

**\$250,000,000**



**FannieMae**

**Guaranteed REMIC Pass-Through Certificates  
Fannie Mae REMIC Trust 1997-G3**

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "REMIC Certificates") will represent beneficial ownership interests in Fannie Mae REMIC Trust 1997-G3 (the "Trust"). The assets of the Trust 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 one or more Classes (the "RCR Classes") of Combinable and Recombinable REMIC Certificates ("RCR Certificates") as provided herein. Each RCR Certificate issued in such an exchange will represent a beneficial ownership interest in, and will entitle the Holder thereof to receive a proportionate share of the distributions on, the related Classes of REMIC Certificates. The characteristics of the RCR Classes are set forth in Schedule 1 hereto. As used herein, unless the context requires otherwise, the term "Certificates" includes REMIC Certificates and RCR Certificates and the term "Classes" includes the Classes of REMIC Certificates and the Classes of RCR Certificates. See "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 .....	\$ 4,286,000	SEQ	7.00%	FIX	31359PDL7	August 2007
B .....	75,000,000	SEQ	7.00	FIX	31359PDM5	July 2016
C .....	15,762,000	SEQ	7.00	FIX	31359PDN3	March 2021
D .....	44,712,000	SEQ	7.00	FIX	31359PDP8	March 2021
E .....	16,310,000	SEQ	7.00	FIX	31359PDQ6	April 2022
G .....	2,000,000	SEQ	7.00	FIX	31359PDR4	February 2024
VA .....	10,282,000	SEQ/AD	7.00	FIX	31359PDS2	October 2003
VB .....	6,175,000	SEQ/AD	7.00	FIX	31359PDT0	August 2006
VD .....	14,929,000	SEQ/AD	6.00	FIX	31359PDU7	July 2015
VE .....	14,929,000	SEQ/AD	8.00	FIX	31359PDV5	July 2015
VH .....	6,906,000	SEQ/AD	7.00	FIX	31359PDW3	October 2003
VJ .....	4,147,000	SEQ/AD	7.00	FIX	31359PDX1	August 2006
VK .....	4,472,000	SEQ/AD	7.00	FIX	31359PDY9	March 2009
Z .....	18,000,000	SEQ	7.00	FIX/Z	31359PDZ6	April 2027
ZB .....	12,090,000	SEQ	7.00	FIX/Z	31359PEA0	February 2024
R .....	0	NPR	0	NPR	31359PEB8	April 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.

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

The Certificates will be offered by the Dealer, subject to issuance by Fannie Mae 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 Class, will be available through the book-entry facilities of The Depository Trust Company on or about April 30, 1997 (the "Settlement Date"). It is expected that the R Class in registered, certificated form will be available for delivery at the offices of the Dealer, One New York Plaza, New York, New York, on or about the Settlement Date.

**Prudential Securities Incorporated**

March 19, 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. Accordingly, investors should consider the following risks:

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

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

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

- The actual final payment of any Class will likely occur earlier, and could occur much earlier, than the Final Distribution Date for such Class specified on the cover page. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the 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.

An election will be made to treat the Trust as a “real estate mortgage investment conduit” (“REMIC”) pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). The R Class will be subject to transfer restrictions. See “Description of the Certificates—Characteristics of the R Class” and “Certain Additional Federal Income Tax Consequences” herein, and “Description of the Certificates—Additional Characteristics of Residual Certificates” and “Certain Federal Income Tax Consequences” in the 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 February 22, 1996 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 Prudential Securities Incorporated by writing or calling its Prospectus Department at 111 Eighth Avenue, 5th Floor, New York, New York 10011 (telephone 212-776-8190).

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## REFERENCE SHEET

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

### Assumed Characteristics of the Mortgage Loans Underlying the GNMA Certificates (as of April 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>
\$50,000,000	360	360	0	7.75%
\$50,000,000	360	359	1	7.75%
\$50,000,000	360	358	2	7.75%
\$50,000,000	360	357	3	7.75%
\$50,000,000	360	356	4	7.75%

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

### Interest Rates

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

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

### 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 and the Z Class and ZB Class Accrual Amounts.

#### *Z Class Accrual Amount*

1. To the VA and VB Classes, in that order, to zero.
2. To the VD and VE Classes, in equal proportions, to zero, and then to the Z Class.

#### *ZB Class Accrual Amount*

To the VH, VJ and VK Classes, in that order, to zero, and then to the ZB Class.

#### *Cash Flow Distribution Amount*

1. (a) 85.6554092730% of such amount to the B and D Classes, in that order, to zero, and  
(b) 14.3445907270% of such amount to the A and C Classes, in that order, to zero.
2. To the E Class, to zero.
3. (a) 93.2466655411% of the remaining amount to the VH, VJ, VK and ZB Classes, in that order, to zero, and  
(b) 6.7533344589% of such remaining amount to the G Class, to zero.

4. To the VA and VB Classes, in that order, to zero.
5. To the VD and VE Classes, in equal proportions, to zero.
6. To the Z Class, 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.

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

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>50%</u>	<u>120%</u>	<u>275%</u>	<u>500%</u>
A .....	5.9	2.3	1.5	1.0	0.7
B .....	12.1	5.5	3.2	2.0	1.4
C .....	18.4	10.2	5.9	3.3	2.2
D .....	21.7	13.5	7.9	4.3	2.8
H** .....	20.8	12.6	7.4	4.0	2.6
E .....	24.4	17.7	10.9	5.7	3.6
G .....	25.9	20.5	13.5	7.1	4.3
VA .....	3.5	3.5	3.5	3.5	3.2
VB .....	7.9	7.9	7.9	7.7	5.1
VD, VE and VC** .....	14.2	14.2	13.9	9.4	6.0
VH .....	3.5	3.5	3.5	3.5	2.9
VJ .....	7.9	7.9	7.9	6.3	3.9
VK .....	10.6	10.6	10.6	6.5	4.1
ZB .....	25.9	20.5	13.5	7.3	4.5
GA** .....	25.9	20.5	13.5	7.1	4.3
Z .....	28.5	26.1	22.1	15.2	9.6

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

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

## ADDITIONAL RISK FACTORS

### Additional Yield and Prepayment Considerations

The rate of distributions of principal of the 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 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 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 on or about the 20th 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 Trust will be created pursuant to a trust agreement dated as of September 1, 1987, as supplemented by an issue supplement thereto dated as of April 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 Class) will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust. The assets of the Trust will consist of the 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 Certificate, will be represented by one or more certificates (the “DTC Certificates”) to be registered at all times in the name of the nominee of The Depository Trust Company (“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 Certificate will not be issued in book-entry form but will be issued in fully registered, certificated form. As to the R Certificate, “Holder” or “Certificateholder” refers to the registered owner thereof. The R Certificate will be transferable at the corporate trust office of the Transfer Agent, or at the agency of the Transfer Agent in New York, New York. The Transfer Agent initially will be State Street Bank and Trust Company in Boston, Massachusetts (“State Street”). A service charge may be imposed for any registration of transfer of the R Certificate and Fannie Mae may require payment of a sum sufficient to cover any tax or other governmental charge. See also “Characteristics of the R Class” herein.

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

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

*Distribution Dates.* Distributions on the Certificates will be made on the 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) (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 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 and any interest to be added as principal to the principal balances of the Accrual Classes on such Distribution Date.

## **Combination and Recombination**

*General.* Subject to the rules, regulations and procedures of the Depository, all or a portion of the VH, VJ, VK, ZB, VD, VE, C and D Classes of REMIC Certificates may be exchanged for a proportionate interest in the related RCR Classes in the combinations and proportions set forth on Schedule 1 hereto. Similarly, all or a portion of the RCR Classes may be exchanged, in the combinations and proportions set forth on Schedule 1, for certain Classes of REMIC Certificates. This process may occur repeatedly.

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

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

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

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

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

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

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

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

## **Book-Entry Procedures**

*General.* The Certificates, other than the R Certificate, will be represented by one or more certificates (the "DTC Certificates") to be registered 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 II Certificates. See “GNMA and the GNMA Programs” in the GNMA Prospectus. The characteristics of the GNMA Certificates and the Mortgage Loans as of April 1, 1997 (the “Issue Date”) are expected to be as follows:

### **GNMA Certificates**

Aggregate Unpaid Principal Balance .....	\$250,000,000
GNMA Pass-Through Rate .....	7.00%

### **Mortgage Loans**

Range of WACs .....	7.75% to 8.50%
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, B, C, D, E, G, VA, VB, VD, VE, VH, VJ, VK, Z and ZB
Accrual	Z and ZB
RCR**	GA, VC and H
No Payment Residual	R

\* 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. Interest on the interest-bearing Certificates is calculated on the basis of a 360-day year consisting of twelve 30-day months and is distributable monthly on each Distribution Date, commencing (except with respect to the Accrual Classes) in the month after the Settlement Date. Interest to be distributed or, in the case of the Accrual Classes, added to principal on each interest-bearing Certificate on a Distribution Date will consist of one month’s interest on the outstanding principal balance of such Certificate immediately prior to such Distribution Date.

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

*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 GA**, VC** and H** Classes (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs

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

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

*Accrual Classes.* The Z and ZB Classes are Accrual Classes. Interest will accrue on the Accrual Classes at the applicable per annum rates set forth on the cover hereof; however, such interest will not be distributed thereon (i) in the case of the Z Class, until the Distribution Date following the Distribution Date on which principal balances of the VD and VE Classes are reduced to zero and (ii) in the case of the ZB Class, until the Distribution Date following the Distribution Date on which the principal balance of the VK Class is reduced to zero. Interest so accrued and unpaid on each Accrual Class will be added as principal to the principal balance thereof on each Distribution Date. Distributions of principal of each Accrual Class will be made as described herein.

## Distributions of Principal

### *Categories of Classes*

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

<u>Principal Type*</u>	<u>Classes</u>
Sequential Pay	A, B, C, D, E, G, VA, VB, VD, VE, VH, VJ, VK, Z and ZB
Accretion Directed RCR**	VA, VB, VD, VE, VH, VJ and VK GA, VC and H
No Payment Residual	R

\* 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 sum of (i) the aggregate amount distributable as principal of the GNMA Certificates in such month calculated as described in the immediately following paragraph (the “Cash Flow Distribution Amount”) and (ii) any interest accrued and added in such month to the principal balances of the Z and ZB Classes (the “Class Z Accrual Amount” and “Class ZB Accrual Amount,” respectively, and, together with the Cash Flow Distribution Amount, the “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 underlying a GNMA Certificate bears an interest rate of 8.5% 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.

*Class Z Accrual Amount*

On each Distribution Date, the Class Z Accrual Amount, if any, will be distributed as principal of the Classes specified below, as follows:

(i) sequentially, to the VA and VB Classes, in that order, until the respective principal balances thereof are reduced to zero; and

(ii) concurrently, to the VD and VE Classes, in equal proportions, until the principal balances thereof are reduced to zero, and then to the Z Class.

Accretion  
Directed  
and  
Accrual  
Classes

*Class ZB Accrual Amount*

On each Distribution Date, the Class ZB Accrual Amount, if any, will be distributed, sequentially, as principal of the VH, VJ and VK Classes, in that order, until the respective principal balances thereof are reduced to zero, and then to the ZB Class.

*Cash Flow Distribution Amount*

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

(i) to the Classes specified below as follows:

85.6554092730% of such amount, sequentially, to the B and D Classes, in that order, until the respective principal balances thereof are reduced to zero, and

14.3445907270% of such amount, sequentially, to the A and C Classes, in that order, until the respective principal balances thereof are reduced to zero;

(ii) to the E Class, until the principal balance thereof is reduced to zero;

(iii) to the Classes specified below as follows:

93.2466655411% of the remaining amount, sequentially, to the VH, VJ, VK and ZB Classes, in that order, until the respective principal balances thereof are reduced to zero, and

6.7533344589% of such remaining amount to the G Class, until the principal balance thereof is reduced to zero;

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

(v) concurrently to the VD and VE Classes, in equal proportions, until the balances thereof are reduced to zero; and

(vi) to the Z Class, until the principal balance thereof is 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.

## Structuring Assumptions

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

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

\$50,000,000	360	0	7.75%
\$50,000,000	359	1	7.75%
\$50,000,000	358	2	7.75%
\$50,000,000	357	3	7.75%
\$50,000,000	356	4	7.75%

- 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.

## 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 8.50% per annum and has an original and remaining term to maturity of 360 months.

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



## Percent of Original Principal Balances Outstanding

Date	A Class					B Class					C Class					D Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	50%	120%	275%	500%	0%	50%	120%	275%	500%	0%	50%	120%	275%	500%	0%	50%	120%	275%	500%
Initial Percent .....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 1998 .....	94	85	76	54	22	98	95	92	84	73	100	100	100	100	100	100	100	100	100	100
April 1999 .....	87	61	28	0	0	95	87	75	51	18	100	100	100	88	62	100	100	100	100	100
April 2000 .....	79	29	0	0	0	93	76	54	11	0	100	100	91	56	13	100	100	100	100	27
April 2001 .....	71	0	0	0	0	90	65	35	0	0	100	99	75	29	0	100	100	100	61	0
April 2002 .....	62	0	0	0	0	87	54	16	0	0	100	91	60	6	0	100	100	100	13	0
April 2003 .....	53	0	0	0	0	84	44	0	0	0	100	83	47	0	0	100	100	98	0	0
April 2004 .....	42	0	0	0	0	80	34	0	0	0	100	74	34	0	0	100	100	72	0	0
April 2005 .....	31	0	0	0	0	76	24	0	0	0	100	66	22	0	0	100	100	47	0	0
April 2006 .....	18	0	0	0	0	72	14	0	0	0	100	58	11	0	0	100	100	24	0	0
April 2007 .....	5	0	0	0	0	67	4	0	0	0	100	51	1	0	0	100	100	3	0	0
April 2008 .....	0	0	0	0	0	62	0	0	0	0	97	43	0	0	0	100	90	0	0	0
April 2009 .....	0	0	0	0	0	57	0	0	0	0	93	35	0	0	0	100	74	0	0	0
April 2010 .....	0	0	0	0	0	51	0	0	0	0	88	27	0	0	0	100	58	0	0	0
April 2011 .....	0	0	0	0	0	44	0	0	0	0	83	20	0	0	0	100	42	0	0	0
April 2012 .....	0	0	0	0	0	37	0	0	0	0	77	12	0	0	0	100	26	0	0	0
April 2013 .....	0	0	0	0	0	30	0	0	0	0	71	5	0	0	0	100	10	0	0	0
April 2014 .....	0	0	0	0	0	21	0	0	0	0	65	0	0	0	0	100	0	0	0	0
April 2015 .....	0	0	0	0	0	12	0	0	0	0	57	0	0	0	0	100	0	0	0	0
April 2016 .....	0	0	0	0	0	2	0	0	0	0	49	0	0	0	0	100	0	0	0	0
April 2017 .....	0	0	0	0	0	0	0	0	0	0	41	0	0	0	0	86	0	0	0	0
April 2018 .....	0	0	0	0	0	0	0	0	0	0	31	0	0	0	0	66	0	0	0	0
April 2019 .....	0	0	0	0	0	0	0	0	0	0	21	0	0	0	0	45	0	0	0	0
April 2020 .....	0	0	0	0	0	0	0	0	0	0	10	0	0	0	0	21	0	0	0	0
April 2021 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2022 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2023 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2024 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2025 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2026 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 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)** .....	5.9	2.3	1.5	1.0	0.7	12.1	5.5	3.2	2.0	1.4	18.4	10.2	5.9	3.3	2.2	21.7	13.5	7.9	4.3	2.8

Date	H†† Class					E Class					G Class					VA Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	50%	120%	275%	500%	0%	50%	120%	275%	500%	0%	50%	120%	275%	500%	0%	50%	120%	275%	500%
Initial Percent .....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 1998 .....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	87	87	87	87	87
April 1999 .....	100	100	100	97	90	100	100	100	100	100	100	100	100	100	100	74	74	74	74	74
April 2000 .....	100	100	98	89	24	100	100	100	100	100	100	100	100	100	100	59	59	59	59	59
April 2001 .....	100	100	94	53	0	100	100	100	100	0	100	100	100	100	74	44	44	44	44	44
April 2002 .....	100	98	90	11	0	100	100	100	100	0	100	100	100	100	0	27	27	27	27	0
April 2003 .....	100	95	85	0	0	100	100	100	15	0	100	100	100	100	0	9	9	9	9	0
April 2004 .....	100	93	62	0	0	100	100	100	0	0	100	100	100	51	0	0	0	0	0	0
April 2005 .....	100	91	41	0	0	100	100	100	0	0	100	100	100	3	0	0	0	0	0	0
April 2006 .....	100	89	21	0	0	100	100	100	0	0	100	100	100	0	0	0	0	0	0	0
April 2007 .....	100	87	2	0	0	100	100	100	0	0	100	100	100	0	0	0	0	0	0	0
April 2008 .....	99	78	0	0	0	100	100	46	0	0	100	100	100	0	0	0	0	0	0	0
April 2009 .....	98	64	0	0	0	100	100	0	0	0	100	100	93	0	0	0	0	0	0	0
April 2010 .....	97	50	0	0	0	100	100	0	0	0	100	100	63	0	0	0	0	0	0	0
April 2011 .....	96	36	0	0	0	100	100	0	0	0	100	100	35	0	0	0	0	0	0	0
April 2012 .....	94	23	0	0	0	100	100	0	0	0	100	100	9	0	0	0	0	0	0	0
April 2013 .....	92	9	0	0	0	100	100	0	0	0	100	100	0	0	0	0	0	0	0	0
April 2014 .....	91	0	0	0	0	100	83	0	0	0	100	100	0	0	0	0	0	0	0	0
April 2015 .....	89	0	0	0	0	100	33	0	0	0	100	100	0	0	0	0	0	0	0	0
April 2016 .....	87	0	0	0	0	100	0	0	0	0	100	91	0	0	0	0	0	0	0	0
April 2017 .....	74	0	0	0	0	100	0	0	0	0	100	63	0	0	0	0	0	0	0	0
April 2018 .....	57	0	0	0	0	100	0	0	0	0	100	35	0	0	0	0	0	0	0	0
April 2019 .....	39	0	0	0	0	100	0	0	0	0	100	8	0	0	0	0	0	0	0	0
April 2020 .....	18	0	0	0	0	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
April 2021 .....	0	0	0	0	0	87	0	0	0	0	100	0	0	0	0	0	0	0	0	0
April 2022 .....	0	0	0	0	0	0	0	0	0	0	99	0	0	0	0	0	0	0	0	0
April 2023 .....	0	0	0	0	0	0	0	0	0	0	46	0	0	0	0	0	0	0	0	0
April 2024 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2025 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2026 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 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)** .....	20.8	12.6	7.4	4.0	2.6	24.4	17.7	10.9	5.7	3.6	25.9	20.5	13.5	7.1	4.3	3.5	3.5	3.5	3.5	3.2

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

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

Date	VB Class					VD, VE and VC <sup>††</sup> Classes					VH Class					VJ Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	50%	120%	275%	500%	0%	50%	120%	275%	500%	0%	50%	120%	275%	500%	0%	50%	120%	275%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 1998	100	100	100	100	100	100	100	100	100	100	87	87	87	87	87	100	100	100	100	100
April 1999	100	100	100	100	100	100	100	100	100	100	74	74	74	74	74	100	100	100	100	100
April 2000	100	100	100	100	100	100	100	100	100	100	59	59	59	59	59	100	100	100	100	100
April 2001	100	100	100	100	100	100	100	100	100	100	44	44	44	44	0	100	100	100	100	0
April 2002	100	100	100	100	67	100	100	100	100	100	27	27	27	27	0	100	100	100	100	0
April 2003	100	100	100	100	0	100	100	100	100	46	9	9	9	9	0	100	100	100	100	0
April 2004	83	83	83	83	0	100	100	100	100	0	0	0	0	0	0	83	83	83	0	0
April 2005	49	49	49	49	0	100	100	100	100	0	0	0	0	0	0	49	49	49	0	0
April 2006	12	12	12	0	0	100	100	100	66	0	0	0	0	0	0	12	12	12	0	0
April 2007	0	0	0	0	0	94	94	94	25	0	0	0	0	0	0	0	0	0	0	0
April 2008	0	0	0	0	0	85	85	85	0	0	0	0	0	0	0	0	0	0	0	0
April 2009	0	0	0	0	0	76	76	76	0	0	0	0	0	0	0	0	0	0	0	0
April 2010	0	0	0	0	0	66	66	66	0	0	0	0	0	0	0	0	0	0	0	0
April 2011	0	0	0	0	0	55	55	55	0	0	0	0	0	0	0	0	0	0	0	0
April 2012	0	0	0	0	0	44	44	44	0	0	0	0	0	0	0	0	0	0	0	0
April 2013	0	0	0	0	0	31	31	16	0	0	0	0	0	0	0	0	0	0	0	0
April 2014	0	0	0	0	0	18	18	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2015	0	0	0	0	0	4	4	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2016	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2017	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2018	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2019	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2020	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2021	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2022	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2023	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 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)**	7.9	7.9	7.9	7.7	5.1	14.2	14.2	13.9	9.4	6.0	3.5	3.5	3.5	3.5	2.9	7.9	7.9	7.9	6.3	3.9

Date	VK Class					ZB Class					GA <sup>††</sup> Class					Z Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	50%	120%	275%	500%	0%	50%	120%	275%	500%	0%	50%	120%	275%	500%	0%	50%	120%	275%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 1998	100	100	100	100	100	107	107	107	107	107	100	100	100	100	100	107	107	107	107	107
April 1999	100	100	100	100	100	115	115	115	115	115	100	100	100	100	100	115	115	115	115	115
April 2000	100	100	100	100	100	123	123	123	123	123	100	100	100	100	100	123	123	123	123	123
April 2001	100	100	100	100	98	132	132	132	132	132	100	100	100	100	74	132	132	132	132	132
April 2002	100	100	100	100	0	142	142	142	142	0	100	100	100	100	0	142	142	142	142	142
April 2003	100	100	100	100	0	152	152	152	152	0	100	100	100	100	0	152	152	152	152	152
April 2004	100	100	100	0	0	163	163	163	115	0	100	100	100	51	0	163	163	163	163	157
April 2005	100	100	100	0	0	175	175	175	6	0	100	100	100	3	0	175	175	175	175	108
April 2006	100	100	100	0	0	187	187	187	0	0	100	100	100	0	0	187	187	187	187	74
April 2007	74	74	74	0	0	201	201	201	0	0	100	100	100	0	0	201	201	201	201	51
April 2008	35	35	35	0	0	215	215	215	0	0	100	100	100	0	0	215	215	215	198	35
April 2009	0	0	0	0	0	228	228	212	0	0	100	100	93	0	0	231	231	231	161	24
April 2010	0	0	0	0	0	228	228	143	0	0	100	100	63	0	0	248	248	248	131	16
April 2011	0	0	0	0	0	228	228	79	0	0	100	100	35	0	0	266	266	266	106	11
April 2012	0	0	0	0	0	228	228	20	0	0	100	100	9	0	0	285	285	285	86	7
April 2013	0	0	0	0	0	228	228	0	0	0	100	100	0	0	0	305	305	305	69	5
April 2014	0	0	0	0	0	228	228	0	0	0	100	100	0	0	0	328	328	295	55	3
April 2015	0	0	0	0	0	228	228	0	0	0	100	100	0	0	0	351	351	261	44	2
April 2016	0	0	0	0	0	228	207	0	0	0	100	91	0	0	0	357	357	229	35	1
April 2017	0	0	0	0	0	228	144	0	0	0	100	63	0	0	0	357	357	200	27	1
April 2018	0	0	0	0	0	228	81	0	0	0	100	35	0	0	0	357	357	172	21	1
April 2019	0	0	0	0	0	228	18	0	0	0	100	8	0	0	0	357	357	147	16	*
April 2020	0	0	0	0	0	228	0	0	0	0	100	0	0	0	0	357	324	123	12	*
April 2021	0	0	0	0	0	228	0	0	0	0	100	0	0	0	0	357	278	101	9	*
April 2022	0	0	0	0	0	227	0	0	0	0	99	0	0	0	0	357	232	80	6	*
April 2023	0	0	0	0	0	105	0	0	0	0	46	0	0	0	0	357	185	61	4	*
April 2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	338	138	44	3	*
April 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	235	90	27	2	*
April 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	122	41	12	1	*
April 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)**	10.6	10.6	10.6	6.5	4.1	25.9	20.5	13.5	7.3	4.5	25.9	20.5	13.5	7.1	4.3	28.5	26.1	22.1	15.2	9.6

\* 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.

<sup>††</sup> 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 Class**

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

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

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

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

The following tax discussion, when read in conjunction with the discussion of “Certain Federal Income Tax Consequences” in the 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 Election and Special Tax Attributes**

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

As a consequence of the qualification of the Trust as a REMIC, the REMIC Certificates generally will be treated as “regular or residual interests in a REMIC” for domestic building and loan associations, “real estate assets” for real estate investment trusts, and, except for the R Class, as “qualified mortgages” for other REMICs. The Small Business Job Protection Act of 1996 repeals the bad debt reserve method of accounting for mutual savings banks and domestic building and loan associations for tax years beginning after December 31, 1995. As a result, section 593(d) of the Code is no longer applicable to treat the Certificates as “qualifying real property loans.” See “Certain Federal Income Tax Consequences—Special Tax Attributes” in the GNMA Prospectus.

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

The Accrual Classes and the VD Class 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 120% 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 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, the R Class will not have significant value. Special rules regarding the treatment of “excess inclusions” by certain thrift institutions no longer apply because of the amendment of section 593 of the Code by the Small Business Job Protection Act of 1996. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” in the GNMA Prospectus.

For purposes of determining the portion of the taxable income of the Trust that generally will not be treated as excess inclusions, the rate to be used is 120% of the “federal long-term rate.” The rate will be published on or about March 20, 1997. 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 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. Each RCR Certificate (a “Combination RCR Certificate”) will represent beneficial ownership of undivided interests in two or more underlying Regular Certificates.

*Combination RCR Classes.* A beneficial owner of a Combination RCR Certificate will be treated as the beneficial owner of a proportionate interest in the related 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 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 addition to those contemplated as of the date hereof. 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 (1)

REMIC Certificates			RCR Certificates						
Class	Original Principal Balance	Exchange Proportions (2)	RCR Class	Original Principal Balance	Interest Rate	Interest Type (3)	Principal Type (3)	CUSIP Number	Final Distribution Date
Recombination 1									
VH .....	\$ 6,906,000	25.0081477458%	GA	\$27,615,000	7.00%	FIX	SEQ	31359PEC6	February 2024
VJ .....	4,147,000	15.0172007967%							
VK .....	4,472,000	16.1940974108%							
ZB .....	12,090,000	43.7805540467%							
Recombination 2									
VD .....	14,929,000	50.0000000000%	VC	\$29,858,000	7.00%	FIX	SEQ/AD	31359PED4	July 2015
VE .....	14,929,000	50.0000000000%							
Recombination 3									
C .....	15,762,000	26.0640936601%	H	\$60,474,000	7.00%	FIX	SEQ	31359PEE2	March 2021
D .....	44,712,000	73.9359063399%							

(1) In any exchange of REMIC Certificates for RCR Certificates, the principal balance of each resulting RCR Certificate will bear the same relation to the principal balance of each such REMIC Certificate as is exhibited by the original principal balances of such RCR and REMIC Classes.

In any exchange of RCR Certificates for REMIC Certificates, the principal balance of each resulting REMIC Certificate will bear the same relation to the principal balance of each such RCR Certificate as is exhibited by the original principal balances of such REMIC and RCR Classes.

- (2) REMIC Certificates may be exchanged for RCR Certificates in amounts specified by the related investor. However, REMIC Certificates of the Classes included in any of the Recombinations may be exchanged only in the proportions exhibited by the original principal balances of such Classes of REMIC Certificates, as specified above.
- (3) 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**



**Guaranteed REMIC**

**Pass-Through Certificates**

**Fannie Mae REMIC Trust 1997-G3**

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**PROSPECTUS SUPPLEMENT**

**Prudential Securities Incorporated**

**March 19, 1997**