factors—Prepayment Considerations” in the GNMA 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 17th day following the end of the related Interest Accrual Period and will not bear interest during such delay. No interest at all will be paid on any Class after its principal balance has been reduced to zero. As a result of the foregoing, the market values of the Delay Classes will be lower than would have been the case if there were no such delay.

## DESCRIPTION OF THE CERTIFICATES

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

### General

*Structure.* The Lower Tier REMIC and the Trust will be created pursuant to a trust agreement dated as of June 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 REMIC Certificates in the Classes and aggregate original principal balances set forth on the cover hereof will be issued by Fannie Mae pursuant thereto. A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement.

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

*Fannie Mae Guaranty.* 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 guaranty of Fannie Mae is not

backed by the full faith and credit of the United States. See “Description of the Certificates—Fannie Mae’s Guaranty” in the GNMA Prospectus.

*Characteristics of Certificates.* The Certificates, other than the R and RL 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 (“DTC”), which 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 DTC.

A Holder is not necessarily the beneficial owner of any DTC Certificate. Beneficial owners will ordinarily hold the DTC 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 GNMA Prospectus and “Description of the Certificates—Book-Entry Procedures” herein.

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

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

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

*Distribution Dates.* Distributions on the Certificates will be made on the 17th day of each month (or, if such 17th day is not a business day, on the next succeeding business day) (each, a “Distribution Date”), commencing in the month following the Settlement Date.

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

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

## **Combination and Recombination**

*General.* Subject to the rules, regulations and procedures of the Depository, all or a portion of the F, S and SA Classes may be exchanged for a proportionate interest in the related RCR Class or Classes in the combinations and ratios set forth on Schedule 1 hereto. Similarly, all or a portion of the RCR Classes 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 share of distributions on the related Classes of REMIC Certificates.

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

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

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

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

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

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

At any given time, a Holder's ability to exchange REMIC Certificates for RCR Certificates or to exchange RCR Certificates for REMIC Certificates will be limited by a number of factors. A Holder must, at the time of the proposed exchange, own the appropriate Class or Classes in the appropriate proportions in order to effect a desired exchange. A Holder that does not own the appropriate Class or Classes (or the appropriate portions thereof) may not be able to obtain the necessary REMIC or RCR Classes, as applicable. The Holder of a needed Class may refuse or be unable to sell at a reasonable price or any price, or certain Classes may have been purchased and placed into other financial structures. In addition, principal distributions will, over time, diminish the amounts available for exchange. Only the combinations listed on Schedule 1 are permitted.

## **Book-Entry Procedures**

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

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

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

**The GNMA Certificates**

The GNMA Certificates will have the aggregate unpaid principal balance and Pass-Through Rate set forth below and the general characteristics described in the GNMA Prospectus. All of the GNMA Certificates are GNMA I Certificates. See “GNMA and the GNMA Programs” in the GNMA Prospectus. The characteristics of the GNMA Certificates and the Mortgage Loans as of June 1, 1997 (the “Issue Date”) are expected to be as follows:

**GNMA Certificates**

Aggregate Unpaid Principal Balance .....	\$250,000,000
GNMA Pass-Through Rate.....	8.50%

**Mortgage Loans**

WAC .....	9.00%
Range of WARMs .....	241 months to 360 months
Approximate Weighted Average WARM .....	358 months
Approximate Weighted Average WALA .....	2 months

**Final Data Statement**

Following the issuance of the Certificates, Fannie Mae will prepare a Final Data Statement setting forth, with respect to each GNMA Certificate, among other things, the Pool number, the original unpaid principal balance, the unpaid principal balance as of the Issue Date, and the remaining term to maturity of the latest maturity Mortgage Loan underlying such GNMA Certificate as of the Issue Date. The Final Data Statement will not accompany this Prospectus Supplement but will be made available by Fannie Mae. To request the Final Data Statement, telephone Fannie Mae at 1-800-BEST-MBS or 202-752-6547. The contents of the Final Data Statement and other data specific to the Certificates are available in electronic form by calling Fannie Mae at 1-800-752-6440 or 202-752-6000.

## Distributions of Interest

### *Categories of Classes*

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

<u>Interest Type*</u>	<u>Classes</u>
Fixed Rate	A, C, D and E
Floating Rate	F
Inverse Floating Rate	S and SA
Interest Only	S and SA
RCR**	B, BA and BI
No Payment Residual	R and RL

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

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

*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>
The Fixed Rate Classes and the B*, BA* and BI* Classes (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs
The F, S and SA Classes	One month period beginning on the 17th day of the month preceding the month of the Distribution Date and ending on the 16th day of the month of the Distribution Date

See “Additional Risk Factors—Additional Yield and Prepayment Considerations” herein.

*Notional Classes.* The S, SA and BI\* Classes will be Notional Classes. The Notional Classes will not have principal balances and will bear interest at the applicable per annum interest rates described herein during each Interest Accrual Period on the related notional principal balances. The notional

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

principal balance of each Notional Class will be equal to the indicated percentage of the outstanding balance specified below immediately prior to the related Distribution Date:

<u>Class</u>	
S .....	100% of F Class
SA .....	100% of F Class
BI* .....	100% of F Class

The notional principal balance of a Notional Class is used for purposes of the determination of interest distributions thereon and does not represent an interest in the principal distributions of the GNMA Certificates or the underlying Mortgage Loans. Although a Notional Class will not have a principal balance, a REMIC Trust Factor (as described herein) will be published with respect to 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 initial interest rates determined as described below, and will bear interest during each Interest Accrual Period thereafter, subject to the applicable maximum and minimum interest rates, at the 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>
F .....	6.18750%	10.0%	0.5%	LIBOR + 50 basis points
S .....	1.81250%	7.5%	0.0%	7.5% – LIBOR
SA .....	2.00000%	2.0%	0.0%	9.5% – LIBOR

The yields with respect to such Classes will be affected by changes in the 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 each Index value by Fannie Mae and Fannie Mae’s determination of the rate or rates of interest for the applicable Class or 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 balance and notional principal balances of the F, S and SA 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%.

\* This Class is an RCR Class. 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>
Sequential Pay	A, C, D, E and F
Notional	S and SA
RCR**	B, BA and BI
No Payment Residual	R and RL

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

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

### *Principal Distribution Amount*

Principal will be distributed monthly on the Certificates in an amount (the “Principal Distribution Amount”) equal to the aggregate amount distributable as principal of the GNMA Certificates in such month calculated as described in the immediately following paragraph.

On or about the fifth business day of each month, Fannie Mae will aggregate the amount of principal reported to be receivable on the GNMA Certificates during such month on the basis of published GNMA factors for such month. For any GNMA Certificate for which a factor is not available at such time, Fannie Mae will calculate the amount of scheduled payments of principal distributable in respect of such GNMA Certificates during such month on the basis of the assumed amortization schedules of the related Mortgage Loans. The amortization schedules will be prepared on the assumptions that; (i) each of the Mortgage Loans underlying a single GNMA Certificate amortizes on a level installment basis, had an original term to maturity of 360 months, and has a remaining term to maturity equal to the remaining term to maturity of the latest maturing Mortgage Loan underlying such GNMA Certificate at the origination of such GNMA Certificate, adjusted to the Issue Date; and (ii) each Mortgage Loan underlying a GNMA Certificate bears an interest rate of 9.0% per annum. All such amounts, whether reported in GNMA factors or calculated by Fannie Mae, will be reflected in the REMIC Trust Factors for the Distribution Date in such month and will be distributed to Holders of the Certificates on such Distribution Date, whether or not received. There will also be reflected in such REMIC Trust Factors and distributable as principal on such Distribution Date the excess of (a) the distributions of principal of the GNMA Certificates received during the month prior to the month of such Distribution Date over (b) the amount of principal calculated and distributable previously in accordance with the GNMA factors and the assumed distribution schedules specified above.

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

- (i) to the A Class, until the principal balance thereof is reduced to zero;
  - (ii) to the F and C Classes, in the proportions of 40% and 60%, respectively, until the principal balance of the C Class is reduced to zero;
  - (iii) to the F and D Classes, in the proportions of 40% and 60%, respectively, until the principal balance of the D Class is reduced to zero; and
  - (iv) to the F and E Classes, in the proportions of 40% and 60%, respectively, until the principal balances thereof are reduced to zero.
- } Sequential Pay Classes

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

## Structuring Assumptions

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

- the Mortgage Loans bear interest at a rate of 9.00% per annum and have original terms to maturity of 360 months, remaining terms to maturity of 358 months and WALAs of 2 months;
- all payments (including prepayments) on the Mortgage Loans are distributed on the Certificates in the month in which such payments are received;
- the Mortgage Loans prepay at the constant percentages of PSA specified in the related table;
- the closing date for the sale of the Certificates is the Settlement Date; and
- the first Distribution Date for the Certificates occurs in the month following the Settlement Date.

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

## Yield Tables

*General.* The tables below indicate the sensitivity of the pre-tax corporate bond equivalent yields to maturity of 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, the principal distributions on the Certificates are likely to differ from those assumed, even if all 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 Interest Only Classes and the BI Class. The yields to investors in the S, SA and BI\* Classes will be highly sensitive to the rate of principal payments (including prepayments) of the Mortgage Loans underlying the GNMA Certificates and, in the case of the S and SA Classes, to the level of the Index. The Mortgage Loans generally can be prepaid at any time. As indicated in the tables below, it is possible that, under certain prepayment***

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

and Index scenarios, investors in the S, SA and BI\*\* Classes would not fully recoup their initial investments. In addition, on the basis of the assumptions described below, the yield to maturity on the BI\*\* Class would be 0% if prepayments were to occur at a constant rate of approximately 416% PSA. If the actual prepayment rate of the Mortgage Loans underlying the GNMA Certificates were to exceed the foregoing level for as little as one month while equaling such level for the remaining months, investors in the BI\*\* Class would not fully recoup their initial investment.

Changes in the Index may not correlate with changes in prevailing mortgage 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 S and SA Classes for each Interest Accrual Period subsequent to the initial Interest Accrual Period will be based on the indicated levels of the Index and (ii) the aggregate purchase prices of the S, SA and BI\*\* Classes (expressed in each case as a percentage of the original principal balance) are as follows:

<u>Class</u>	<u>Price*</u>
BI** .....	13.500000%
S .....	4.125000%
SA .....	6.796875%

\* 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.

#### Sensitivity of the BI\*\* Class to Prepayments

	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>210%</u>	<u>350%</u>	<u>600%</u>
Pre-Tax Yields to Maturity .....	19.9%	17.3%	11.4%	3.7%	(10.7)%

#### 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>210%</u>	<u>350%</u>	<u>600%</u>
3.6875% .....	108.3%	106.7%	102.6%	96.9%	86.2%
5.6875% .....	46.1%	43.9%	38.7%	31.8%	19.1%
7.5000% and above .....	*	*	*	*	*

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

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

**Sensitivity of the SA 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>210%</u>	<u>350%</u>	<u>600%</u>
7.5% and below .....	28.6%	26.2%	20.5%	13.1%	(0.6)%
8.5% .....	11.4%	8.7%	2.6%	(5.4)%	(20.5)%
9.5% .....	*	*	*	*	*

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

**Weighted Average Lives of the Certificates**

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

In general, the weighted average lives of the Certificates will be shortened if the level of prepayments of principal of the Mortgage Loans increases. However, the weighted average lives will depend upon a variety of other factors, including the timing of changes in such rate of principal payments and the priority sequences of distributions of principal of the Classes. See “—Distributions of Principal” herein.

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

**Decrement Tables**

The following tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each of the dates shown at various constant percentages of PSA and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions, except that with respect to the information set forth for each such Class under 0% PSA, it has been assumed that each underlying Mortgage Loan bears an interest rate of 9.00% per annum and has an original and remaining term to maturity of 360 months.

It is not likely that (i) all of the underlying Mortgage Loans will have the WALAs or remaining terms to maturity assumed or (ii) the underlying Mortgage Loans will prepay at a *constant* PSA rate. In addition, 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 distributions of the weighted average remaining terms to maturity and the weighted average WALAs of the Mortgage Loans are identical to the remaining term to maturity and WALA specified in the Pricing Assumptions.

## Percent of Original Principal Balances Outstanding

Date	A Class					B‡, BA‡, BI‡, F, S† and SA† Classes					C Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	210%	350%	600%	0%	100%	210%	350%	600%	0%	100%	210%	350%	600%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
June 1998	84	43	0	0	0	100	100	100	97	93	100	100	100	96	89
June 1999	66	0	0	0	0	100	97	91	83	69	100	95	86	74	54
June 2000	46	0	0	0	0	100	90	79	65	44	100	86	68	47	16
June 2001	25	0	0	0	0	100	84	68	51	28	100	76	52	26	0
June 2002	2	0	0	0	0	100	78	59	40	18	100	67	38	9	0
June 2003	0	0	0	0	0	99	73	51	31	11	98	59	26	0	0
June 2004	0	0	0	0	0	98	68	44	24	7	97	51	15	0	0
June 2005	0	0	0	0	0	96	63	38	19	5	95	44	6	0	0
June 2006	0	0	0	0	0	95	58	33	15	3	92	36	0	0	0
June 2007	0	0	0	0	0	93	54	28	11	2	90	30	0	0	0
June 2008	0	0	0	0	0	92	49	24	9	1	87	23	0	0	0
June 2009	0	0	0	0	0	90	45	21	7	1	84	18	0	0	0
June 2010	0	0	0	0	0	88	42	18	5	*	81	12	0	0	0
June 2011	0	0	0	0	0	85	38	15	4	*	78	6	0	0	0
June 2012	0	0	0	0	0	83	35	13	3	*	74	1	0	0	0
June 2013	0	0	0	0	0	80	32	11	2	*	70	0	0	0	0
June 2014	0	0	0	0	0	77	29	9	2	*	65	0	0	0	0
June 2015	0	0	0	0	0	74	26	8	1	*	60	0	0	0	0
June 2016	0	0	0	0	0	70	23	6	1	*	55	0	0	0	0
June 2017	0	0	0	0	0	66	20	5	1	*	49	0	0	0	0
June 2018	0	0	0	0	0	62	18	4	1	*	43	0	0	0	0
June 2019	0	0	0	0	0	57	15	3	*	*	35	0	0	0	0
June 2020	0	0	0	0	0	52	13	3	*	*	28	0	0	0	0
June 2021	0	0	0	0	0	47	11	2	*	*	19	0	0	0	0
June 2022	0	0	0	0	0	40	9	2	*	*	10	0	0	0	0
June 2023	0	0	0	0	0	34	7	1	*	*	0	0	0	0	0
June 2024	0	0	0	0	0	26	5	1	*	*	0	0	0	0	0
June 2025	0	0	0	0	0	18	3	*	*	*	0	0	0	0	0
June 2026	0	0	0	0	0	10	1	*	*	*	0	0	0	0	0
June 2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	2.7	0.9	0.6	0.4	0.3	21.8	12.4	7.8	5.2	3.3	18.6	7.6	4.4	3.0	2.1

Date	D Class					E Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	210%	350%	600%	0%	100%	210%	350%	600%
Initial Percent	100	100	100	100	100	100	100	100	100	100
June 1998	100	100	100	100	100	100	100	100	100	100
June 1999	100	100	100	100	100	100	100	100	100	100
June 2000	100	100	100	100	100	100	100	100	100	100
June 2001	100	100	100	100	69	100	100	100	100	100
June 2002	100	100	100	100	13	100	100	100	100	100
June 2003	100	100	100	85	0	100	100	100	100	73
June 2004	100	100	100	48	0	100	100	100	100	46
June 2005	100	100	100	19	0	100	100	100	100	29
June 2006	100	100	93	0	0	100	100	100	95	18
June 2007	100	100	68	0	0	100	100	100	74	12
June 2008	100	100	46	0	0	100	100	100	57	7
June 2009	100	100	28	0	0	100	100	100	44	5
June 2010	100	100	11	0	0	100	100	100	34	3
June 2011	100	100	0	0	0	100	100	97	26	2
June 2012	100	100	0	0	0	100	100	82	20	1
June 2013	100	88	0	0	0	100	100	69	15	1
June 2014	100	71	0	0	0	100	100	58	12	*
June 2015	100	56	0	0	0	100	100	49	9	*
June 2016	100	41	0	0	0	100	100	40	7	*
June 2017	100	27	0	0	0	100	100	33	5	*
June 2018	100	13	0	0	0	100	100	27	4	*
June 2019	100	*	0	0	0	100	100	22	3	*
June 2020	100	0	0	0	0	100	86	17	2	*
June 2021	100	0	0	0	0	100	71	13	1	*
June 2022	100	0	0	0	0	100	58	10	1	*
June 2023	99	0	0	0	0	100	45	7	1	*
June 2024	59	0	0	0	0	100	33	5	*	*
June 2025	16	0	0	0	0	100	21	3	*	*
June 2026	0	0	0	0	0	62	9	1	*	*
June 2027	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	27.2	18.5	11.0	7.0	4.4	29.2	25.7	18.8	12.6	7.5

\* 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.

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

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

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

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

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

The Holder of the R Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Trust, and the Holder of the RL Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Lower Tier REMIC. See “Certain Federal Income Tax Consequences” in the GNMA 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 or RL Class that may be required under the Code.

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

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

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

Elections will be made to treat the Lower Tier REMIC and the Trust as REMICs for federal income tax purposes. Arnold & Porter, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that, assuming compliance with the Trust Agreement, the Lower Tier REMIC and the Trust will qualify as REMICs for federal income tax purposes. The REMIC Certificates, other than the R and RL Classes, will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust. The Lower Tier Regular Interests will be designated as the “regular interests” and the RL Class will be designated as the “residual interest” in the Lower Tier REMIC.

As a consequence of the qualification of the Lower Tier REMIC and the Trust as REMICs, the REMIC Certificates and any 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 and RL 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 Certificates as “qualifying real property loans.” See “Certain Federal Income Tax Consequences—Special Tax Attributes” in the GNMA Prospectus.

### **Taxation of Beneficial Owners of Regular Certificates**

The Notional Classes will be, and certain other Classes of REMIC Certificates may be, issued with original issue discount (“OID”) 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 210% PSA. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the GNMA Prospectus. No representation is made as to whether the Mortgage Loans underlying the GNMA Certificates will prepay at that rate or any other rate. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the GNMA 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 GNMA Prospectus.

### **Taxation of Beneficial Owners of Residual Certificates**

Under the Regulations, neither the R Class nor the RL 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 sections 593 and 860E 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 GNMA Prospectus.

For purposes of determining the portion of the taxable income of the Trust (or the Lower Tier REMIC) that generally will not be treated as excess inclusions, the rate to be used is 8.30% (which is 120% of the “federal long-term rate”). See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” and “—Foreign Investors—*Residual Certificates*” in the GNMA Prospectus. The federal income tax consequences of any consideration paid to a transferee on the transfer of an R or RL Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

### **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 GNMA Prospectus.

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

The B Class will be a Combination RCR Class. The BA and BI Classes will represent (i) the right to receive a disproportionate part of the principal or interest payments on the F Class and (ii) a beneficial ownership of undivided interests in the S and SA Classes. To the extent that the BA and BI Classes represent the right to receive a disproportionate part of the principal or interest payments on the F Class, such Classes will be Strip RCR Classes and the discussion under “—*Strip RCR Classes*” will apply. To the extent that the BA and BI Classes represent beneficial ownership of undivided interests in the S and SA Classes, the BA and BI Classes are Combination RCR Classes and the discussion under “—*Combination RCR Classes*” will apply.

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

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

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

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

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

*Combination RCR Classes.* A beneficial owner of a Combination RCR Certificate will be treated as the beneficial owner of a proportionate interest in the related 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 GNMA 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 (ii) all or a portion of an RCR Class for the related RCR Class or Classes or REMIC Certificates, respectively, will not be a taxable exchange. Such owner will be treated as continuing to own after the exchange the same combination of interests in the related REMIC Certificates that it owned immediately prior to the exchange.

## **PLAN OF DISTRIBUTION**

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

*Increase in Certificates.* Before the Settlement Date, Fannie Mae and the Dealer may agree to offer hereby REMIC Certificates in amounts greater than the amounts reflected herein. In such event, the GNMA Certificates will be increased in principal balance, but it is expected that all such additional GNMA Certificates will have the same characteristics as described herein under “Description of the Certificates—The GNMA Certificates.” The proportion that the original principal balance of each Class bears to the aggregate original principal balance of all Classes will remain the same.

## **LEGAL MATTERS**

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

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## Available Recombinations

REMIC Certificates			RCR Certificates							
Class	Original Principal or Notional Principal Balance	Exchange Ratio (1)	RCR Class	Original Principal or Notional Principal Balance	Exchange Ratio (1)	Interest Rate	Interest Type (2)	Principal Type (2)	CUSIP Number	Final Distribution Date
Recombination 1										
F	\$95,800,000	100%	BA	\$95,800,000	100%	7.0000%	FIX	SEQ	31359PB62	June 2027
S	95,800,000	100%	BI	\$95,800,000	100%	3.0000%	FIX/IO	NL	31359PB70	June 2027
SA	95,800,000	100%								
Recombination 2										
F	95,800,000	100%	B	\$95,800,000	100%	10.0000%	FIX	SEQ	31359PA97	June 2027
S	95,800,000	100%								
SA	95,800,000	100%								

- (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 GNMA Prospectus and “Description of the Certificates—Distributions of Interest” and “—Distributions of Principal” herein.

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

\$250,000,000



**FannieMae**

**Guaranteed REMIC  
Pass-Through Certificates**

**Fannie Mae REMIC  
Trust 1997-49**

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**PROSPECTUS SUPPLEMENT**

**Chase Securities Inc.**

May 28, 1997