

\$758,333,000



FannieMae

**Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 1998-40**

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "REMIC Certificates") will represent beneficial ownership interests in Fannie Mae REMIC Trust 1998-40 (the "Trust"). The assets of the Trust will consist of (i) two groups of Fannie Mae Guaranteed Mortgage Pass-Through Certificates described herein (the "Group 1 MBS" and "Group 2 MBS" and, together, the "MBS") and (ii) certain "fully modified pass-through" mortgage-backed securities (the "Ginnie Mae Certificates") guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("Ginnie Mae"). Each MBS represents a beneficial ownership interest in a pool of first lien, single-family, fixed-rate residential mortgage loans having the characteristics described herein. Each Ginnie Mae Certificate is based on and backed by a pool of mortgage loans (together with the pools and mortgage loans underlying the MBS, the "Pools" and "Mortgage Loans," respectively) 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.

This Prospectus Supplement is intended to be used only 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-7 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.

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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>Group</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>
A	1	\$383,141,000	SEQ	6.50%	FIX	31359TG69	January 2024
B	1	82,715,000	SEQ	6.50	FIX	31359TG77	December 2025
C	1	13,502,000	SEQ	6.50	FIX	31359TG85	April 2026
E	1	33,865,000	SEQ/AD	6.50	FIX	31359TG93	July 2006
G	1	36,763,000	SEQ/AD	6.50	FIX	31359TH27	February 2012
Z	1	50,014,000	SEQ	6.50	FIX/Z	31359TH35	July 2028
LL	2	(3)	SEQ/RTL	6.25	FIX	31359TG51	July 2028
H	2	58,333,000	SEQ	6.25	FIX	31359TH43	March 2027
F	3	77,777,000	PT	(4)	FLT	31359TH50	June 2028
S	3	77,777,000(5)	NTL	(4)	INV/IO	31359TH68	June 2028
PO	3	22,223,000	PT	(6)	PO	31359TH76	June 2028
R		0	NPR	0	NPR	31359TH84	July 2028

- (1) The M, D, J, K and SA Classes are RCR Classes. See "Description of the Certificates—Combination and Recombination" herein and Schedule 1 hereto for a description of the RCR Classes.
- (2) See "Description of the Certificates—Class Definitions and Abbreviations" in the REMIC Prospectus and "Description of the Certificates—Distributions of Interest" and "—Distributions of Principal" herein.
- (3) The LL Class, with an aggregate original principal balance of \$12,500,000, is being offered by means of the Retail Class Supplement and is not offered hereby.
- (4) These Classes will bear interest based on "LIBOR" as described under "Description of the Certificates—Distributions of Interest" herein and "Description of the Certificates—Indices Applicable to Floating Rate and Inverse Floating Rate Classes" in the REMIC Prospectus.
- (5) This Class will be a Notional Class, will not have a principal balance and will bear interest on its notional principal balance. The notional principal balance of the Notional Class 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.
- (6) This Class will be a Principal Only Class and will bear no interest.

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

The Certificates will be offered by the Dealer, subject to issuance by Fannie Mae and to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by the Dealer, and subject to approval of certain legal matters by counsel. It is expected that the Group 1 Classes and the H, M, D, J and K Classes will be available through the book-entry system of the Federal Reserve Banks and that the LL Class, the Group 3 Classes and the SA Class will be available through the book-entry facilities of The Depository Trust Company on or about June 26, 1998 (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, Greenwich, Connecticut, on or about the Settlement Date.

GREENWICH CAPITAL

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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 the Group 1, Group 2 and Group 3 Classes (as described herein) will be sensitive in varying degrees to, among other things, the rate of principal distributions on the Group 1 MBS, Group 2 MBS and the Ginnie Mae Certificates, respectively, which in turn will be determined by the rate of principal payments of the related Mortgage Loans and the characteristics of such Mortgage Loans. The 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 (including any Principal Only Class), a slower than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of any Certificates purchased at a premium to their principal amounts, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of any Interest Only Class, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield and, in certain cases, an actual loss on the investment.
- 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 “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.

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 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, 1998 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). The Disclosure Documents may also be obtained from the Dealer by writing or calling its Prospectus Department at 600 Steamboat Road, Greenwich, CT 06830 (telephone 203-622-5628).

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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 MBS and the Ginnie Mae Certificates (as of June 1, 1998)

	Group	Approximate Principal Balance	Original Term to Maturity (in months)	Approximate Weighted Average Remaining Term to Maturity or WARM (in months)	Approximate Calculated Loan Age or WALA (in months)	Approximate Weighted Average Coupon
Group 1 MBS	1	\$600,000,000	360	357	2	7.15%
Group 2 MBS	2	\$ 70,833,000	360	354	6	7.00%
Ginnie Mae Certificates	3	\$100,000,000	360	305	50	7.50%

The actual remaining terms to maturity, calculated loan ages and, in the case of the Group 1 and Group 2 Classes, 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.

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 of principal and interest from the related REMIC Certificates. See “Description of the Certificates—Combination and Recombination” herein. Schedule 1 sets forth the available combinations of the REMIC Certificates and the related RCR Certificates.

Interest Rates

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

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:

Class	Initial Interest Rate	Maximum Interest Rate	Minimum Interest Rate	Formula for Calculation of Interest Rate (1)
F	5.95200%	9.00000%	0.3%	LIBOR + 30 basis points
S	3.04800%	8.70000%	0.0%	8.7% - LIBOR
SA	10.66752%	30.44863%	0.0%	30.44863% - (3.49984250 × 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:

Classes

K	7.6923076923% of E Class
	7.6923076923% of G Class
	7.6923076923% of Z Class
S	100% of F Class

See “Description of the Certificates—Distributions of Interest—*Notional Classes*” and “—Yield Tables—*The S and SA Classes*” and “—*The K Class*” herein.

Distributions of Principal

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

Group 1 Principal Distribution Amount

Group 1 Accrual Amount

To the E and G Classes, in that order, to zero, and thereafter to the Z Class.

Group 1 Cash Flow Distribution Amount

To the A, B, C, E, G and Z Classes, in that order, to zero.

Group 2 Principal Distribution Amount

1. Commencing in July 2001, on each Distribution Date, an amount up to \$12,500 to the LL Class.
2. Commencing in July 1998, on each Distribution Date, to the H and LL Classes, in that order, to zero.

Group 3 Principal Distribution Amount

To the F and PO Classes, pro rata, 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>Group 1 Classes</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>170%</u>	<u>325%</u>	<u>500%</u>
A	17.2	6.4	4.5	2.8	2.1
B	26.5	15.7	11.0	6.4	4.5
C	27.6	18.6	13.3	7.8	5.3
E	4.3	4.3	4.3	4.3	3.9
G	11.0	11.0	11.0	8.6	6.2
Z	28.9	23.9	19.2	13.2	9.3
M	17.9	7.1	5.0	3.1	2.3
D, J and K	28.9	23.9	19.2	12.0	8.1
	<u>PSA Prepayment Assumption</u>				
<u>Group 2 Classes</u>	<u>0%</u>	<u>100%</u>	<u>325%</u>	<u>425%</u>	<u>500%</u>
LL	25.2	22.3	12.1	9.5	8.1
H	20.0	8.8	3.5	2.8	2.5
	<u>PSA Prepayment Assumption</u>				
<u>Group 3 Classes</u>	<u>0%</u>	<u>100%</u>	<u>190%</u>	<u>325%</u>	<u>500%</u>
F, S, PO and SA	20.2	9.8	6.7	4.2	2.7

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

ADDITIONAL RISK FACTORS

Additional Yield and Prepayment Considerations

The rate of distributions of principal of the Group 1, Group 2 and Group 3 Classes will be sensitive in varying degrees to the rate of principal distributions on the Group 1 MBS, Group 2 MBS and Ginnie Mae Certificates, respectively, which in turn will reflect the rate of amortization (including prepayments) of the related Mortgage Loans. There can be no assurance that such related Mortgage Loans will have the characteristics assumed herein. Because the rate of principal distributions on the Group 1, Group 2 and Group 3 Classes will be related to the rate of amortization of the related Mortgage Loans, which are likely to include Mortgage Loans with remaining terms to maturity shorter or longer than those assumed and (except in the case of the Mortgage Loans underlying the Group 3 Classes) interest rates higher or lower than those assumed, the rate of principal distributions on such Classes is likely to differ from the rate anticipated by an investor, even if the related Mortgage Loans prepay at the indicated constant percentages of PSA.

The Mortgage Loans underlying the Group 2 MBS are relocation mortgage loans (as defined herein under “Description of the Certificates—The MBS”). Accordingly, the rate of prepayment of such Mortgage Loans will depend in part on the occurrence and timing of any future relocation of the borrowers thereunder. Such prepayment experience would depend on, among other things, the circumstances of individual employees and employers and the characteristics of the specific relocation programs involved. Borrowers under relocation mortgage loans are thought by some within the mortgage industry to be more likely to be transferred by their employers than non-relocation mortgage loan borrowers, which would result in relocation mortgage loans experiencing a higher rate of prepayment than non-relocation mortgage loans. However, Fannie Mae cannot estimate what the prepayment experience of the related Mortgage Loans will be or how it might compare to that of non-relocation mortgage loans, nor is Fannie Mae aware of any conclusive studies or statistics on the rate of prepayment of mortgage loans such as the related Mortgage Loans.

It is highly unlikely that the Mortgage Loans underlying the Group 1 MBS, Group 2 MBS or Ginnie Mae Certificates, as applicable, will prepay at any of the rates assumed herein, will prepay at a *constant* PSA rate until maturity or that such Mortgage Loans will prepay at the same rate. Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the Certificates.

The effective yields on the Delay Classes (as defined herein) will be reduced below the yields otherwise produced because principal and interest payable on a Distribution Date will not be distributed until on or about the 17th or 18th day, as applicable, following the end of the related Interest Accrual Period and will not bear interest during such delay. No interest at all will be paid on any Class after its principal balance has been reduced to zero. As a result of the foregoing, the market values of the Delay Classes will be lower than would have been the case if there were no such delay.

DESCRIPTION OF THE CERTIFICATES

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

General

Structure. The Trust will be created pursuant to a trust agreement dated as of September 1, 1987, as supplemented by an issue supplement thereto dated as of June 1, 1998 (together, 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 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 include the MBS and the Ginnie Mae Certificates.

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 the Group 1 Classes and the H, M, D, J and K Classes will be issued and maintained and may be transferred by Holders only on the book-entry system of the Federal Reserve Banks (such Certificates, the “Fed Book-Entry Certificates”). Such entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities for whose accounts the Fed Book-Entry Certificates have been deposited are herein referred to as “Holders” or “Certificateholders.”

The LL Class, the Group 3 Classes and the SA Class 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 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 Group 1 and Group 2 Classes will be made on the 18th day of each month (or, if such 18th day is not a business day, on the first business day next succeeding such 18th day) and distributions on the Group 3 Classes will be made on the 17th day of each month

(or, if such 17th day is not a business day, on the first business day next succeeding such 17th day) (each, a “Distribution Date”), commencing in the month following the Settlement Date.

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

REMIC Trust Factors. As soon as practicable following the eleventh calendar day of each month, Fannie Mae will publish or otherwise make available for each Class of Certificates the factor (carried to eight decimal places) which, when multiplied by the original principal balance of a Certificate of such Class, will equal the remaining principal balance of such Certificate after giving effect to the distribution of principal to be made on the following Distribution Date and any interest to be added as principal to the principal balance of the Accrual Class on such 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 Federal Reserve Banks or the Depository, as applicable, all or a portion of the A, B, E, G, Z, S and PO Classes of REMIC Certificates may be exchanged for a proportionate interest in the related RCR Certificates in accordance with the available combinations reflected on Schedule 1 hereto. Similarly, all or a portion of the RCR Certificates may be exchanged in accordance with the available combinations reflected on Schedule 1, for the related 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 any related distributions of principal 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 give 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 Fed Book-Entry Certificates will be issued and maintained only on the book-entry system of the Federal Reserve Banks. The Fed Book-Entry Certificates may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Beneficial owners ordinarily will hold Fed Book-Entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of a Fed Book-Entry Certificate, and each other financial intermediary in the chain to the beneficial owner, will have the responsibility of establishing and maintaining accounts for their respective customers. The rights of the beneficial owner of a Fed Book-Entry Certificate with respect to Fannie Mae and the Federal Reserve Banks may be exercised only through the Holder of such Certificate. Fannie Mae and the Federal Reserve Banks will have no direct obligation to a beneficial owner of a Fed Book-Entry Certificate that is not also the Holder of such Certificate. The Federal Reserve Banks will act only upon the instructions of the Holder in recording transfers of a Fed Book-Entry Certificate. See “Description of the Certificates—Denominations, Certificate Form” in the REMIC Prospectus.

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. Fannie Mae’s fiscal agent for the Fed Book-Entry Certificates is the Federal Reserve Bank of New York. The Federal Reserve Banks will make distributions on such Certificates on behalf of Fannie Mae on the applicable Distribution Dates by crediting Holders’ accounts at the Federal Reserve Banks.

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 included in each group specified below will have the aggregate unpaid principal balance and Pass-Through Rate set forth below and the general characteristics described in the MBS Prospectus. The MBS will provide that principal and interest on the related Mortgage Loans will be passed through monthly, commencing in the month following the month of the initial issuance of the MBS. The Mortgage Loans underlying the MBS will be conventional Level Payment Mortgage Loans secured by first mortgages or deeds of trust on one- to four-family (“single-family”) residential properties and having an original maturity of up to 30 years. It is expected that the Mortgage Loans underlying the Group 1 MBS will have original principal balances of approximately \$85,000 or less. In addition, the Mortgage Loans underlying the Group 2 MBS were originated pursuant to agreements between lenders and employers in connection with relocation programs maintained by employers that commonly relocate their employees (“relocation mortgage loans”), as opposed to being originated in connection with the non-recurring relocation of an employer’s place of business. See “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus. The characteristics of the Group 1 and Group 2 MBS and the related Mortgage Loans as of June 1, 1998 (the “Issue Date”) are expected to be as follows:

Group 1 MBS	
Aggregate Unpaid Principal Balance	\$600,000,000
MBS Pass-Through Rate	6.50%
Related Mortgage Loans	
Range of WACs (per annum percentages)	6.75% to 9.00%
Range of WAMs	241 months to 360 months
Approximate Weighted Average WAM	357 months
Approximate Weighted Average CAGE	2 months
Group 2 MBS	
Aggregate Unpaid Principal Balance	\$70,833,000
MBS Pass-Through Rate	6.25%
Related Mortgage Loans	
Range of WACs	6.50% to 8.75%
Range of WAMs	241 months to 360 months
Approximate Weighted Average WAM	354 months
Approximate Weighted Average CAGE	6 months

The Ginnie Mae Certificates

The Ginnie Mae Certificates specified below will have the aggregate unpaid principal balance and Pass-Through Rate set forth below and the general characteristics described in the REMIC Prospectus. All of the Ginnie Mae Certificates are Ginnie Mae I Certificates. See “Ginnie Mae and the Ginnie

Mae Programs” in the REMIC Prospectus. The characteristics of the Ginnie Mae Certificates and the Mortgage Loans as of the Issue Date are expected to be as follows:

Ginnie Mae Certificates	
Aggregate Unpaid Principal Balance	\$100,000,000
Ginnie Mae Pass-Through Rate	7.00%
Related Mortgage Loans	
WAC	7.50%
Range of WARMs	241 months to 360 months
Approximate Weighted Average WARM	305 months
Approximate Weighted Average WALA	50 months

Final Data Statement

Following the issuance of the Certificates, Fannie Mae will prepare a Final Data Statement setting forth, among other information, (a) with respect to the MBS, the Pool number, the current WAC (or original WAC, if the current WAC is not available) and the current WAM (or Adjusted WAM, if the current WAM is not available) of the 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 Group 1 and Group 2 MBS as of the Issue Date and (b) with respect to each Ginnie Mae 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 Ginnie Mae 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>
Group 1 Classes	
Fixed Rate	A, B, C, E, G and Z
Accrual	Z
RCR**	M, D, J, and K
Group 2 Classes	
Fixed Rate	LL and H
Group 3 Classes	
Floating Rate	F
Inverse Floating Rate	S
Interest Only	S
Principal Only	PO
RCR**	SA
No Payment Residual	R

* See “Description of the Certificates—Class Definitions and Abbreviations” in the REMIC Prospectus.
 ** See “Description of the Certificates—Combination and Recombination” herein and Schedule 1 for a further description of the RCR Classes.

General. The interest-bearing Certificates will bear interest at the applicable per annum interest rates set forth on the cover or described herein. Interest on the interest-bearing Certificates is calculated on the basis of a 360-day year consisting of twelve 30-day months and is distributable monthly on each Distribution Date, commencing (except with respect to the Accrual Class) in the month after the Settlement Date. Interest to be distributed or, in the case of the Accrual Class, added to principal on each interest-bearing Certificate on a Distribution Date will consist of one month’s

interest on the outstanding principal balance of such Certificate immediately prior to such Distribution Date.

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

<u>Classes</u>	<u>Interest Accrual Periods</u>
F, S and SA Classes	One month period ending on the day preceding the Distribution Date
All other interest-bearing Classes (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs

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

Solely for purposes of facilitating the trading of the Principal Only Class, such Class will be treated as a Delay Class.

Accrual Class. Interest will accrue on the Accrual Class at the per annum rate set forth on the cover hereof; however, such interest will not be distributed thereon until the Distribution Date following the Distribution Date on which the principal balance of the G Class is reduced to zero. Interest so accrued and unpaid on the Accrual Class will be added as principal to the principal balance thereof on each Distribution Date. Distributions of principal of the Accrual Class will be made as described herein.

Notional Classes. The Notional Classes will not have principal balances and will bear interest at the applicable per annum interest rates set forth on the cover or as described herein during each Interest Accrual Period on their respective notional principal balances. The notional principal balances of the Notional Classes will be 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 any distributions of principal. Although a Notional Class will not have a principal balance, a REMIC Trust Factor (as described herein) will be published with respect to such Class that will be applicable to the notional principal balance thereof, and references herein to the principal balances of the Certificates generally shall be deemed to refer also to the notional principal balances of the Notional Classes.

Floating Rate and Inverse Floating Rate Classes. The Floating Rate and Inverse Floating Rate Classes will bear interest during each Interest Accrual Period, subject to 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 of the F, S and SA Classes have been reduced to zero, Fannie Mae will establish LIBOR for the related Interest Accrual Period.

LIBOR will be established 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 5.652%.

Distributions of Principal

Categories of Classes

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

<u>Principal Type*</u>	<u>Classes</u>
Group 1 Classes	
Sequential Pay	A, B, C, E, G and Z
Accretion Directed	E and G
RCR**	M, D, J and K
Group 2 Classes	
Sequential Pay	LL and H
Retail	LL
Group 3 Classes	
Pass-Through	F and PO
Notional	S
RCR**	SA
No Payment Residual	R

* 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 monthly on the Certificates in an amount (the “Principal Distribution Amount”) equal to the sum of (i) the aggregate distributions of principal to be made on the Group 1 MBS in the month of such Distribution Date (the “Group 1 Cash Flow Distribution Amount”) and any interest accrued and added on such Distribution Date to the principal balance of the Z Class (the “Group 1 Accrual Amount,” and together with the Group 1 Cash Flow Distribution Amount, the “Group 1 Principal Distribution Amount”), (ii) the aggregate distributions of principal to be made on the Group 2 MBS in the month of such Distribution Date (the “Group 2 Principal Distribution Amount”) and (iii) the aggregate distributions of principal to be made on the Ginnie Mae Certificates in the month of such Distribution Date calculated as described in the immediately following paragraph (the “Group 3 Principal Distribution Amount”).

On or about the fifth business day of each month, Fannie Mae will aggregate the amount of principal reported to be receivable on the Ginnie Mae Certificates during such month on the basis of published Ginnie Mae factors for such month. For any Ginnie Mae 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 Ginnie Mae 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 Ginnie Mae 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 Ginnie Mae Certificate at the origination of such Ginnie Mae Certificate, adjusted to the Issue Date; and (ii) each Mortgage Loan underlying a Ginnie Mae

Certificate bears an interest rate of 7.50% per annum. All such amounts, whether reported in Ginnie Mae factors or calculated by Fannie Mae, will be reflected in the REMIC Trust Factors for the Distribution Date in such month and will be distributed to Holders of Certificates of the Group 3 Classes on such Distribution Date, whether or not received. There will also be reflected in such REMIC Trust Factors and distributable as principal on such Distribution Date the excess of (a) the distributions of principal of the Ginnie Mae 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 Ginnie Mae factors and the assumed distribution schedules specified above.

Group 1 Principal Distribution Amount

Group 1 Accrual Amount

On each Distribution Date, the Group 1 Accrual Amount will be distributed, sequentially, as principal of the E and G Classes, in that order, until the respective principal balances thereof are reduced to zero, and thereafter will be distributed as principal of the Z Class. } Accretion Directed Classes and Accrual Class

Group 1 Cash Flow Distribution Amount

On each Distribution Date, the Group 1 Cash Flow Distribution Amount will be distributed, sequentially, as principal of the A, B, C, E, G and Z Classes, in that order, until the respective principal balances thereof are reduced to zero. } Sequential Pay Classes

Group 2 Principal Distribution Amount

On each Distribution Date, the Group 2 Principal Distribution Amount will be distributed as principal of the Group 2 Classes in the following order of priority:

- (i) commencing in July 2001, to the LL Class, an amount up to \$12,500; and
- (ii) commencing in July 1998, sequentially, to the H and LL Classes, in that order, until the respective principal balances thereof are reduced to zero. } Sequential Pay Classes

Group 3 Principal Distribution Amount

On each Distribution Date, the Group 3 Principal Distribution Amount will be distributed, concurrently, as principal of the F and PO Classes, pro rata (or 77.777% and 22.223%, respectively), until the principal balances thereof are reduced to zero. } Pass-Through Classes

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 Group 1 MBS, Group 2 MBS and Ginnie Mae Certificates have the original terms to maturity, remaining terms to maturity or WARMs, CAGEs or WALAs, and interest rates as specified herein under “Reference Sheet—Assumed Characteristics of the Mortgage Loans Underlying the MBS and the Ginnie Mae Certificates”;
- all payments (including prepayments) on the Mortgage Loans underlying the Ginnie Mae Certificates are distributed on the Certificates in the month in which such payments are received;
- the Mortgage Loans prepay at the constant percentages of PSA specified in the related table; and
- the closing date for the sale of the Certificates is June 26, 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 applicable Classes to various constant percentages of PSA and, where specified, to changes in the Index. The yields set forth in the tables were calculated by determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the applicable Classes, would cause the discounted present value of such assumed streams of cash flows to equal the assumed aggregate purchase prices of such Classes and converting such monthly rates to corporate bond equivalent rates. Such calculations do not take into account variations that may occur in the interest rates at which investors may be able to reinvest funds received by them as distributions on the Certificates and consequently do not purport to reflect the return on any investment in the Certificates when such reinvestment rates are considered. *There can be no assurance that the pre-tax yields on the Certificates will correspond to any of the pre-tax yields shown herein or that the aggregate purchase prices of the Certificates will be as assumed. In addition, there can be no assurance that the Index will correspond to the levels shown herein. Furthermore, because some of the Mortgage Loans will likely have remaining terms to maturity shorter or longer than those assumed and, in the case of the Group 1 and Group 2 Classes, 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 S and SA Classes. **The yields to investors in the S and SA Classes will be sensitive in varying degrees to the rate of principal payments (including prepayments) of the related 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 applicable tables below, it is possible that, under certain Index and prepayment scenarios, investors in the S and SA 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 such Index.

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

<u>Class</u>	<u>Price*</u>
S	10.25000%
SA	110.28125%

* 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 S Class to Prepayments and LIBOR
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>190%</u>	<u>325%</u>	<u>500%</u>
3.652%	48.2%	44.5%	37.5%	26.7%	11.8%
5.652%	26.1%	22.6%	16.2%	6.3%	(7.4)%
7.652%	3.3%	0.2%	(5.6)%	(14.6)%	(27.1)%
8.700%	*	*	*	*	*

* 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>100%</u>	<u>190%</u>	<u>325%</u>	<u>500%</u>
3.652%	15.9%	15.6%	15.1%	14.1%	12.7%
5.652%	9.3%	9.0%	8.5%	7.6%	6.3%
7.652%	2.7%	2.5%	2.0%	1.2%	(0.0)%
8.700%	(0.7)%	(0.9)%	(1.3)%	(2.1)%	(3.3)%

The K Class. The yield to investors in the K Class will be very sensitive to the rate of principal payments (including prepayments) of the related Mortgage Loans. The Mortgage Loans generally can be prepaid at any time. On the basis of the assumptions described below, the yield to maturity on the K Class would be 0% if prepayments of the related Mortgage Loans were to occur at a constant rate of approximately 432% PSA. If the actual prepayment rate of the related Mortgage Loans were to exceed the applicable level for as little as one month while equaling such level for the remaining months, the investors in the K Class would not fully recoup their initial investments.

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

<u>Class</u>	<u>Price*</u>
K	60.25%

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

Sensitivity of the K Class to Prepayments

	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>170%</u>	<u>325%</u>	<u>500%</u>
Pre-Tax Yields to Maturity	10.2%	9.8%	8.6%	4.1%	(3.0)%

The PO Class. The PO Class will not bear interest. As indicated in the table below, a low rate of principal payments (including prepayments) on the related Mortgage Loans will have a negative effect on the yield to investors in the PO Class.

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

<u>Class</u>	<u>Price</u>
PO	74.40625%

**Sensitivity of the PO Class to Prepayments
(Per-Tax Yields to Maturity)**

	PSA Prepayment Assumption				
	50%	100%	190%	325%	500%
PO	2.5%	3.3%	5.0%	8.2%	13.1%

Weighted Average Lives of the Certificates

The weighted average life of a Certificate is determined by (a) multiplying the amount of the reduction, if any, of the principal balance of such Certificate from one Distribution Date to the next Distribution Date by the number of years from the Settlement Date to the second such Distribution Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the reductions in principal balance of such Certificate referred to in clause (a). For a description of the factors which may influence the weighted average life of a Certificate, see “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the 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 and the priority sequences of distributions of principal of the Group 1, Group 2 and Group 3 Classes. See “Distributions of Principal” herein.

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

Decrement Tables

The following tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each of the dates shown at various constant PSA 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 the underlying Mortgage Loans have the original and remaining terms to maturity and bear interest at the per annum rates specified below:

<u>Mortgage Loans Relating to Trust Assets Specified Below</u>	<u>Original Terms to Maturity</u>	<u>Remaining Terms to Maturity</u>	<u>Interest Rates</u>	<u>Related Groups</u>
Group 1 MBS	360 months	360 months	9.00%	Group 1
Group 2 MBS	360 months	360 months	8.75%	Group 2
Ginnie Mae Certificates	360 months	360 months	7.50%	Group 3

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

Percent of Original Principal Balances Outstanding

Date	A Class					B Class					C Class					E Class					
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					
	0%	100%	170%	325%	500%	0%	100%	170%	325%	500%	0%	100%	170%	325%	500%	0%	100%	170%	325%	500%	
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
June 1999	99	96	94	90	85	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
June 2000	98	88	82	69	55	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
June 2001	96	78	67	44	21	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
June 2002	95	68	53	23	0	100	100	100	100	86	100	100	100	100	100	100	100	100	100	100	100
June 2003	94	59	40	7	0	100	100	100	100	9	100	100	100	100	100	100	100	100	100	100	100
June 2004	92	50	29	0	0	100	100	100	70	0	100	100	100	100	0	30	30	30	30	0	0
June 2005	90	42	19	0	0	100	100	100	22	0	100	100	100	100	0	15	15	15	15	0	0
June 2006	88	35	10	0	0	100	100	100	0	0	100	100	100	0	0	0	0	0	0	0	0
June 2007	86	27	2	0	0	100	100	100	0	0	100	100	100	0	0	0	0	0	0	0	0
June 2008	83	21	0	0	0	100	100	76	0	0	100	100	100	0	0	0	0	0	0	0	0
June 2009	81	14	0	0	0	100	100	47	0	0	100	100	100	0	0	0	0	0	0	0	0
June 2010	78	8	0	0	0	100	100	20	0	0	100	100	100	0	0	0	0	0	0	0	0
June 2011	75	3	0	0	0	100	100	0	0	0	100	100	82	0	0	0	0	0	0	0	0
June 2012	71	0	0	0	0	100	88	0	0	0	100	100	0	0	0	0	0	0	0	0	0
June 2013	68	0	0	0	0	100	64	0	0	0	100	100	0	0	0	0	0	0	0	0	0
June 2014	64	0	0	0	0	100	42	0	0	0	100	100	0	0	0	0	0	0	0	0	0
June 2015	59	0	0	0	0	100	21	0	0	0	100	100	0	0	0	0	0	0	0	0	0
June 2016	54	0	0	0	0	100	2	0	0	0	100	100	0	0	0	0	0	0	0	0	0
June 2017	49	0	0	0	0	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0	0
June 2018	43	0	0	0	0	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0	0
June 2019	36	0	0	0	0	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0	0
June 2020	29	0	0	0	0	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0	0
June 2021	22	0	0	0	0	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0	0
June 2022	13	0	0	0	0	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0	0
June 2023	4	0	0	0	0	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0	0
June 2024	0	0	0	0	0	72	0	0	0	0	100	0	0	0	0	0	0	0	0	0	0
June 2025	0	0	0	0	0	21	0	0	0	0	100	0	0	0	0	0	0	0	0	0	0
June 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
June 2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
June 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	17.2	6.4	4.5	2.8	2.1	26.5	15.7	11.0	6.4	4.5	27.6	18.6	13.3	7.8	5.3	4.3	4.3	4.3	4.3	3.9	

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

Date	G Class					Z Class					M Class					D, J and K† Classes				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	170%	325%	500%	0%	100%	170%	325%	500%	0%	100%	170%	325%	500%	0%	100%	170%	325%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
June 1999	100	100	100	100	100	107	107	107	107	107	99	96	94	91	86	100	100	100	100	100
June 2000	100	100	100	100	100	114	114	114	114	114	98	89	83	71	58	100	100	100	100	100
June 2001	100	100	100	100	100	121	121	121	121	121	97	79	69	48	27	100	100	100	100	100
June 2002	100	100	100	100	100	130	130	130	130	130	95	71	56	29	7	100	100	100	100	100
June 2003	100	100	100	100	100	138	138	138	138	138	94	62	45	14	1	100	100	100	100	100
June 2004	100	100	100	100	65	148	148	148	148	148	92	54	34	5	0	100	100	100	100	81
June 2005	100	100	100	100	0	157	157	157	157	134	91	47	25	2	0	100	100	100	100	56
June 2006	100	100	100	98	0	168	168	168	168	92	89	40	17	0	0	100	100	100	100	38
June 2007	84	84	84	14	0	179	179	179	179	63	87	33	9	0	0	100	100	100	79	26
June 2008	68	68	68	0	0	191	191	191	149	43	85	27	6	0	0	100	100	100	62	18
June 2009	51	51	51	0	0	204	204	204	117	30	82	21	4	0	0	100	100	100	49	12
June 2010	32	32	32	0	0	218	218	218	92	20	80	15	2	0	0	100	100	100	38	8
June 2011	12	12	12	0	0	232	232	232	72	14	77	10	0	0	0	100	100	100	30	6
June 2012	0	0	0	0	0	241	241	229	56	9	74	7	0	0	0	100	100	95	23	4
June 2013	0	0	0	0	0	241	241	198	43	6	70	5	0	0	0	100	100	82	18	3
June 2014	0	0	0	0	0	241	241	171	34	4	66	3	0	0	0	100	100	71	14	2
June 2015	0	0	0	0	0	241	241	147	26	3	62	2	0	0	0	100	100	61	11	1
June 2016	0	0	0	0	0	241	241	125	20	2	58	*	0	0	0	100	100	52	8	1
June 2017	0	0	0	0	0	241	241	106	15	1	53	0	0	0	0	100	100	44	6	1
June 2018	0	0	0	0	0	241	212	89	11	1	47	0	0	0	0	100	88	37	5	*
June 2019	0	0	0	0	0	241	184	74	8	1	41	0	0	0	0	100	76	31	3	*
June 2020	0	0	0	0	0	241	158	61	6	*	35	0	0	0	0	100	66	25	3	*
June 2021	0	0	0	0	0	241	134	49	4	*	28	0	0	0	0	100	56	20	2	*
June 2022	0	0	0	0	0	241	111	39	3	*	20	0	0	0	0	100	46	16	1	*
June 2023	0	0	0	0	0	241	89	30	2	*	11	0	0	0	0	100	37	12	1	*
June 2024	0	0	0	0	0	241	68	22	1	*	5	0	0	0	0	100	28	9	1	*
June 2025	0	0	0	0	0	241	49	15	1	*	2	0	0	0	0	100	20	6	*	*
June 2026	0	0	0	0	0	211	30	9	*	*	0	0	0	0	0	88	13	4	*	*
June 2027	0	0	0	0	0	110	13	4	*	*	0	0	0	0	0	46	5	1	*	*
June 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	11.0	11.0	11.0	8.6	6.2	28.9	23.9	19.2	13.2	9.3	17.9	7.1	5.0	3.1	2.3	28.9	23.9	19.2	12.0	8.1

Date	LL Class					H Class					F, S†, PO and SA Classes				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	325%	425%	500%	0%	100%	325%	425%	500%	0%	100%	190%	325%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
June 1999	100	100	100	100	100	99	96	89	86	84	99	93	87	79	69
June 2000	100	100	100	100	100	98	89	70	63	57	98	86	76	63	48
June 2001	100	100	100	100	100	97	81	51	40	33	97	79	66	50	33
June 2002	99	99	99	99	99	96	74	37	24	16	96	73	58	39	23
June 2003	98	98	98	98	98	95	67	25	12	5	95	68	50	31	15
June 2004	96	96	96	96	83	94	61	16	4	0	93	62	44	25	11
June 2005	95	95	95	83	57	93	55	8	0	0	92	57	38	19	7
June 2006	94	94	94	61	39	92	49	3	0	0	90	52	33	15	5
June 2007	93	93	84	44	27	90	44	0	0	0	89	48	28	12	3
June 2008	92	92	66	32	18	88	39	0	0	0	87	43	24	9	2
June 2009	90	90	52	24	13	87	34	0	0	0	85	39	20	7	2
June 2010	89	89	40	17	9	85	30	0	0	0	83	35	17	6	1
June 2011	88	88	32	12	6	82	26	0	0	0	80	32	15	4	1
June 2012	87	87	25	9	4	80	22	0	0	0	78	28	12	3	*
June 2013	86	86	19	6	3	77	18	0	0	0	75	25	10	2	*
June 2014	84	84	15	5	2	74	15	0	0	0	73	22	9	2	*
June 2015	83	83	11	3	1	71	12	0	0	0	70	19	7	1	*
June 2016	82	82	9	2	1	67	9	0	0	0	66	16	6	1	*
June 2017	81	81	7	2	1	63	6	0	0	0	63	14	4	1	*
June 2018	80	80	5	1	*	59	3	0	0	0	59	11	3	1	*
June 2019	78	78	4	1	*	54	1	0	0	0	55	9	3	*	*
June 2020	77	71	3	1	*	49	0	0	0	0	50	7	2	*	*
June 2021	76	60	2	*	*	44	0	0	0	0	46	5	1	*	*
June 2022	75	49	1	*	*	37	0	0	0	0	40	3	1	*	*
June 2023	74	39	1	*	*	31	0	0	0	0	35	1	*	*	*
June 2024	72	30	1	*	*	23	0	0	0	0	29	0	0	0	0
June 2025	71	21	*	*	*	15	0	0	0	0	22	0	0	0	0
June 2026	70	12	*	*	*	6	0	0	0	0	16	0	0	0	0
June 2027	51	4	*	*	*	0	0	0	0	0	8	0	0	0	0
June 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	25.2	22.3	12.1	9.5	8.1	20.0	8.8	3.5	2.8	2.5	20.2	9.8	6.7	4.2	2.7

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

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

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

Characteristics of the R Class

The R Class will not have a 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 (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 REMIC 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 REMIC 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 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 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 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 Class, 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 Class, the Accrual Class and the Principal Only 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 170% PSA in the case of the Group 1 Classes, 325% PSA in the case of the Group 2 Classes and 190% PSA in the case of the Group 3

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

Taxation of Beneficial Owners of Residual Certificates

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 7.06% (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. Certain RCR Certificates (the “Strip RCR Certificates”) will represent the right to receive a disproportionate part of the principal or interest payments on one or more underlying Regular Certificates. Each RCR Certificate other than a Strip RCR Certificate (the “Combination RCR Certificates”) will represent beneficial ownership of undivided interests in two or more underlying Regular Certificates.

The Strip RCR Classes are the J and K Classes. The M, D and SA Classes are Combination RCR Classes.

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

A beneficial owner who purchases a Strip RCR Certificate should calculate OID with respect to the Strip RCR Certificate and include such OID in its ordinary income for federal income tax purposes as it accrues, which may be prior to the receipt of the cash attributable to such income, in accordance with a constant yield method that takes into account the compounding of interest. Although the matter is not entirely clear, a beneficial owner of a Strip RCR Certificate should accrue OID using a method similar to that described with respect to the accrual of OID on a Regular Certificate under

“Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the REMIC Prospectus. A beneficial owner, however, determines its yield to maturity based on its purchase price and on a schedule of payments projected using a prepayment assumption. A beneficial owner then makes periodic adjustments to take into account actual prepayment experience. With respect to a particular beneficial owner, it is not clear whether the prepayment assumption used for calculating OID would be one determined at the time of purchase of the Strip RCR Certificate or would be the original Prepayment Assumption with respect to the underlying Regular Certificates. Investors should consult their own tax advisors regarding this matter. For purposes of information reporting relating to OID, Fannie Mae will use the original yield to maturity of the Strip RCR Certificate, calculated based on the original Prepayment Assumption.

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

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

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

Combination RCR Classes. A beneficial owner of a Combination RCR Certificate will be treated as the beneficial owner of a proportionate interest in the related 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 REMIC Prospectus. When a beneficial owner sells a Combination RCR Certificate, such owner must allocate the sale proceeds among the related Classes of REMIC Certificates in proportion to their relative fair market values at the time of sale.

Exchanges. An exchange, as described under “Description of the Certificates—Combination and Recombination” herein, by a beneficial owner of (i) a combination of REMIC Certificates or (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 and Ginnie Mae Certificates pursuant to a Fannie Mae commitment. The Dealer proposes to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect such transactions to or through dealers.

Increase in Certificates. Before the Settlement Date, Fannie Mae and the Dealer may agree to offer hereby Group 1, Group 2 or Group 3 Classes in addition to those contemplated as of the date hereof. In such event, the related MBS or Ginnie Mae Certificates, as applicable, will be increased in principal balance, but it is expected that all such additional MBS or Ginnie Mae Certificates, as applicable, will have the same characteristics as described herein under “Description of the Certificates—The MBS” and “—The Ginnie Mae Certificates,” as applicable. The proportion that the original principal balance of each Group 1, Group 2 or Group 3 Class bears to the aggregate original principal balance of all Group 1, Group 2 or Group 3 Classes, respectively, will remain the same.

LEGAL MATTERS

Certain legal matters will be passed upon for the Dealer by Brown & Wood LLP. Brown & Wood LLP also performs legal services for Fannie Mae.

Available Recombinations (1)

REMIC Certificates		RCR Certificates						
Class	Original Principal or Notional Principal Balance	RCR Class	Original Principal or Notional Principal Balance	Interest Rate	Interest Type (2)	Principal Type (2)	CUSIP Number	Final Distribution Date
Recombination 1								
A	\$383,141,000	M	\$414,572,700	6.5%	FIX	SEQ	31359 T J 66	December 2025
B	31,431,700							
Recombination 2								
E	33,865,000	D	120,642,000	6.5	FIX	SEQ	31359 T J 25	July 2028
G	36,763,000							
Z	50,014,000							
Recombination 3								
E	33,865,000	J	120,642,000	6.0	FIX	SEQ	31359 T J 33	July 2028
G	36,763,000	K	9,280,153	6.5	FIX/IO	NTL	31359 T J 41	July 2028
Z	50,014,000							
Recombination 4								
S	77,777,000	SA	22,223,000	(3)	INV	PT	31359 T J 58	June 2028
PO	22,223,000							

- (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 this interest rate, see “Description of the Certificates—Distribution of Interest” 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.

\$758,333,000



**Guaranteed REMIC
Pass-Through Certificates
Fannie Mae REMIC Trust 1998-40**

PROSPECTUS SUPPLEMENT

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GREENWICH CAPITAL

May 20, 1998
