

\$471,000,000



FannieMae

**Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 1998-22**

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 1998-22 (the "Trust"). The assets of the Trust will consist of the "regular interests" in a separate trust fund (the "Lower Tier REMIC"). The assets of the Lower Tier REMIC will consist of certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the "MBS") described herein. Each MBS represents a beneficial ownership interest in a pool (each, a "Pool") of first lien, single-family, fixed-rate residential mortgage loans (the "Mortgage Loans") having the characteristics described herein. The Certificates will be issued and guaranteed as to timely distribution of principal and interest by Fannie Mae.

This Prospectus Supplement is intended to be used in conjunction with the REMIC Prospectus (defined herein). Investors should not purchase the Certificates before reading this Prospectus Supplement, the REMIC Prospectus and the additional Disclosure Documents (defined herein). Such documents may be obtained as described on page S-2.

See "Additional Risk Factors" on page S-6 hereof and "Certain Risk Factors" beginning on page 10 of the REMIC Prospectus 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.

| <u>Class (1)</u> | <u>Original Class Balance</u> | <u>Principal Type (2)</u> | <u>Interest Rate</u> | <u>Interest Type (2)</u> | <u>CUSIP Number</u> | <u>Final Distribution Date</u> |
|------------------|---------------------------------------|-------------------------------|--------------------------|------------------------------|-------------------------|--|
| FA | \$471,000,000 | PT | (3) | FLT | 31359RY63 | April 2028 |
| SB | 282,600,000 (4) | NTL | (3) | INV / IO | 31359RY71 | January 2024 |
| SC | 282,600,000 (4) | NTL | (3) | INV / IO | 31359RY89 | January 2024 |
| SD | 188,400,000 (4) | NTL | (3) | INV / IO | 31359RY97 | April 2028 |
| SE | 188,400,000 (4) | NTL | (3) | INV / IO | 31359RZ21 | April 2028 |
| R | 0 | NPR | 0 | NPR | 31359RZ96 | April 2028 |
| RL | 0 | NPR | 0 | NPR | 31359R2V3 | April 2028 |

- (1) The SA, SG, SH, SI, SJ and A 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) These Classes will bear interest based on "LIBOR" as described under "Description of the Certificates—Distributions of Interest" herein and "Description of the Certificates—Indices Applicable to Floating Rate and Inverse Floating Rate Classes" in the REMIC Prospectus.
- (4) These Classes will be Notional Classes, will not have principal balances and will bear interest on their respective notional principal balances. The notional principal balances of the Notional Classes initially will be as set forth above and thereafter will be calculated as specified herein. See "Description of the Certificates—Distributions of Interest—Notional Classes" herein.

The Certificates will be offered by Salomon 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 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, subject to the right by the Dealer to reject any order in whole or in part and subject to approval of certain legal matters by counsel. It is expected that the Certificates (other than the R and RL Classes) will be available through the book-entry facilities of The Depository Trust Company on or about March 30, 1998 (the "Settlement Date"). It is expected that the R and RL Classes in registered, certificated form will be available for delivery at the offices of the Dealer, Seven World Trade Center, New York, New York 10048, on or about the Settlement Date.

Salomon Smith Barney

The date of this Prospectus Supplement is March 3, 1998.

(Cover continued from previous page)

Certain of the REMIC Certificates may, upon notice and payment of an exchange fee, be exchanged for the related 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 REMIC Certificates. Certain characteristics of the RCR Certificates 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 RCR Certificates. See "Description of the Certificates—Combination and Recombination" herein and Schedule 1 hereto.

The yields to investors in each Class will be sensitive in varying degrees to, among other things, the rate of principal distributions on the MBS, which in turn will be determined by the rate of principal payments of the 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 and, in the case of any Floating Rate or Inverse Floating Rate Class, fluctuations in the level of the Index (as defined herein). Accordingly, investors should consider the following risks:

- The Mortgage Loans generally may be prepaid at any time without penalty, and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time.
- Slight variations in Mortgage Loan characteristics could substantially affect the weighted average lives and yields of some or all of the Classes.
- In the case of any Certificates purchased at a discount to their principal amounts, a slower than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of any Certificates purchased at a premium to their principal amounts, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of any Interest Only Class, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield and, in certain cases, an actual loss on the investment.
- The yield on any Floating Rate or Inverse Floating Rate Class will be sensitive to the level of the Index. See "Description of the Certificates—Distributions of Interest—Floating Rate and Inverse Floating Rate Classes" herein.

See "Certain Risk Factors—Yield Considerations" in the REMIC Prospectus and "Additional Risk Factors—Additional Yield and Prepayment Considerations" and "Description of the Certificates—Yield Tables" herein.

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

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

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this Prospectus Supplement, the REMIC Prospectus or the MBS Prospectus (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 REMIC Prospectus.

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

- Fannie Mae's Prospectus for Guaranteed REMIC Pass-Through Certificates dated November 12, 1997 (the "REMIC Prospectus");
- 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 Information Statement is incorporated herein by reference and, together with the other Disclosure Documents, 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 Salomon Brothers Inc by writing or calling its Prospectus Department at Brooklyn Army Terminal, 140 58th Street, Suite 8-G, Brooklyn, New York 11220 (telephone 718-921-8466).

TABLE OF CONTENTS

| | <u>Page</u> | | <u>Page</u> |
|--|-------------|--|-------------|
| Reference Sheet | S- 4 | <i>Categories of Classes</i> | S-11 |
| Additional Risk Factors | S- 6 | <i>Principal Distribution Amount</i> | S-11 |
| Additional Yield and Prepayment Considerations | S- 6 | Structuring Assumptions | S-12 |
| Description of the Certificates | S- 6 | <i>Pricing Assumptions</i> | S-12 |
| General | S- 6 | <i>Prepayment Assumptions</i> | S-12 |
| <i>Structure</i> | S- 6 | Yield Tables | S-12 |
| <i>Fannie Mae Guaranty</i> | S- 6 | <i>General</i> | S-12 |
| <i>Characteristics of Certificates</i> | S- 7 | <i>The Inverse Floating Rate Classes</i> <i>and the SA, SG, SH, SI and</i> <i>SJ Classes</i> | S-12 |
| <i>Authorized Denominations</i> | S- 7 | Weighted Average Lives of the Certificates | S-15 |
| <i>Distribution Dates</i> | S- 7 | Decrement Tables | S-16 |
| <i>Record Date</i> | S- 7 | Characteristics of the R and RL Classes | S-17 |
| <i>REMIC Trust Factors</i> | S- 7 | Certain Additional Federal Income Tax Consequences | S-17 |
| <i>Optional Termination</i> | S- 7 | REMIC Elections and Special Tax Attributes | S-17 |
| Combination and Recombination | S- 8 | Taxation of Beneficial Owners of Regular Certificates | S-18 |
| <i>General</i> | S- 8 | Taxation of Beneficial Owners of Residual Certificates | S-18 |
| <i>Procedures</i> | S- 8 | Taxation of Beneficial Owners of RCR Certificates | S-18 |
| <i>Additional Considerations</i> | S- 8 | <i>General</i> | S-18 |
| Book-Entry Procedures | S- 8 | <i>Combination RCR Classes</i> | S-18 |
| <i>General</i> | S- 8 | <i>Exchanges</i> | S-18 |
| <i>Method of Distribution</i> | S- 9 | Plan of Distribution | S-19 |
| The MBS | S- 9 | <i>General</i> | S-19 |
| Final Data Statement | S- 9 | <i>Increase in Certificates</i> | S-19 |
| Distributions of Interest | S-10 | Legal Matters | S-19 |
| <i>Categories of Classes</i> | S-10 | Schedule 1 | A- 1 |
| <i>General</i> | S-10 | | |
| <i>Interest Accrual Period</i> | S-10 | | |
| <i>Notional Classes</i> | S-10 | | |
| <i>Floating Rate and Inverse Floating Rate Classes</i> | S-11 | | |
| Calculation of LIBOR | S-11 | | |
| Distributions of Principal | S-11 | | |

REFERENCE SHEET

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

Assumed Characteristics of the Mortgage Loans (as of March 1, 1998)

| <u>Approximate Principal Balance</u> | <u>Original Term to Maturity (in months)</u> | <u>Approximate Weighted Average Remaining Term to Maturity (in months)</u> | <u>Approximate Calculated Loan Age (in months)</u> | <u>Approximate Weighted Average Coupon</u> |
|--|--|--|--|--|
| \$471,000,000 | 360 | 325 | 30 | 9.412% |

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

Combination and Recombination

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

Interest Rates

The Floating Rate and Inverse Floating Rate Classes will bear interest during the initial Interest Accrual Period at initial interest rates specified below, and will bear interest during each Interest Accrual Period thereafter, subject to the applicable maximum and minimum interest rates, at rates determined as described below:

| <u>Class</u> | <u>Initial Interest Rate</u> | <u>Maximum Interest Rate</u> | <u>Minimum Interest Rate</u> | <u>Formula for Calculation of Interest Rate (1)</u> |
|--------------|--------------------------------------|--------------------------------------|--------------------------------------|---|
| FA | 6.025% | 9.0% | 0.4% | LIBOR + 40 basis points |
| SB | 2.375% | 8.0% | 0.0% | 8.0% – LIBOR |
| SC | 0.600% | 0.6% | 0.0% | 8.6% – LIBOR |
| SD | 2.375% | 8.0% | 0.0% | 8.0% – LIBOR |
| SE | 0.600% | 0.6% | 0.0% | 8.6% – LIBOR |
| SA | 2.975% | 8.6% | 0.0% | 8.6% – LIBOR |
| SG | 2.975% | 8.6% | 0.0% | 8.6% – LIBOR |
| SH | 2.975% | 8.6% | 0.0% | 8.6% – LIBOR |
| SI | 2.375% | 8.0% | 0.0% | 8.0% – LIBOR |
| SJ | 0.600% | 0.6% | 0.0% | 8.6% – LIBOR |

(1) LIBOR will be established on the basis of the “BBA Method”. See “Description of the Certificates—Calculation of LIBOR” herein.

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

Distributions of interest to be allocated from REMIC Certificates to RCR Certificates on any Distribution Date will be allocated on a pro rata basis.

Notional Classes

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

| <u>Classes</u> | <u>Percentages of Specified Balances</u> |
|--------------------|--|
| SB and SD(1) | 100% of FA Class |
| SC | 100% of SB Class |
| SE | 100% of SD Class |
| SA | 50% of SB, SC, SD and SE Classes |
| SG | 50% of SB and SC Classes |
| SH | 50% of SD and SE Classes |
| SI | 100% of SB and SD Classes |
| SJ | 100% of SC and SE Classes |

(1) In the aggregate. On each Distribution Date, distributions of principal of the FA Class will be allocated, sequentially, to reduce the notional principal balances of the SB and SD Classes, in that order, until the respective notional principal balances thereof are reduced to zero.

See “Description of the Certificates—Distributions of Interest—*Notional Classes*” and “—Yield Tables—*The Inverse Floating Rate Classes and the SA, SG, SH, SI and SJ Classes*” herein.

Distributions of Principal

Principal Distribution Amount

To the FA Class, to zero.

Distributions of principal to be allocated from REMIC Certificates to RCR Certificates on any Distribution Date will be allocated on a pro rata basis.

Weighted Average Lives (years) *

| <u>Classes</u> | <u>PSA Prepayment Assumption</u> | | | | |
|----------------------------|----------------------------------|-------------|-------------|-------------|-------------|
| | <u>0%</u> | <u>200%</u> | <u>462%</u> | <u>600%</u> | <u>800%</u> |
| FA, SA, SI, SJ and A | 22.3 | 6.7 | 3.0 | 2.2 | 1.5 |
| SB, SC and SG | 18.4 | 2.8 | 1.2 | 0.9 | 0.6 |
| SD, SE and SH | 28.0 | 12.6 | 5.7 | 4.2 | 2.9 |

* 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 Classes will be sensitive in varying degrees to the rate of principal distributions on the MBS, which in turn will reflect the rate of amortization (including prepayments) of the Mortgage Loans. There can be no assurance that the Mortgage Loans underlying the MBS 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 rate of principal distributions on the Classes is likely to differ from the rate anticipated by an investor, even if the Mortgage Loans prepay at the indicated constant percentages of PSA.

It is highly unlikely that the Mortgage Loans underlying 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. See “Risk Factors—Prepayment Considerations” in the REMIC Prospectus and “Maturity and Prepayment Assumptions” in the MBS Prospectus.

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 March 1, 1998 (the “Trust Agreement”), executed by the Federal National Mortgage Association (“Fannie Mae”) in its corporate capacity and in its capacity as trustee (the “Trustee”), and the Certificates in the Classes and aggregate original principal balances set forth on the cover hereof will be issued by Fannie Mae pursuant thereto. A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement.

The REMIC Certificates (other than the R 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 MBS.

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

Certificates—Fannie Mae’s Guaranty” in the REMIC Prospectus and “Description of Certificates—The Corporation’s Guaranty” in the MBS Prospectus.

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

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

The R 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 Holders of the R and RL Classes of the proceeds of any remaining assets of the Trust and the Lower Tier REMIC, as applicable, will be made only upon presentation and surrender of the related 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 Classes will be made on the 18th day of each month (or, if the 18th day is not a business day, on the first business day next succeeding such 18th day) (each, a “Distribution Date”), commencing in the month following the Settlement Date. See “Distribution of Interest—General” and “—Interest Accrual Period” and “Distribution of Principal—Principal Distribution Amount” herein.

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

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

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 FA, SB, SC, SD and SE Classes of REMIC Certificates may be exchanged for a proportionate interest in one or more RCR Certificates as reflected on Schedule 1 hereto. Similarly, all or a portion of one or more RCR Certificates may be exchanged as reflected on Schedule 1, for certain REMIC Certificates. This process may occur repeatedly.

The RCR Certificates 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 REMIC Certificates, and the Holders of RCR Certificates will be treated as the beneficial owners of a proportionate interest in the related REMIC Certificates.

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

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, provided that the fee payable in connection with each exchange will in no event be 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.

Additional Considerations. The characteristics of RCR Certificates will reflect the characteristics of the REMIC Certificates used to form such RCR Certificates.

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 Certificates of the Class or of the related Classes in the proportions necessary to effect a desired exchange. A Holder that does not own Certificates of the related Classes in the necessary proportions may not be able to obtain the necessary REMIC Certificates or RCR Certificates, as applicable. The Holder of needed Certificates may refuse or be unable to sell at a reasonable price or any price, or certain Certificates 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 DTC Certificates 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.

Method of Distribution. Each distribution on the DTC Certificates will be distributed by the Paying Agent to the Depository in immediately available funds. The Depository will be responsible for crediting the amount of such distributions to the accounts of the Depository Participants entitled thereto, in accordance with the Depository’s normal procedures, which currently provide for distributions in same-day funds settled through the New York Clearing House. Each Depository Participant and each financial intermediary will be responsible for disbursing such distributions to the beneficial owners of the DTC Certificates that it represents. Accordingly, the beneficial owners may experience some delay in their receipt of distributions.

The MBS

The MBS will have the aggregate unpaid principal balance and Pass-Through Rate set forth below and the general characteristics described in the MBS Prospectus. The MBS will provide that principal and interest on the 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 an original maturity of up to 30 years. See “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus. The characteristics of the MBS and the Mortgage Loans as of March 1, 1998 (the “Issue Date”) are expected to be as follows:

| | |
|---|--------------------------|
| MBS | |
| Aggregate Unpaid Principal Balance | \$471,000,000 |
| MBS Pass-Through Rate | 9.00% |
| Mortgage Loans | |
| Range of WACs (per annum percentages) | 9.25% to 11.50% |
| Range of WAMs | 241 months to 360 months |
| Approximate Weighted Average WAM | 325 months |
| Approximate Weighted Average CAGE | 30 months |

Final Data Statement

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

available) of the Mortgage Loans underlying each MBS, along with the weighted average of all the current or original WACs and the weighted average of all the current or Adjusted WAMs, based on the current unpaid principal balances of the Mortgage Loans underlying each of 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> |
|-----------------------|--------------------------|
| Floating Rate | FA |
| Inverse Floating Rate | SB, SC, SD and SE |
| Interest Only | SB, SC, SD and SE |
| RCR** | SA, SG, SH, SI, SJ and A |
| 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.

Distributions of interest to be allocated from REMIC Certificates to RCR Certificates on any Distribution Date will be allocated on a pro rata basis.

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 (the “Interest Accrual Period”).

| <u>Classes</u> | <u>Interest Accrual Period</u> |
|---|--|
| All interest-bearing Classes (collectively, the “No Delay Classes”) | One month period ending on the day preceding the Distribution Date |

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

Notional Classes. The Notional Classes will not have principal balances and will bear interest at the applicable per annum interest rates described herein during each Interest Accrual Period on their respective notional principal balances. The notional principal balances of the Notional Classes will be calculated as specified herein under “Reference Sheet—Notional Classes.”

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 MBS or the underlying Mortgage Loans. Although a Notional Class will not have a principal balance, a REMIC Trust Factor (as described herein) will be published with respect to such Class that will be applicable to the notional principal balance thereof, and references herein to the principal balances of

the Certificates generally shall be deemed to refer also to the notional principal balances of the Notional Classes.

Floating Rate and Inverse Floating Rate Classes. The Floating Rate and Inverse Floating Rate Classes will bear interest during each Interest Accrual Period, subject to the applicable maximum and minimum interest rates, at rates determined as described herein under “Reference Sheet—Interest Rates.”

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

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

Calculation of LIBOR

On each Index Determination Date, until the principal balances and notional principal balances of the Floating Rate and Inverse Floating Rate Classes and the SA, SG, SH, SI and SJ Classes have been reduced to zero, Fannie Mae will establish LIBOR for the related Interest Accrual Period on the basis of the “BBA Method” as described in the REMIC Prospectus under “Description of the Certificates—Indices Applicable to Floating Rate and Inverse Floating Rate Classes—LIBOR.” With respect to the “BBA Method,” Interest Settlement Rates currently are based on rates quoted by sixteen BBA designated banks and are calculated by eliminating the four highest rates and the four lowest rates and averaging the eight remaining rates.

If on the initial Index Determination Date, Fannie Mae is unable to determine LIBOR in the manner specified in the REMIC Prospectus, LIBOR for the next succeeding Interest Accrual Period will be equal to 5.625%.

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> |
|------------------------|--------------------------|
| Pass-Through | FA |
| Notional | SB, SC, SD and SE |
| RCR** | SA, SG, SH, SI, SJ and A |
| 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 aggregate distributions of principal to be made on the MBS in the month of such Distribution Date.

On each Distribution Date, the Principal Distribution Amount will be distributed as principal of the FA Class until the principal balance thereof is reduced to zero.

Distributions of principal to be allocated from REMIC Certificates to RCR Certificates on any Distribution Date will be allocated on a pro rata basis.

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 MBS have the original terms to maturity, remaining terms to maturity, CAGEs and interest rates specified herein under “Reference Sheet—Assumed Characteristics of the Mortgage Loans”;
- 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 March 30, 1998.

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

Yield Tables

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

The Inverse Floating Rate Classes and the SA, SG, SH, SI and SJ Classes. **The yields to investors in the Inverse Floating Rate Classes and the SA, SG, SH, SI and SJ Classes will be sensitive in varying degrees to the rate of principal payments (including prepayments) of the Mortgage Loans and to the level of the Index. The Mortgage Loans generally can be prepaid at any time. In addition, the rate of principal payments (including prepayments) of the Mortgage Loans is likely to vary, and may vary considerably, from Pool to Pool. As**

indicated in the tables below, it is possible that, under certain Index and prepayment scenarios, investors in such Classes would not fully recoup their initial investments.

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

The information set forth in the following tables was prepared on the basis of the Pricing Assumptions and the assumptions that (i) the interest rates applicable to the Inverse Floating Rate Classes and the SA, SG, SH, SI and SJ Classes for the initial Interest Accrual Period are the rates listed in the table under “Reference Sheet—Interest Rates” herein and for each Interest Accrual Period thereafter will be based on the indicated level of the Index and (ii) the aggregate purchase prices of such Classes (expressed in each case as a percentage of original principal balance) are as follows:

| <u>Class</u> | <u>Price*</u> |
|--------------|---------------|
| SB | 2.250% |
| SC | 0.750% |
| SD | 9.375% |
| SE | 2.625% |
| SA | 6.600% |
| SG | 3.000% |
| SH | 12.000% |
| SI | 5.100% |
| SJ | 1.500% |

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

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

| <u>LIBOR</u> | <u>PSA Prepayment Assumption</u> | | | | |
|--------------|----------------------------------|-------------|-------------|-------------|-------------|
| | <u>50%</u> | <u>200%</u> | <u>462%</u> | <u>600%</u> | <u>800%</u> |
| 3.625% | 262.2% | 226.3% | 149.8% | 101.3% | 24.5% |
| 5.625% | 121.1% | 93.3% | 27.5% | (13.1)% | (72.2)% |
| 7.625% | 7.4% | (27.0)% | (97.3)% | * | * |
| 8.000% | * | * | * | * | * |

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

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

| <u>LIBOR</u> | <u>PSA Prepayment Assumption</u> | | | | |
|----------------------|----------------------------------|-------------|-------------|-------------|-------------|
| | <u>50%</u> | <u>200%</u> | <u>462%</u> | <u>600%</u> | <u>800%</u> |
| 8.0% and below | 84.9% | 58.3% | (6.7)% | (45.3)% | (98.8)% |
| 8.3% | 35.5% | 7.4% | (59.5)% | (94.5)% | * |
| 8.6% | * | * | * | * | * |

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

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

| <u>LIBOR</u> | <u>PSA Prepayment Assumption</u> | | | | |
|--------------|----------------------------------|-------------|-------------|-------------|-------------|
| | <u>50%</u> | <u>200%</u> | <u>462%</u> | <u>600%</u> | <u>800%</u> |
| 3.625% | 50.9% | 50.1% | 41.8% | 33.7% | 17.9% |
| 5.625% | 26.6% | 24.2% | 11.8% | 2.4% | (14.3)% |
| 7.625% | (0.9)% | (7.8)% | (24.7)% | (34.8)% | (50.8)% |
| 8.000% | * | * | * | * | * |

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

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

| <u>LIBOR</u> | <u>PSA Prepayment Assumption</u> | | | | |
|----------------------|----------------------------------|-------------|-------------|-------------|-------------|
| | <u>50%</u> | <u>200%</u> | <u>462%</u> | <u>600%</u> | <u>800%</u> |
| 8.0% and below | 23.8% | 21.1% | 8.1% | (1.5)% | (18.2)% |
| 8.3% | 10.5% | 5.6% | (10.0)% | (20.1)% | (36.8)% |
| 8.6% | * | * | * | * | * |

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

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

| <u>LIBOR</u> | <u>PSA Prepayment Assumption</u> | | | | |
|--------------|----------------------------------|-------------|-------------|-------------|-------------|
| | <u>50%</u> | <u>200%</u> | <u>462%</u> | <u>600%</u> | <u>800%</u> |
| 3.625% | 81.3% | 68.4% | 44.1% | 30.2% | 8.3% |
| 5.625% | 44.6% | 33.2% | 11.8% | (0.4)% | (19.7)% |
| 7.625% | 10.0% | 0.1% | (18.5)% | (29.1)% | (45.8)% |
| 8.600% | * | * | * | * | * |

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

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

| <u>LIBOR</u> | <u>PSA Prepayment Assumption</u> | | | | |
|--------------|----------------------------------|-------------|-------------|-------------|-------------|
| | <u>50%</u> | <u>200%</u> | <u>462%</u> | <u>600%</u> | <u>800%</u> |
| 3.625% | 212.4% | 179.6% | 107.7% | 61.9% | (9.0)% |
| 5.625% | 111.7% | 84.3% | 18.9% | (21.3)% | (78.9)% |
| 7.625% | 27.0% | (2.3)% | (70.1)% | * | * |
| 8.600% | * | * | * | * | * |

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

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

| <u>LIBOR</u> | <u>PSA Prepayment Assumption</u> | | | | |
|--------------|----------------------------------|-------------|-------------|-------------|-------------|
| | <u>50%</u> | <u>200%</u> | <u>462%</u> | <u>600%</u> | <u>800%</u> |
| 3.625% | 44.8% | 43.8% | 34.6% | 26.2% | 10.1% |
| 5.625% | 25.9% | 23.6% | 11.0% | 1.5% | (15.2)% |
| 7.625% | 6.0% | 0.4% | (15.9)% | (26.1)% | (42.6)% |
| 8.600% | * | * | * | * | * |

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

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

| LIBOR | PSA Prepayment Assumption | | | | |
|--------------|----------------------------------|-------------|-------------|-------------|-------------|
| | 50% | 200% | 462% | 600% | 800% |
| 3.625% | 94.8% | 81.3% | 55.9% | 41.4% | 18.5% |
| 5.625% | 46.3% | 34.9% | 13.4% | 1.1% | (18.3)% |
| 7.625% | 0.4% | (9.0)% | (26.8)% | (37.0)% | (53.1)% |
| 8.000% | * | * | * | * | * |

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

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

| LIBOR | PSA Prepayment Assumption | | | | |
|----------------------|----------------------------------|-------------|-------------|-------------|-------------|
| | 50% | 200% | 462% | 600% | 800% |
| 8.0% and below | 38.6% | 27.5% | 6.6% | (5.4)% | (24.2)% |
| 8.3% | 16.0% | 5.9% | (13.2)% | (24.1)% | (41.3)% |
| 8.6% | * | * | * | * | * |

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

Weighted Average Lives of the Certificates

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

In general, the weighted average lives of the Certificates will be shortened if the level of prepayments of principal of the related Mortgage Loans increases. However, the weighted average lives will depend upon a variety of other factors, including the timing of changes in such rate of principal payments. 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 rates 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 Mortgage Loan bears interest at a rate of 11.5% per annum and has an original and remaining term to maturity of 360 months.

It is not likely that (i) all of the underlying Mortgage Loans will have the interest rates, CAGEs or remaining terms to maturity assumed or (ii) the underlying Mortgage Loans will prepay at a constant PSA level. In addition, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal distributions than indicated in the tables at the specified constant PSA rates, even if the distributions of the weighted average remaining terms to maturity and the weighted average CAGEs of the Mortgage Loans are identical to the distributions of the remaining terms to maturity and CAGEs specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

| Date | FA, SA†, SI†, SJ† and A Classes | | | | | SB†, SC† and SG† Classes | | | | | SD†, SE† and SH† Classes | | | | |
|---|---------------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|
| | PSA Prepayment Assumption | | | | | PSA Prepayment Assumption | | | | | PSA Prepayment Assumption | | | | |
| | 0% | 200% | 462% | 600% | 800% | 0% | 200% | 462% | 600% | 800% | 0% | 200% | 462% | 600% | 800% |
| Initial Percent | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| March 1999 | 100 | 87 | 72 | 63 | 52 | 99 | 79 | 53 | 39 | 19 | 100 | 100 | 100 | 100 | 100 |
| March 2000 | 99 | 76 | 51 | 40 | 27 | 99 | 60 | 19 | * | 0 | 100 | 100 | 100 | 100 | 66 |
| March 2001 | 99 | 66 | 37 | 25 | 14 | 98 | 44 | 0 | 0 | 0 | 100 | 100 | 92 | 64 | 34 |
| March 2002 | 98 | 58 | 26 | 16 | 7 | 97 | 29 | 0 | 0 | 0 | 100 | 100 | 66 | 40 | 18 |
| March 2003 | 97 | 50 | 19 | 10 | 4 | 96 | 17 | 0 | 0 | 0 | 100 | 100 | 47 | 25 | 9 |
| March 2004 | 97 | 43 | 13 | 6 | 2 | 95 | 6 | 0 | 0 | 0 | 100 | 100 | 33 | 16 | 5 |
| March 2005 | 96 | 38 | 9 | 4 | 1 | 93 | 0 | 0 | 0 | 0 | 100 | 94 | 24 | 10 | 2 |
| March 2006 | 95 | 33 | 7 | 3 | * | 92 | 0 | 0 | 0 | 0 | 100 | 81 | 17 | 6 | 1 |
| March 2007 | 94 | 28 | 5 | 2 | * | 90 | 0 | 0 | 0 | 0 | 100 | 70 | 12 | 4 | 1 |
| March 2008 | 93 | 24 | 3 | 1 | * | 88 | 0 | 0 | 0 | 0 | 100 | 60 | 8 | 2 | * |
| March 2009 | 92 | 21 | 2 | 1 | * | 86 | 0 | 0 | 0 | 0 | 100 | 52 | 6 | 2 | * |
| March 2010 | 90 | 18 | 2 | * | * | 84 | 0 | 0 | 0 | 0 | 100 | 44 | 4 | 1 | * |
| March 2011 | 89 | 15 | 1 | * | * | 81 | 0 | 0 | 0 | 0 | 100 | 38 | 3 | 1 | * |
| March 2012 | 87 | 13 | 1 | * | * | 78 | 0 | 0 | 0 | 0 | 100 | 32 | 2 | * | * |
| March 2013 | 85 | 11 | 1 | * | * | 75 | 0 | 0 | 0 | 0 | 100 | 27 | 1 | * | * |
| March 2014 | 83 | 9 | * | * | * | 71 | 0 | 0 | 0 | 0 | 100 | 23 | 1 | * | * |
| March 2015 | 80 | 8 | * | * | * | 67 | 0 | 0 | 0 | 0 | 100 | 19 | 1 | * | * |
| March 2016 | 77 | 6 | * | * | * | 62 | 0 | 0 | 0 | 0 | 100 | 16 | * | * | * |
| March 2017 | 74 | 5 | * | * | * | 57 | 0 | 0 | 0 | 0 | 100 | 13 | * | * | * |
| March 2018 | 70 | 4 | * | * | * | 51 | 0 | 0 | 0 | 0 | 100 | 10 | * | * | * |
| March 2019 | 66 | 3 | * | * | * | 44 | 0 | 0 | 0 | 0 | 100 | 8 | * | * | * |
| March 2020 | 62 | 2 | * | * | * | 37 | 0 | 0 | 0 | 0 | 100 | 6 | * | * | * |
| March 2021 | 57 | 2 | * | * | * | 28 | 0 | 0 | 0 | 0 | 100 | 5 | * | * | * |
| March 2022 | 51 | 1 | * | * | * | 19 | 0 | 0 | 0 | 0 | 100 | 3 | * | * | * |
| March 2023 | 45 | 1 | * | * | * | 8 | 0 | 0 | 0 | 0 | 100 | 2 | * | * | * |
| March 2024 | 38 | * | * | * | * | 0 | 0 | 0 | 0 | 0 | 95 | 1 | * | * | * |
| March 2025 | 30 | * | * | * | * | 0 | 0 | 0 | 0 | 0 | 75 | * | * | * | * |
| March 2026 | 21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 53 | 0 | 0 | 0 | 0 |
| March 2027 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 28 | 0 | 0 | 0 | 0 |
| March 2028 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Weighted Average Life (years)** | 22.3 | 6.7 | 3.0 | 2.2 | 1.5 | 18.4 | 2.8 | 1.2 | 0.9 | 0.6 | 28.0 | 12.6 | 5.7 | 4.2 | 2.9 |

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

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

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

Characteristics of the R and RL Classes

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

The R and RL Classes will be subject to certain transfer restrictions. No transfer of record or beneficial ownership of an R or RL Certificate will be allowed to a “disqualified organization.” In addition, no transfer of record or beneficial ownership of an R or RL Certificate will be allowed to any person that is not a “U.S. Person” without the written consent of Fannie Mae. Under regulations issued by the Treasury Department (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 REMIC 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 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 REMIC Prospectus, describes the current federal income tax treatment of investors in the Certificates. These two tax discussions do not purport to deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the Certificates.

REMIC Elections and Special Tax Attributes

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

As a consequence of the qualification of the Lower Tier REMIC and the Trust as REMICs, the REMIC Certificates and any related RCR Certificates generally will be treated as “regular or residual interests in a REMIC” for domestic building and loan associations, “real estate assets” for real estate investment trusts, and, except for the R and RL Classes, as “qualified mortgages” for other REMICS. See “Certain Federal Income Tax Consequences—Special Tax Attributes” in the REMIC Prospectus.

Taxation of Beneficial Owners of Regular Certificates

The Notional Classes will be, and the FA Class 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 462% PSA. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the REMIC Prospectus. No representation is made as to whether the Mortgage Loans underlying the MBS will prepay at that rate or any other rate. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus. In addition, the FA Class may be treated as having been issued at a premium for federal income tax purposes. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Certificates Purchased at a Premium*” in the REMIC Prospectus.

Taxation of Beneficial Owners of Residual Certificates

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 6.94% (which is 120% of the “federal long-term rate”). See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” and “—Foreign Investors—*Residual Certificates*” in the REMIC Prospectus.

Taxation of Beneficial Owners of RCR Certificates

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

The RCR Classes will represent beneficial ownership of the underlying Regular Certificates set forth in Schedule 1. The RCR Certificates (the “Combination RCR Certificates”) will represent beneficial ownership of undivided interests in two or more underlying Regular Certificates.

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

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

PLAN OF DISTRIBUTION

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

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

LEGAL MATTERS

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

Schedule 1

Available Recombinations (1)

| REMIC Certificates | | RCR Certificates | | | | | | |
|--------------------|---|------------------|---|----------------------|--------------------------|---------------------------|---------------------|----------------------------|
| <u>Class</u> | <u>Original Principal or Notional Principal Balance</u> | <u>RCR Class</u> | <u>Original Principal or Notional Principal Balance</u> | <u>Interest Rate</u> | <u>Interest Type (2)</u> | <u>Principal Type (2)</u> | <u>CUSIP Number</u> | <u>Final Maturity Date</u> |
| Recombination 1 | | | | | | | | |
| SB | \$282,600,000 | SA | \$471,000,000 | (3) | INV/IO | NTL | 31359RZ39 | April 2028 |
| SC | 282,600,000 | | | | | | | |
| SD | 188,400,000 | | | | | | | |
| SE | 188,400,000 | | | | | | | |
| Recombination 2 | | | | | | | | |
| SB | 282,600,000 | SG | 282,600,000 | (3) | INV/IO | NTL | 31359RZ47 | January 2024 |
| SC | 282,600,000 | | | | | | | |
| Recombination 3 | | | | | | | | |
| SD | 188,400,000 | SH | 188,400,000 | (3) | INV/IO | NTL | 31359RZ54 | April 2028 |
| SE | 188,400,000 | | | | | | | |
| Recombination 4 | | | | | | | | |
| SB | 282,600,000 | SI | 471,000,000 | (3) | INV/IO | NTL | 31359RZ62 | April 2028 |
| SD | 188,400,000 | | | | | | | |
| Recombination 5 | | | | | | | | |
| SC | 282,600,000 | SJ | 471,000,000 | (3) | INV/IO | NTL | 31359RZ70 | April 2028 |
| SE | 188,400,000 | | | | | | | |
| Recombination 6 | | | | | | | | |
| FA | 471,000,000 | A | 471,000,000 | 9% | FIX | PT | 31359RZ88 | April 2028 |
| SB | 282,600,000 | | | | | | | |
| SC | 282,600,000 | | | | | | | |
| SD | 188,400,000 | | | | | | | |
| SE | 188,400,000 | | | | | | | |

(1) The principal balances and/or notional 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 and/or original notional principal balances of the related 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) For a description of these interest rates, see “Description of the Certificates—Distributions of Interest” herein.

\$471,000,000

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.



**Guaranteed REMIC
Pass-Through Certificates**

Fannie Mae REMIC Trust 1998-22

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Table of Contents | S- 3 |
| Reference Sheet | S- 4 |
| Additional Risk Factors | S- 6 |
| Description of the Certificates | S- 6 |
| Certain Additional Federal Income Tax Consequences | S-17 |
| Plan of Distribution | S-19 |
| Legal Matters | S-19 |
| Schedule 1 | A- 1 |

Salomon Smith Barney

**Prospectus Supplement
Dated March 3, 1998**