

\$760,688,000



FannieMae

Guaranteed REMIC Pass-Through Certificates Fannie Mae REMIC Trust 1997-69

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 1997-69 (the “Trust”). The LL Class, having an aggregate original principal balance of \$10,000,000, is being offered by means of a separate Prospectus Supplement dated August 28, 1997 (the “Retail Class Supplement”). 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 (i) 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”) and (ii) certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the “MBS”). Each GNMA Certificate is based on and backed by a pool of 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”). Each MBS represents a beneficial ownership interest in a pool of first lien, single-family, fixed-rate residential mortgage loans (together with the pools and mortgage loans underlying the GNMA Certificates, the “Pools” and “Mortgage Loans”, respectively) 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 Class or 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 and REMIC Prospectus attached hereto for a discussion of certain risks that should be considered in connection with an investment in the Certificates.

(Cover continued on next page)

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

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

Class(1)	Group	Original Class Balance	Principal Type(2)	Interest Rate	Interest Type(2)	CUSIP Number	Final Distribution Date
LL	1	(3)	SEQ/RTL	7.0%	FIX	31359 Q W S 9	September 2027
J	1	\$ 79,806,000	SEQ	9.5	FIX	31359 Q W T 7	September 2023
A	1	21,282,000	SEQ	(4)	PO	31359 Q W U 4	September 2023
C	1	156,704,210	SEQ	9.5	FIX	31359 Q W V 2	September 2024
C	1	41,787,790	SEQ	(4)	PO	31359 Q W W 0	September 2024
H	1	7,193,000	SEQ	7.5	FIX	31359 Q W X 8	September 2024
E	1	10,000,000(5)	NTL	0.5	FIX/IO	31359 Q W Y 6	September 2027
G	1	103,227,000	SEQ	7.5	FIX	31359 Q W Z 3	September 2027
K	2	251,435,000	SEQ	6.5	FIX	31359 Q X A 7	June 2024
L	2	99,253,000	SEQ	6.5	FIX	31359 Q X B 5	October 2027
R		0	NPR	0	NPR	31359 Q X C 3	October 2027
RL		0	NPR	0	NPR	31359 Q X P 4	October 2027

(1) The B, JA, CA and DA Classes are RCR Classes. See “Description of the Certificates—Combination and Recombination” herein and Schedule 1 hereto for a description of the RCR Classes.

(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) The LL Class, with an aggregate original principal balance of \$10,000,000, is being offered by means of the Retail Class Supplement and is not offered hereby.

(4) These Classes will be Principal Only Classes and will bear no interest.

(5) This Class will be a Notional Class, will not have a principal balance and will bear interest on its notional principal balance. The notional principal balance of the Notional Class will be as set forth above and thereafter will be calculated as specified herein. See “Description of the Certificates—Distributions of Interest—Notional Class” herein.

The Certificates will be offered by Lehman Brothers 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, 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 Group 1 Classes and the RCR Certificates will be available through the book-entry system of The Depository Trust Company on or about September 26, 1997, and that the Group 2 Classes will be available through the book-entry facilities of the Federal Reserve Banks on or about September 30, 1997 (each a “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, Three World Financial Center, New York, New York 10285, on or about the Settlement Date.

LEHMAN BROTHERS

August 28, 1997

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The yields to investors in the Group 1 and Group 2 Classes will be sensitive in varying degrees to, among other things, the rates of principal distributions on the GNMA Certificates and the MBS, respectively, which in turn will be determined by the rates of principal payments of the related Mortgage Loans and the characteristics of such Mortgage Loans. The yield to investors in each Class will also be sensitive to the purchase price paid for such Class. Accordingly, investors should consider the following risks:

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

See “Risk Factors—Yield Considerations” in the GNMA Prospectus and “Additional Risk Factors—Additional Yield and Prepayment Considerations” and “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, the GNMA Prospectus, the REMIC Prospectus or the MBS Prospectus (each 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;
- 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 August 1, 1997 (the “MBS Prospectus”); and
- Fannie Mae’s Information Statement dated March 31, 1997 and any supplements thereto (collectively, the “Information Statement”).

The MBS Prospectus and the Information Statement are incorporated herein by reference and may be obtained from Fannie Mae by writing or calling its MBS Helpline at 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 (telephone 1-800-BEST-MBS or 202-752-6547). Such documents may also be obtained from Lehman Brothers Inc. by writing or calling its Registration Department at 536 Broadhollow Road, Melville, New York 11747 (telephone 516-254-7106).

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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 and the MBS (as of September 1, 1997)

	<u>Approximate Principal Balance</u>	<u>Original Term to Maturity (in months)</u>	<u>Approximate WARM or Weighted Average Remaining Term to Maturity (in months)</u>	<u>Approximate WALA or Calculated Loan Age (in months)</u>	<u>Approximate Weighted Average Coupon</u>
Group 1	\$420,000,000	360	359	1	8.25%
Group 2	\$350,688,000	360	335	23	7.00%

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. The tables contained under “Description of the Certificates—The GNMA Certificates” herein set forth certain summary information regarding the assumed characteristics of the Mortgage Loans underlying the GNMA Certificates as of September 1, 1997 (the “Issue Date”). The tables contained under “Description of the Certificates—The MBS” herein set forth certain summary information regarding the assumed characteristics of the Mortgage Loans underlying the MBS as of the Issue Date. Certain additional information regarding the GNMA Certificates and the MBS and the related Mortgage Loans may be obtained from Fannie Mae as described under “Description of the Certificates—Final Data Statement” herein. 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 RCR Classes as reflected on Schedule 1 hereto. The Holders of the RCR Classes will be entitled to receive distributions of principal and interest from the related Class or Classes of REMIC Certificates. See “Description of the Certificates—Combination and Recombination” herein. Schedule 1 sets forth the available combination of the Classes of REMIC Certificates and the related RCR Classes.

Interest Rates

The interest-bearing Classes will bear interest at the applicable per annum interest rates set forth on the cover.

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 Class or Classes of REMIC Certificates to the related RCR Class or Classes.

Notional Class

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

Class

E 100% of LL Class

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

Distributions of Principal

The portion of the Principal Distribution Amount allocated to each Class of Certificates will be determined as described herein under “Description of the Certificates—Distributions of Principal—Principal Distribution Amount.”

Group 1 Principal Distribution Amount

a. Commencing in October 2000 and until the date of the final distribution pursuant to clause b. (i) below, to the LL Class, an amount up to \$10,000.

b. Commencing in October 1997, distributions will be made in the following order of priority:

(i) concurrently, to the C, D, J and A Classes, in the proportions of 50.4022950028%, 13.4406122152%, 28.5449602976% and 7.6121324844%, respectively, until the J and A Classes are reduced to zero;

(ii) concurrently, to the C, D, H and LL Classes, in proportions reflecting (x) the then current principal balances of the C, D and H Classes and (y) the excess of the then current principal balance of the LL Class over \$5,117,000, until the C, D and H Classes are reduced to zero and the LL Class is reduced to \$5,117,000; and

(iii) concurrently, to the G and LL Classes, in the proportions of 95.2770804105% and 4.7229195895%, respectively, to zero.

Group 2 Principal Distribution Amount

To the K and L Classes, in that order, to zero.

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

Weighted Average Lives (years) *

<u>Group 1 Classes</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>150%</u>	<u>300%</u>	<u>500%</u>
LL and E	24.2	18.6	15.4	9.5	6.1
J, A and JA	17.6	7.0	5.3	3.2	2.3
C, D, B, CA and DA	18.5	7.9	6.0	3.6	2.5
H	26.5	16.1	12.3	7.0	4.5
G	28.6	23.0	19.5	12.0	7.6
<u>Group 2 Classes</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>140%</u>	<u>300%</u>	<u>500%</u>
K	18.1	6.3	4.9	2.4	1.4
L	28.4	20.5	17.8	10.3	6.1

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

ADDITIONAL RISK FACTORS

Additional Yield and Prepayment Considerations

The rate of distributions of principal of the Group 1 and Group 2 Classes will be sensitive in varying degrees to the rate of principal distributions on the GNMA Certificates and the MBS, respectively, which in turn will reflect the rate of amortization (including prepayments) of the related Mortgage Loans. There can be no assurance that the Mortgage Loans underlying the GNMA Certificates and the MBS will have the characteristics assumed herein. Because the rate of principal distributions on the Group 1 and Group 2 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 rates of principal distributions on such Classes is likely to differ from the rate anticipated by investors, even if such Mortgage Loans prepay at the indicated constant percentages of PSA.

It is highly unlikely that the Mortgage Loans underlying the GNMA Certificates or the MBS will prepay at any of the rates assumed herein, will prepay at a *constant* PSA rate until maturity or that such Mortgage Loans will prepay at the same rate. Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the Certificates.

The effective yields on the Delay Classes (as defined herein) will be reduced below the yields otherwise produced because principal and interest payable on a Distribution Date will be distributed on or about the 20th or 18th day, as applicable, 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 Trust and the Lower Tier REMIC will be created pursuant to a trust agreement dated as of September 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 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 and the MBS.

Fannie Mae Guaranty. Fannie Mae guarantees to each holder of an MBS the timely payment of scheduled installments of principal of and interest on the underlying Mortgage Loans, whether or not

received, together with the full principal balance of any foreclosed Mortgage Loan, whether or not such balance is actually recovered. In addition, Fannie Mae will be obligated to distribute on a timely basis to the Holders of Certificates required installments of principal and interest and to distribute the principal balance of each Class of Certificates in full no later than the applicable Final Distribution Date, whether or not sufficient funds are available in the Trust Account. The guaranties of Fannie Mae are not backed by the full faith and credit of the United States. See “Description of the Certificates—Fannie Mae’s Guaranty” in the GNMA Prospectus or REMIC Prospectus, as applicable, and “Description of Certificates—The Corporation’s Guaranty” in the MBS Prospectus.

Characteristics of Certificates. Each of the Group 1 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, 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 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 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 or 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 Holder 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 Certificate 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 Group 1 Classes will be made on the first business day following the 20th day of each month (or, if the 19th and 20th days are both business days, on such 20th day), distributions on the Group 2 Classes 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), commencing in the month following the Settlement Date, and each such date is referred to herein as a “Distribution Date” when used with respect to such Classes.

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 fourteenth 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.

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 Lower Tier REMIC or the Trust through the exercise of its right to repurchase the Mortgage Loans underlying any MBS unless only one Mortgage Loan remains in the related Pool or the principal balance of such Pool at the time of repurchase is less than one percent of the original principal balance thereof.

Combination and Recombination

General. Subject to the rules, regulations and procedures of the Depository, all or a portion of the J, A, C and D Classes of REMIC Certificates may be exchanged for a proportionate interest in the RCR Classes as provided on Schedule 1 hereto. Similarly, all or a portion of the RCR Classes may be exchanged, as provided on Schedule 1, for such 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 Class or 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 reductions in the principal balances of such Classes as well as any exchanges that occur. The aggregate outstanding principal balance of all the Classes of REMIC Certificates (exclusive of any notional principal balance) will at all times equal the aggregate outstanding principal balance of the GNMA Certificates and the MBS.

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

A fee will be payable to Fannie Mae in connection with each exchange equal to $\frac{1}{32}$ of 1% of the outstanding principal balance (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 as described in Schedule 1, which are based on the original 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 characteristics of an RCR Class will reflect the combined characteristics of the Classes of REMIC Certificates which are combined to form such RCR Class.

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

Book-Entry Procedures

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

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

The Group 2 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, which currently provide for distributions in same-day funds settled through the New York Clearing House. Each Depository Participant and each financial intermediary will be responsible for disbursing such distributions to the beneficial

owners of the DTC Certificates that it represents. Accordingly, the beneficial owners may experience some delay in their receipt of distributions.

Fannie Mae's fiscal agent for the Group 2 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 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 II Certificates. See "GNMA and the GNMA Programs" in the GNMA Prospectus. The characteristics of the GNMA Certificates and the related Mortgage Loans as of the Issue Date are expected to be as follows:

GNMA Certificates

Aggregate Unpaid Principal Balance	\$420,000,000
GNMA Pass-Through Rate	7.50%

Related Mortgage Loans

Range of WACs	8.00% to 9.00%
Range of WARMs	241 months to 360 months
Approximate Weighted Average WARM	359 months
Approximate Weighted Average WALA	1 month

The MBS

The MBS will have the aggregate unpaid principal balance and Pass-Through Rate set forth below and the general characteristics described in the MBS Prospectus. The MBS will provide that principal and interest on the related Mortgage Loans will be passed through monthly, commencing in the month following the month of the initial issuance of the MBS. The Mortgage Loans underlying the 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, as described under "The Mortgage Pools" and "Yield Considerations" in the MBS Prospectus. The characteristics of the MBS and the related Mortgage Loans as of the Issue Date are expected to be as follows:

MBS

Aggregate Unpaid Principal Balance	\$350,688,000
MBS Pass-Through Rate	6.50%

Related Mortgage Loans

Range of WACs (per annum percentages)	6.75% to 9.00%
Range of WAMs	241 months to 360 months
Approximate Weighted Average WAM	335 months
Approximate Weighted Average CAGE	23 months

Final Data Statement

Following the issuance of the Certificates, Fannie Mae will prepare a Final Data Statement setting forth (a) 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 maturing Mortgage Loan underlying such GNMA Certificate as of the Issue Date and (b) with respect to the MBS, 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 related Mortgage Loans, along with the weighted average of all the current or original WACs and the weighted average of all the current or Adjusted WAMs, based on the current unpaid principal balances of the Mortgage Loans underlying the MBS as of the Issue Date. The Final Data

Statement will not accompany this Prospectus Supplement but will be made available by Fannie Mae. To request the Final Data Statement, telephone Fannie Mae at 1-800-BEST-MBS or 202-752-6547. The contents of the Final Data Statement and other data specific to the Certificates are available in electronic form by calling Fannie Mae at 1-800-752-6440 or 202-752-6000.

Distributions of Interest

Categories of Classes

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

<u>Interest Type*</u>	<u>Classes</u>
Group 1 Classes	
Fixed Rate	LL, J, C, H, E and G
Principal Only	A and D
Interest Only	E
RCR**	B, JA, CA and DA
Group 2 Classes	
Fixed Rate	K and L
No Payment Residual	R and RL

* 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 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 Class or Classes of REMIC Certificates to the related RCR Class or Classes.

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

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

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

Notional Class. The E Class will be a Notional Class. The Notional Class will not have a principal balance and will bear interest at the applicable per annum interest rate set forth on the cover during each Interest Accrual Period on its notional principal balance. The notional principal balance of the Notional Class will be calculated as specified herein under “Reference Sheet—Notional 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, the MBS or the underlying Mortgage Loans. Although the 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 balance of the Notional Class.

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>
Group 1 Classes	
Sequential Pay	LL, J, A, C, D, H and G
Notional	E
Retail	LL
RCR**	B, JA, CA and DA
Group 2 Classes	
Sequential Pay	K and L
No Payment Residual	R and RL

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

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

Principal Distribution Amount

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 amount distributable as principal of the GNMA Certificates in the month of such Distribution Date calculated as described in the immediately following paragraph (the "Group 1 Principal Distribution Amount") and (ii) the aggregate distributions of principal to be made on the MBS in the month of such Distribution Date (the "Group 2 Principal Distribution Amount").

On or about the eighth 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 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 Certificates of the Group 1 Classes 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.

Group 1 Principal Distribution Amount

On each Distribution Date, the Group 1 Principal Distribution Amount will be distributed as principal of the Group 1 Classes in the order of priority set forth below.

a. Commencing in October 2000 and until the date of the final distribution pursuant to clause b.(i) below, to the LL Class, an amount up to \$10,000.

b. Commencing in October 1997, distributions will be made in the following order of priority:

(i) concurrently, to the C, D, J and A Classes, in the proportions of 50.4022950028%, 13.4406122152%, 28.5449602976% and 7.6121324844%, respectively, until the principal balances of the J and A Classes are reduced to zero;

(ii) concurrently to the C, D, H and LL Classes, in proportions reflecting (x) the then current principal balances of the C, D and H Classes and (y) the excess of the then current principal balance of the LL Class over \$5,117,000, until the principal balances of the C, D and H Classes are reduced to zero and the principal balance of the LL Class is reduced to \$5,117,000; and

(iii) concurrently, to the G and LL Classes, in the proportions of 95.2770804105% and 4.7229195895%, respectively, until the principal balances thereof are reduced to zero.

} Sequential
Pay
Classes

Group 2 Principal Distribution Amount

On each Distribution Date, the Group 2 Principal Distribution Amount will be distributed, sequentially, as principal of the K and L Classes, in that order, until the respective principal balances thereof are reduced to zero.

} Sequential
Pay
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 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 underlying the GNMA Certificates and the MBS have the original terms to maturity, remaining terms to maturity, WALAs and CAGEs, as applicable, and interest rates specified herein under “Reference Sheet—Assumed Characteristics of the Mortgage Loans Underlying the GNMA Certificates and the MBS”;
- all payments (including prepayments) on the Mortgage Loans underlying the GNMA Certificates 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; and
- the closing date for the sale of the Certificates is September 26, 1997 in the case of the Group 1 Classes and the RCR Certificates and September 30, 1997 in the case of the Group 2 Classes.

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

The Interest Only Class. The yield to investors in the Interest Only Class will be sensitive to the rate of principal payments (including prepayments) of the related Mortgage Loans. 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 table below, it is possible that, under certain prepayment scenarios, investors in the Interest Only Class would not fully recoup their initial investments. On the basis of the assumptions described below, the yield to maturity on the Interest Only Class would be 0% if prepayments of the related Mortgage Loans were to occur at a constant rate of approximately 440% PSA. If the actual prepayment rate of the related Mortgage Loans were to exceed the applicable level for as little as one month while equaling such level for the remaining months, the investors in the Interest Only Class would not fully recoup their initial investments.

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 Interest Only Class (expressed as a percentage of original principal balance) is as follows:

<u>Class</u>	<u>Price*</u>
E	3.375%

* 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.

Sensitivity of the E Class to Prepayments

	PSA Prepayment Assumption				
	50%	100%	150%	300%	500%
Pre-Tax Yields to Maturity	13.8%	13.2%	12.1%	6.6%	(3.0)%

The Principal Only Classes and the DA Class. **The Principal Only Classes and the DA Class will not bear interest. As indicated in the table below, a low rate of principal payments (including prepayments) on the related Mortgage Loans will have a negative effect on the yields to investors in the Principal Only Classes and the DA 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 prices of the Principal Only Classes and the DA Class (expressed in each case as a percentage of original principal balance) are as follows:

<u>Class</u>	<u>Price</u>
A	77.0%
D	75.0%
DA	75.0%

Sensitivity of the Principal Only Classes and the DA Class to Prepayments (Pre-Tax Yields to Maturity)

<u>Class</u>	PSA Prepayment Assumption				
	50%	100%	150%	300%	500%
A	2.6%	3.9%	5.2%	8.5%	12.0%
D	2.6%	3.9%	5.1%	8.5%	12.1%
DA	2.6%	3.9%	5.1%	8.5%	12.1%

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 or REMIC Prospectus, as applicable.

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 and the priority sequences of distributions of principal of the Group 1 and Group 2 Classes. See “Distributions of Principal” herein.

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

Decrement Tables

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

<u>Mortgage Loans relating to the GNMA Certificates and the MBS</u>	<u>Original Terms to Maturity</u>	<u>Remaining Terms to Maturity</u>	<u>Interest Rates</u>	<u>Related Groups</u>
GNMA Certificates	360 months	360 months	9.00%	Group 1
MBS	360 months	360 months	9.00%	Group 2

It is not likely that (i) all of the underlying Mortgage Loans will have the interest rates, WALAs or 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 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 WALAs or CAGEs of the Mortgage Loans are identical to the remaining terms to maturity and WALAs or CAGEs specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

Date	LL and E† Classes					J, A and JA Classes					C, D, B, CA and DA Classes					H Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	150%	300%	500%	0%	100%	150%	300%	500%	0%	100%	150%	300%	500%	0%	100%	150%	300%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
September 1998	100	100	100	100	100	99	97	95	92	88	99	97	96	93	89	100	100	100	100	100
September 1999	100	100	100	100	100	98	90	86	74	60	98	91	87	77	64	100	100	100	100	100
September 2000	100	100	100	100	100	97	80	73	51	27	97	82	75	56	34	100	100	100	100	100
September 2001	99	99	99	99	99	95	71	60	32	3	96	74	64	39	13	100	100	100	100	100
September 2002	98	98	98	98	49	94	63	49	17	0	95	66	54	25	0	100	100	100	100	0
September 2003	96	96	96	96	34	92	54	39	4	0	93	59	45	14	0	100	100	100	100	0
September 2004	95	95	95	71	23	91	47	30	0	0	92	52	37	4	0	100	100	100	44	0
September 2005	94	94	94	47	16	89	40	22	0	0	90	46	30	0	0	100	100	100	0	0
September 2006	93	93	93	38	11	87	33	14	0	0	88	40	23	0	0	100	100	100	0	0
September 2007	92	92	92	30	8	84	27	7	0	0	86	34	17	0	0	100	100	100	0	0
September 2008	90	90	90	24	5	82	21	1	0	0	84	29	11	0	0	100	100	100	0	0
September 2009	89	89	75	19	4	79	15	0	0	0	81	23	6	0	0	100	100	61	0	0
September 2010	88	88	57	16	2	76	9	0	0	0	79	19	1	0	0	100	100	14	0	0
September 2011	87	87	47	12	2	73	4	0	0	0	76	14	0	0	0	100	100	0	0	0
September 2012	86	84	42	10	1	69	0	0	0	0	73	10	0	0	0	100	96	0	0	0
September 2013	84	70	36	8	1	66	0	0	0	0	69	5	0	0	0	100	54	0	0	0
September 2014	83	56	32	6	1	61	0	0	0	0	65	1	0	0	0	100	14	0	0	0
September 2015	82	48	28	5	*	57	0	0	0	0	61	0	0	0	0	100	0	0	0	0
September 2016	81	43	24	4	*	52	0	0	0	0	56	0	0	0	0	100	0	0	0	0
September 2017	80	38	20	3	*	46	0	0	0	0	51	0	0	0	0	100	0	0	0	0
September 2018	78	33	17	2	*	40	0	0	0	0	46	0	0	0	0	100	0	0	0	0
September 2019	77	29	15	2	*	33	0	0	0	0	40	0	0	0	0	100	0	0	0	0
September 2020	76	24	12	1	*	26	0	0	0	0	33	0	0	0	0	100	0	0	0	0
September 2021	75	20	10	1	*	18	0	0	0	0	26	0	0	0	0	100	0	0	0	0
September 2022	74	16	8	1	*	9	0	0	0	0	18	0	0	0	0	100	0	0	0	0
September 2023	71	13	6	*	*	0	0	0	0	0	9	0	0	0	0	94	0	0	0	0
September 2024	50	9	4	*	*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2025	35	6	3	*	*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2026	18	3	1	*	*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 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)**	24.2	18.6	15.4	9.5	6.1	17.6	7.0	5.3	3.2	2.3	18.5	7.9	6.0	3.6	2.5	26.5	16.1	12.3	7.0	4.5

Date	G Class					K Class					L Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	150%	300%	500%	0%	100%	140%	300%	500%	0%	100%	140%	300%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
September 1998	100	100	100	100	100	99	91	87	75	59	100	100	100	100	100
September 1999	100	100	100	100	100	98	81	75	53	29	100	100	100	100	100
September 2000	100	100	100	100	100	97	72	64	35	8	100	100	100	100	100
September 2001	100	100	100	100	100	96	64	54	21	0	100	100	100	100	82
September 2002	100	100	100	100	95	94	56	45	9	0	100	100	100	100	57
September 2003	100	100	100	100	66	93	49	36	0	0	100	100	100	99	39
September 2004	100	100	100	100	45	91	42	28	0	0	100	100	100	80	27
September 2005	100	100	100	91	31	89	35	21	0	0	100	100	100	64	18
September 2006	100	100	100	74	22	87	29	15	0	0	100	100	100	51	12
September 2007	100	100	100	59	15	85	23	9	0	0	100	100	100	41	9
September 2008	100	100	100	48	10	83	18	4	0	0	100	100	100	33	6
September 2009	100	100	100	38	7	80	13	0	0	0	100	100	97	26	4
September 2010	100	100	100	30	5	78	8	0	0	0	100	100	86	20	3
September 2011	100	100	92	24	3	75	3	0	0	0	100	100	75	16	2
September 2012	100	100	81	19	2	71	0	0	0	0	100	97	66	13	1
September 2013	100	100	71	15	1	68	0	0	0	0	100	87	57	10	1
September 2014	100	100	62	12	1	64	0	0	0	0	100	77	50	8	1
September 2015	100	93	54	9	1	59	0	0	0	0	100	68	43	6	*
September 2016	100	83	47	7	*	54	0	0	0	0	100	59	36	4	*
September 2017	100	74	40	6	*	49	0	0	0	0	100	51	30	3	*
September 2018	100	64	34	4	*	43	0	0	0	0	100	43	25	2	*
September 2019	100	56	28	3	*	37	0	0	0	0	100	36	20	2	*
September 2020	100	48	23	2	*	30	0	0	0	0	100	29	16	1	*
September 2021	100	40	19	2	*	23	0	0	0	0	100	22	12	1	*
September 2022	100	32	15	1	*	15	0	0	0	0	100	16	9	1	*
September 2023	100	25	11	1	*	6	0	0	0	0	100	10	5	*	*
September 2024	98	18	8	1	*	0	0	0	0	0	89	5	2	*	*
September 2025	68	12	5	*	*	0	0	0	0	0	62	0	0	0	0
September 2026	36	5	2	*	*	0	0	0	0	0	33	0	0	0	0
September 2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	28.6	23.0	19.5	12.0	7.6	18.1	6.3	4.9	2.4	1.4	28.4	20.5	17.8	10.3	6.1

* 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.

Characteristics of the R and RL Classes

The R and RL Classes will have no 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 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 Class 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 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 REMIC Prospectus.

Under the Regulations, a REMIC may issue its regular and residual interests over any ten day period and designate any of those ten days as the REMIC’s startup day. Fannie Mae intends to designate the September 26, 1997 Settlement Date as the startup day for the Lower Tier REMIC and the Trust.

Taxation of Beneficial Owners of Regular Certificates

The Notional Class and the Principal Only Classes will be, and certain other Classes of GNMA 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 150% PSA in the case of the Group 1 Classes and 140% PSA in the case of the Group 2 Classes. 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 or the MBS will prepay at either of those 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 GNMA Prospectus or REMIC Prospectus, as applicable. 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.

The Taxpayer Relief Act of 1997 adds provisions to the Code that require the recognition of gain upon the “constructive sale of an appreciated financial position.” These provisions do not apply to Classes of Certificates other than the Notional Class. Investors in the Notional Class should consult their own tax advisors with respect to the possible application of these provisions.

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 7.67% (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.

The Taxpayer Relief Act of 1997 adds provisions to the Code that will apply to an “electing large partnership.” If an electing large partnership holds an R or RL Certificate, all interests in the electing large partnership are treated as held by disqualified organizations for purposes of the tax imposed upon a pass-through entity by section 860E(e) of the Code. An exception to this tax, otherwise available to a pass-through entity that is furnished certain affidavits by record holders of interests in

the entity and that does not know such affidavits are false, is not available to an electing large partnership.

Taxation of Beneficial Owners of RCR Certificates

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

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

The B and JA Classes are Combination RCR Classes. The CA and DA Classes are Strip RCR Classes.

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

and the part of the Regular Certificates 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 then 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 Certificates 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 GNMA Prospectus.

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

Combination RCR Classes. A beneficial owner of a Combination RCR Certificate will be treated as the beneficial owner of a proportionate interest in the related Class or Classes of REMIC Certificates. A purchaser of a Combination RCR Certificate must allocate its purchase price among the related Classes of REMIC Certificates in proportion to their relative fair market values at the time of purchase. Such owner should account for its ownership interest in each related Class of REMIC Certificates as described under "—Taxation of Beneficial Owners of Regular Certificates" herein and "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates" in the 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 REMIC Certificates, respectively, will not be a taxable exchange. Such owner will be treated as continuing to own after the exchange the same combination of interests in the related REMIC Certificates that it owned immediately prior to the exchange.

PLAN OF DISTRIBUTION

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

Increase in Certificates. Before the Settlement Date, Fannie Mae and the Dealer may agree to offer hereby Group 1 and Group 2 Certificates in addition to those contemplated as of the date hereof. In such event, the GNMA Certificates or the MBS, as applicable, will be increased in principal balance, but it is expected that all such additional GNMA Certificates or MBS will have the same characteristics as described herein under "Description of the Certificates—The GNMA Certificates" or "—The MBS," as applicable. The proportion that the original principal balance of each Group 1 and Group 2 Class bears to the aggregate original principal balance of all Group 1 and Group 2 Classes, respectively, will remain the same.

LEGAL MATTERS

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

Available Recombinations (1)

REMIC Certificates		RCR Certificates						
Class	Original Principal Balance	RCR Class	Original Principal Balance	Interest Rate	Interest Type (2)	Principal Type (2)	CUSIP Number	Final Distribution Date
Recombination 1 C D	\$156,704,210 41,787,790	B	\$198,492,000	7.5%	FIX	SEQ	31359QQXQ2	September 2024
Recombination 2 J A	79,806,000 21,282,000	JA	101,088,000	7.5	FIX	SEQ	31359QXR0	September 2023
Recombination 3 C	156,704,210	CA DA	141,780,000 14,924,210	10.5 (3)	FIX PO	SEQ SEQ	31359QXS8 31359QXT6	September 2024 September 2024

- (1) The principal balances of the REMIC Certificates and RCR Certificates involved in any exchange will bear the same relationship as that borne by the original principal balances of the related Classes.
- (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) This Class is a Principal Only Class and will not bear interest.

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.

\$760,668,000



FannieMae

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**Guaranteed REMIC
Pass-Through Certificates
Fannie Mae REMIC Trust 1997-69**

PROSPECTUS SUPPLEMENT

LEHMAN BROTHERS

August 28, 1997