

\$314,793,055 (Approximate)



FannieMae

**Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 1998-65**

Carefully consider the risk factors starting on page 6 of this prospectus.

Neither the certificates nor interest on the certificates are guaranteed by the United States, and they do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.

The certificates are exempt from registration under the Securities Act of 1933 and are "exempted securities" under the Securities Exchange Act of 1934.

The Certificates

We, the Federal National Mortgage Association or Fannie Mae, will issue the classes of certificates listed in the chart on this page. The certificates will represent beneficial ownership interests in the trust assets.

Distributions to Certificateholders

You, the investor, will receive monthly distributions on your certificates, including

- interest accrued on the balance of your certificates, subject to the limitations described in this prospectus, and
- principal to the extent available for payment.

It is possible that we will pay little or no principal on the certificates for extended periods following their issuance. Thereafter, we expect to pay principal at rates that will vary from time to time.

The Fannie Mae Guaranty

We will guarantee that the payments of monthly interest and principal described in this prospectus are distributed to investors on time and that the full principal balance of each class of certificates is paid no later than the applicable final distribution date shown below.

The Trust and its Assets

The trust will own the underlying REMIC securities listed on Exhibit A. The underlying REMIC securities represent interests in twelve separate pools of fixed-rate manufactured housing contracts established by Green Tree Financial Corporation.

Class	Group	Original Class Balance(1)	Principal Type	Interest Rate	Interest Type	CUSIP Number	Final Distribution Date
A1	1	\$ 10,033,000	SC/SEQ	5.53%(2)	AFC	31359UY41	September 2028
A2	1	205,943,000	SC/SEQ	5.85(2)	AFC	31359UY58	September 2028
A3	1	8,657,055	SC/SEQ	6.39(2)	AFC	31359UY66	September 2028
I1	1	224,633,055(3)	NTL	(4)	WAC/IO	31359UY74	September 2028
A4	2	90,160,000	SC/PT	6.43(2)	AFC	31359UY82	July 2029
I2	2	90,160,000(3)	NTL	(4)	WAC/IO	31359UY90	July 2029
R		0	NPR	0	NPR	31359UZ24	July 2029
RL		0	NPR	0	NPR	31359UZ32	July 2029

(1) Subject to a permitted variance of plus or minus 5% in the aggregate.

(2) Subject to the limitations described in this prospectus.

(3) Notional balances. These are interest only classes.

(4) The I1 and I2 classes will bear interest during each interest accrual period at the variable rates described in this prospectus.

Lehman Brothers Inc. will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be October 30, 1998.

LEHMAN BROTHERS

October 23, 1998

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ADDITIONAL INFORMATION

You should purchase the certificates only if you have read this prospectus and the following documents (the “Disclosure Documents”):

- the disclosure documents relating to the underlying REMIC securities (the “Underlying REMIC Disclosure Documents”); and
- our current Information Statement dated March 31, 1998 and its supplements (the “Information Statement”).

The Information Statement contains important financial and other information about Fannie Mae which we are incorporating by reference in this prospectus. This means that we are disclosing important information to you by referring to these documents. Therefore, you should read them together with this prospectus.

You can obtain copies of this prospectus and our Information Statement from our World Wide Web site at www.fanniemae.com or by writing or calling:

- Fannie Mae
Office of Investor Relations
3900 Wisconsin Avenue, N.W.
Area 2H-3S
Washington, D.C. 20016
(telephone 1-800-237-8627 or 202-752-6547).

You can obtain copies of this prospectus and the Underlying REMIC Disclosure Documents by writing or calling:

- Lehman Brothers Inc.
Prospectus Department
536 Broadhollow Road
Melville, New York 11747
(telephone 516-254-7106).

REFERENCE SHEET

This reference sheet highlights information contained elsewhere in this prospectus. As a reference sheet, it speaks in general terms without giving details or discussing any exceptions. Before buying the certificates, you should have the complete picture. For that, you must read this prospectus in its entirety as well as each of the other disclosure documents listed on page 3.

General

- The certificates will represent beneficial ownership interests in the trust assets.
- The trust assets will consist of various underlying REMIC securities that represent interests in pools of fixed-rate manufactured housing contracts established by Green Tree Financial Corporation.

Characteristics of the Underlying REMIC Securities and Assumed Characteristics of the Related Contracts

Exhibit A contains certain information about the underlying REMIC securities, including the assumed characteristics of the related manufactured housing contracts. You can obtain certain additional information about the underlying REMIC securities by reviewing the underlying REMIC disclosure documents. You can obtain the underlying REMIC disclosure documents as described on page 3.

Class Factors

On or shortly before each applicable monthly distribution date, we will publish the class factor for each class of certificates (other than the R and RL classes). If you multiply the class factor by the original principal balance (or notional balance) of a certificate of the related class, you will obtain the current principal balance (or notional balance) of that certificate, after giving effect to the current month's payments.

Settlement Date

We expect to issue the certificates on October 30, 1998.

Distribution Dates

Beginning in November 1998, we will make payments on the A1, A2, A3 and I1 classes on the 16th day of each month, or on the next business day if the 16th day is not a business day.

Beginning in December 1998, we will make payments on the A4 and I2 classes on the 2nd day of each month, or on the next business day if the 2nd day is not a business day.

Book-Entry and Physical Certificates

We will issue the book-entry certificates through The Depository Trust Company, which will electronically track ownership of those certificates and payments on them. We will issue the physical certificates in registered, certificated form.

We will issue the certificates in the following forms:

<u>DTC Book-Entry</u>	<u>Physical</u>
all classes of certificates other than the R and RL classes	R and RL classes

Interest Rates

During the applicable interest accrual periods, the A1, A2, A3 and A4 classes will bear interest at the applicable annual interest rates listed on the cover, subject to the interest limitations described in this prospectus.

During the applicable interest accrual periods, the I1 and I2 classes will bear interest at the applicable variable rates, subject to the interest limitations described in this prospectus.

Notional Classes

A notional class will not receive any principal. Each notional class has a notional principal balance used to calculate accrued interest. The notional principal balances will equal the percentage of the outstanding balance or balances indicated below immediately before the related monthly distribution date:

<u>Class</u>	
I1	100% of the A1 Class 100% of the A2 Class 100% of the A3 Class
I2	100% of the A4 Class

Distributions of Principal

Group 1 Principal Distribution Amount

To the A1, A2 and A3 classes, in that order, to zero.

Group 2 Principal Distribution Amount

To the A4 class to zero.

Weighted Average Lives

<u>Group 1 Classes</u>	<u>MHP Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>250%</u>	<u>350%</u>	<u>500%</u>
A1	4.5	2.1	1.0	0.7	0.5
A2	13.4	10.0	5.8	4.3	2.9
A3	18.9	16.5	10.6	7.9	5.7
I1	13.2	9.9	5.8	4.3	2.9
<u>Group 2 Classes</u>	<u>MHP Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>200%</u>	<u>350%</u>	<u>500%</u>
A4 and I2	18.6	13.7	9.1	5.1	3.3

RISK FACTORS

We have listed below some of the risks associated with an investment in the certificates. Because each investor has different investment needs and a different risk tolerance, you should consult your own financial and legal advisors to determine whether the certificates are a suitable investment for you.

Suitability

The certificates are **not** a suitable investment for every investor.

- Before investing, you should have sufficient knowledge and experience to evaluate the merits and risks of the certificates and the information contained in this prospectus and the other disclosure documents.
- You should thoroughly understand the terms of the certificates.
- You should thoroughly understand the terms of the underlying REMIC securities.
- You should be able to evaluate (either alone or with the help of a financial advisor) the economic, interest rate and other factors that may affect your investment.
- You should have sufficient financial resources and liquidity to bear all risks associated with the certificates.
- You should investigate any legal investment restrictions that may apply to you.
- if and when the related manufactured housing contracts are liquidated due to borrower defaults, casualties or condemnations affecting the manufactured homes;
- if and when the related manufactured housing contracts are repurchased due to breaches of certain representations and warranties or exercise of certain options to call the underlying REMIC securities; and
- the actual characteristics of the related manufactured housing contracts.

Because certain manufactured housing contracts backing the underlying REMIC securities have comparatively higher coupons, they may be more likely to prepay than manufactured housing contracts having lower coupons. If the higher coupon contracts prepay earlier or in greater amounts than you expect, the rate of interest accruing on the certificates could decline. In such event, your expected yield could decline and, particularly in the case of the interest only certificates, such decline could be significant.

Investors whose investment activities are subject to legal investment laws and regulations, or to review by regulatory authorities, may be unable to buy certain certificates. You should get legal advice in determining whether your purchase of the certificates is a legal investment for you or is subject to any investment restrictions.

Yield Considerations

Your effective yield on the certificates will depend upon:

- the price you paid for the certificates;
- how quickly or slowly borrowers prepay the related manufactured housing contracts;

In addition, the rate of principal payments on the underlying REMIC securities will depend on the payment priorities of the underlying REMIC securities. As described in the applicable underlying REMIC disclosure documents, each of the underlying REMIC securities is subsequent in payment priority to certain other classes in the same trust. As a result, in general, such other classes will continue to receive principal before any principal is paid on the underlying REMIC securities. It is possible that for an extended period only a very limited amount of principal will be available for payment on the certificates. See the underlying REMIC disclosure documents for a description of the payment features of the underlying REMIC securities.

The actual yield on your certificates probably will be lower than you expect:

- if you bought your certificates at a premium and principal payments are faster than you expected, or
- if you bought your certificates at a discount and principal payments are slower than you expected.

Furthermore, in the case of interest only certificates and certificates purchased at a premium, you could lose money on your investment if prepayments occur at a rapid rate.

Even if the underlying manufactured housing contracts are prepaid at a rate that on average is consistent with your expectations, variations in the rate over time could significantly affect your yield. Generally, the earlier the payment of principal, the greater the effect on your yield. As a result, if the rate of principal prepayment during any period is faster or slower than you expected, a corresponding reduction or increase in the prepayment rate during a later period may not fully offset the impact of the earlier rate on your yield.

You must make your own decision as to the applicable assumptions, including prepayment assumptions, in deciding whether to purchase the certificates.

For purposes of this prospectus, we used certain assumptions in preparing the tabular information concerning the manufactured housing contracts backing the underlying REMIC securities. Since the actual contract characteristics differ from those assumptions, the weighted average lives and yields of the certificates may differ even if the manufactured housing contracts prepay at the assumed prepayment rates.

The actual final payment on your certificates may occur earlier, and could occur much earlier, than the final distribution date listed on the cover page. If you assumed the actual final payment would occur on the final distribution date specified, your yield could be lower than you expected.

Prepayment Considerations

Principal payments will occur as a result of scheduled amortization or prepayments. The

rate of principal payments is likely to vary considerably from time to time because borrowers generally may prepay the manufactured housing contracts at any time without penalty.

It is highly unlikely that all of the manufactured housing contracts will prepay

- at the rates we assume,
- at a constant percentage of the specified prepayment scenario until maturity, or
- at the same rate.

Many manufactured housing contracts provide that the lender can require repayment in full if the borrower sells the manufactured home that secures the contract. If the servicer were to enforce these provisions, property sales by borrowers would affect the rate of prepayment. In addition, borrowers may seek to refinance their contracts by obtaining new loans secured by the same manufactured homes. Refinancing of manufactured housing contracts generally has increased in recent periods and any continuation of this trend could affect the rate of prepayment. Furthermore, Green Tree Financial Corporation, the institution that formed the pools backing the underlying REMIC securities, may have to repurchase contracts from the pools if those contracts fail to conform to the representations and warranties that it made when the pools were formed. Any such repurchases also would affect the rate of prepayment.

In general, Green Tree Financial Corporation or the servicer of the manufactured housing contracts in an underlying REMIC trust may terminate that trust once the related pool balance is reduced to less than 10% of its original level. If Green Tree Financial Corporation or the servicer terminates an underlying REMIC trust, all of the manufactured housing contracts in the related contract pool would be purchased from that pool. Such a purchase would have the same effect as a prepayment in full of those contracts. Each of the underlying REMIC trusts may also be terminated for failing to qualify as a REMIC and for other reasons. Because of the potential impact of such terms on the weighted average lives of the certificates, you should read the underlying REMIC disclosure documents.

In general, the rates of prepayment may be influenced by various factors, including the following:

- the level of current interest rates relative to the rates borne by the manufactured housing contracts backing the underlying REMIC securities,
- homeowner mobility,
- borrower sophistication regarding the benefits of refinancing,
- solicitation by competing lenders,
- repurchases of manufactured housing contracts from the related pools as a result of a breach by Green Tree Financial Corporation of certain representations and warranties or due to the exercise of the option to terminate the related underlying REMIC trusts, and
- general economic conditions.

Because manufactured housing contracts generally have smaller balances and shorter maturities than single-family mortgage loans, the prepayment rate of the contracts backing the underlying REMIC securities may be less sensitive than mortgage loans to fluctuations in the level of prevailing interest rates.

Because so many factors affect the rate of prepayment of a pool of manufactured housing contracts, we cannot estimate the prepayment experience of the contracts backing the underlying REMIC securities.

Market and Liquidity Considerations

We cannot be sure that a market for resale of the certificates will develop. Further, if a market develops, it may not continue or be sufficiently liquid to allow you to sell your certificates. Even if you are able to sell your certificates, the sale price may not be comparable to similar investments that have a developed market. Moreover, you may not be able to sell small or large amounts of certificates at prices comparable to those available to other investors.

A number of factors may affect the resale of certificates, including the following:

- the characteristics of the manufactured housing contracts backing the underlying REMIC securities,
- the outstanding principal amount of the certificates,
- the amount of certificates offered for resale from time to time,
- any legal restrictions or tax treatment limiting demand for the certificates,
- the availability of comparable securities, and
- the level, direction and volatility of interest rates generally.

Fannie Mae Guaranty Considerations

If we were unable to perform our guaranty obligations, certificateholders would receive only payments on the underlying REMIC securities, which we do not guaranty. If that happened, delinquencies and defaults on the manufactured housing contracts backing the underlying REMIC securities could directly affect the amounts that certificateholders would receive each month. Moreover, our guaranty does not cover reductions in the certificate interest rates due to the available funds limitations described in this prospectus or reductions in the interest amounts payable on the certificates due to interest shortfalls experienced by the underlying REMIC securities, including shortfalls arising from prepayments in full on the underlying manufactured housing contracts.

Certain Additional Considerations Relating to Manufactured Housing Contracts

Although certain of the manufactured housing contracts backing the underlying REMIC securities are secured by first-lien mortgages or deeds of trust on the real estate to which the manufactured homes are permanently affixed, most of the contracts represent borrowers' obligations to repay their loans and the grant of a security interest by the borrowers in their manufactured homes as collateral to assure repayment of their loans. These security interests may be "perfected" under the Uniform Commercial Code or under state titling statutes.

Under certain circumstances, the security interest assigned to the trust may become subordinate to the interests of other parties or may be vulnerable to the creditors of Green Tree Financial Corporation in a bankruptcy situation. Further, even if steps are taken initially to perfect the security interests in certain of the manufactured homes, if borrowers relocate or sell their manufactured homes, the related se-

curity interests could cease to be perfected. Certain other laws, including federal and state bankruptcy and insolvency laws and general equity principles may limit or delay a lender's ability to repossess and resell the collateral. You should read the underlying REMIC disclosure documents carefully to understand the legal issues related to manufactured housing contracts.

DESCRIPTION OF THE CERTIFICATES

The material under this heading summarizes certain features of the Guaranteed REMIC Pass-Through Certificates (the “Certificates”). You will find additional information about the Certificates in the other sections of this prospectus as well as in the Trust Agreement.

General

Structure. We will create the Fannie Mae REMIC Trust specified on the cover of this prospectus (the “Trust”) and a separate trust (the “Lower Tier REMIC”) pursuant to a trust agreement dated October 30, 1998 (the “Trust Agreement”). We will execute the Trust Agreement in our corporate capacity and as trustee (the “Trustee”). We will issue the Certificates pursuant to the Trust Agreement.

The Trust and the Lower Tier REMIC each will constitute a “real estate mortgage investment conduit” (“REMIC”) under the Internal Revenue Code of 1986, as amended (the “Code”).

- The Certificates (except the R and RL Classes) will be “regular interests” in the Trust.
- The R Class will be the “residual interest” in the Trust.
- The interests in the Lower Tier REMIC other than the RL Class (the “Lower Tier Regular Interests”) will be the “regular interests” in the Lower Tier REMIC.
- The RL Class will be the “residual interest” in the Lower Tier REMIC.

The assets of the Trust will consist of the Lower Tier Regular Interests. The assets of the Lower Tier REMIC will consist of two groups of previously issued REMIC securities (the “Group 1 Underlying REMIC Securities” and the “Group 2 Underlying REMIC Securities” and, together, the “Underlying REMIC Securities”) representing a portion of the senior beneficial ownership interests in twelve separate pools of manufactured housing contracts held in the related REMIC trusts (the “Underlying REMIC Trusts”). Payments made on the Group 2 Underlying REMIC Securities in November 1998 will not be included as part of the assets of the Lower Tier REMIC. See “— The Underlying REMIC Securities” and Exhibit A for certain information regarding the Underlying REMIC Securities, and see the Underlying REMIC Disclosure Documents for a more detailed discussion.

Fannie Mae Guaranty. We guarantee that we will distribute to Certificateholders:

- required payments of interest and principal on the Certificates on time, and
- the full principal balance of each class of Certificates no later than its Final Distribution Date, whether or not we have received sufficient payments on the Underlying REMIC Securities.

If we were unable to perform our guaranty obligations, Certificateholders would receive only the amounts paid on the Underlying REMIC Securities, which we do not guaranty. If that happened, delinquencies and defaults on the Contracts backing the Underlying REMIC Securities could directly affect the amounts that Certificateholders would receive each month. Moreover, our guaranty does not cover reductions in the interest rates on the Certificates due to the available funds limitations described in this prospectus or reductions in the interest amounts payable on the Certificates due to interest shortfalls experienced by the Underlying REMIC Securities, including interest shortfalls arising from prepayments in full on the related Contracts. Our guaranty is not backed by the full faith and credit of the United States.

Characteristics of Certificates. The Certificates (except for the R and RL classes) will be represented by one or more certificates (the “DTC Certificates”) which will be registered in the name of the nominee of The Depository Trust Company (“DTC”). DTC will maintain the DTC Certificates through its book-entry facilities. The “Holder” or “Certificateholder” of a DTC Certificate is the nominee of DTC. The Holder of a DTC Certificate is not necessarily the beneficial owner of that

Certificate. Beneficial owners ordinarily will “hold” DTC Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations.

We will issue the R and RL classes in fully registered, certificated form. The “Holder” or “Certificateholder” of the R or RL class Certificate is its registered owner. The R and RL class Certificates can be transferred at the corporate trust office of our transfer agent, or at the office of the transfer agent in New York, New York. State Street Bank and Trust Company in Boston, Massachusetts (“State Street”) will be our initial transfer agent. We may impose a service charge for any registration of transfer of the R or RL class Certificate and may require payment to cover any tax or other governmental charge. See also “Characteristics of the R and RL Classes.”

The Holder of the R class will receive the proceeds of any remaining assets of the Trust and the Holder of the RL class will receive the proceeds of any remaining assets in the Lower Tier REMIC, in each case only by presenting and surrendering the related Certificate at the office of our paying agent. State Street will be the initial paying agent.

Authorized Denominations. We will issue the Certificates, other than the R and RL classes, in minimum denominations of \$1,000 and whole dollar increments. We will issue the R and RL classes as single Certificates with no principal balances.

Distribution Dates. We will make payments on the A1, A2, A3 and I1 classes (the “Group 1 Certificates”) on the 16th day of each month (or, if the 16th day is not a business day, on the first business day after the 16th day), beginning in November 1998. We will make payments on the A4 and I2 classes (the “Group 2 Certificates”) on the 2nd day of each month (or, if the 2nd day is not a business day, on the first business day after the 2nd day), beginning in December 1998. We refer to each such date as a “Distribution Date.”

Record Date. On each applicable Distribution Date, we will make the required payments to the related Certificateholders who were Holders of record on the day before that Distribution Date.

Class Factors. On or shortly before each applicable Distribution Date, we will publish a class factor for each class of Certificates (other than the R and RL classes). If you multiply the class factor by the original principal balance (or notional balance) of a Certificate of the related class, you will obtain the current principal balance (or notional balance) of that Certificate after taking into account payments on the related Distribution Date.

Termination of the Underlying REMIC Trusts. In general, Green Tree Financial Corporation (“Green Tree”) or the servicer of an Underlying REMIC Trust may terminate that trust when the principal balance of the related Pool is reduced to less than 10% of its original level. If Green Tree or the servicer terminates an Underlying REMIC Trust, all of the manufactured housing contracts in the related pool would be purchased, having the effect of a prepayment in full of such contracts. Each of the Underlying REMIC Trusts may also be terminated for failing to qualify as a REMIC and for other reasons. For a further discussion of termination of the Underlying REMIC Trusts, see the Underlying REMIC Disclosure Documents.

Voting the Underlying REMIC Securities. Holders of the Underlying REMIC Securities may have to vote on issues arising under the documents governing the Underlying REMIC Trusts. If so, the Trustee will vote the Underlying REMIC Securities as instructed by Holders of the classes of Certificates backed by those Underlying REMIC Securities. The Trustee must receive instructions from Holders of Certificates having principal balances totaling at least 51% of the aggregate principal balance of all such classes outstanding. In the absence of such instructions, the Trustee will vote in a manner consistent, in its sole judgment, with the best interests of Certificateholders.

The Underlying REMIC Securities

The Underlying REMIC Securities represent a portion of the senior beneficial ownership interests in twelve separate pools (each, a “Pool”) of fixed-rate manufactured housing installment sale contracts and installment loan agreements (the “Contracts”) held in the related Underlying REMIC Trusts. Each of the Underlying REMIC Trusts was established by Green Tree. The Contracts in the various Pools were originated or purchased under various programs and guidelines of Green Tree and currently are serviced by Green Tree.

Each of the Underlying REMIC Securities represents an entitlement to monthly interest and principal due on the Contracts, subject to the payment priorities specified in the Underlying REMIC Disclosure Documents. Required payments of interest and principal on the Underlying REMIC Securities will be passed through to Holders of the Certificates in the related Certificate Group. Interest on the Underlying REMIC Securities will accrue on their outstanding principal balances at the annual rates indicated on Exhibit A. However, the interest rates on certain of the Underlying REMIC Securities are subject to reductions due to the available funds limitations described in the Underlying REMIC Disclosure Documents. In addition, the amount of interest payable on the Underlying REMIC Securities may be reduced as a result of certain shortfalls in interest arising from prepayments in full on the Contracts that are not absorbed by certain subordinated interests in the related Underlying REMIC Trusts. Interest on each of the Underlying REMIC Securities will be paid concurrently with the other senior classes of the related series. Principal on the Underlying REMIC Securities will be passed through based on the specific cash flow sequence and subject to the payment priorities described in the related Underlying REMIC Disclosure Documents. In particular, each of the Underlying REMIC Securities is subsequent in payment priority to certain other classes in the same series. As a result, it is possible that little or no principal will be paid on the Underlying REMIC Securities for extended periods following the issuance of the Certificates. Moreover, if the Underlying REMIC Trusts meet certain performance tests, the related Underlying REMIC Securities will share principal with other classes representing subordinate interests in those Underlying REMIC Trusts. As a result, the rate of principal payments on the Underlying REMIC Securities may vary considerably from time to time.

Please see Exhibit A for certain information about each of the Underlying REMIC Securities.

Additional information relating to the Underlying REMIC Securities, the Underlying REMIC Trusts and the related Contracts is contained in the Underlying REMIC Disclosure Documents. Prospective investors are urged to read these documents, which may be obtained as described on page 3. However, it should be noted that there may have been material changes in facts and circumstances since the dates that Green Tree prepared the Underlying REMIC Disclosure Documents. These may include changes in prepayment speeds, prevailing interest rates and other economic factors. As a result, the usefulness of the information set forth in such documents, especially for the Pools formed in previous years, may be limited.

Book-Entry Procedures

General. The DTC Certificates will be registered in the name of the nominee of DTC, a New York-chartered limited purpose trust company, or any successor depository that we select or approve (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 our paying agent and perform certain administrative functions in connection with the DTC Certificates.

A person who acquires a beneficial ownership interest in the DTC Certificates (a “beneficial owner” or an “investor”) will not receive a physical certificate representing such 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 the

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. If the intermediary is not a Depository Participant, the intermediary's record ownership will be recorded on the records of a Depository Participant acting as an agent for the financial intermediary. Accordingly, neither the Trustee nor the Depository will recognize an investor as a Certificateholder. An investor must rely on the foregoing arrangements to evidence its interest in the DTC Certificates. An investor may transfer its beneficial ownership interest in the DTC Certificates only by complying with the procedures of its 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. Our paying agent will distribute each distribution on the DTC Certificates to the Depository in immediately available funds. The Depository will credit such distributions to the accounts of the Depository Participants entitled to them, in accordance with the Depository's normal procedures. The Depository currently provides for distributions in same-day funds settled through the New York clearing house. Each Depository Participant and each financial intermediary will disburse such distributions to the beneficial owners of the DTC Certificates that it represents. Accordingly, the beneficial owners may experience a delay in receiving distributions.

Certificated Classes

We will issue the R and RL classes in fully registered, certificated form and not in book-entry form. When we use the term "Holder" or "Certificateholder" in connection with the R or RL class, we mean its registered owner. The R and RL classes can be transferred at the corporate trust office of our transfer agent. We may impose a service charge for any transfer registration and may require payment to cover any tax or other governmental charge.

Distributions of Interest

Categories of Classes

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

<u>Interest Type*</u>	<u>Classes</u>
Group 1 Classes	
Available Funds	A1, A2 and A3
Weighted Average Coupon	I1
Interest Only	I1
Group 2 Classes	
Available Funds	A4
Weighted Average Coupon	I2
Interest Only	I2
No Payment Residual	R and RL

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

General. We will pay interest on the interest-bearing Certificates at the applicable annual interest rates, subject to the limitations described in this prospectus. We calculate interest based on an assumed 360-day year consisting of twelve 30-day months and we pay interest monthly on each Distribution Date, beginning in November 1998 for the Group 1 Certificates and beginning in December 1998 for the Group 2 Certificates. Interest to be paid on each interest-bearing Certificate on a Distribution Date will consist of one month's interest on the outstanding principal balance (or notional balance) of that Certificate immediately before that Distribution Date.

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

<u>Certificates</u>	<u>Interest Accrual Period</u>
Group 1 Certificates	One month period beginning on the 16th day of the month preceding the current Distribution Date and ending on the 15th day of the month in which the current Distribution Date occurs (or in the case of the initial Distribution Date, the period beginning on October 30, 1998 and ending on November 15, 1998).
Group 2 Certificates	One month period beginning on the 2nd day of the month preceding the current Distribution Date and ending on the 1st day of the month in which the current Distribution Date occurs (or in the case of the initial Distribution Date, the period beginning on October 30, 1998 and ending on December 1, 1998).

Available Funds Classes. We will pay interest on the A1, A2 and A3 classes on each Distribution Date equal to the interest accrued on their respective principal balances at annual rates equal to the **lesser** of:

- the applicable interest rates listed on the cover of this prospectus,
- and
- the weighted average of the interest rates of the Group 1 Underlying REMIC Securities, weighted on the basis of their principal balances, minus 0.11%;

subject to any adjustments as described below under “—*Interest Adjustment Amounts.*”

We will pay interest on the A4 class on each Distribution Date equal to the interest accrued on its principal balance at an annual rate equal the **lesser** of:

- the applicable interest rate listed on the cover of this prospectus,
- and
- the weighted average of the interest rates of the Group 2 Underlying REMIC Securities, weighted on the basis of their principal balances, minus 0.11%;

subject to any adjustments as described below under “—*Interest Adjustment Amounts.*”

Weighted Average Coupon Classes. We will pay interest on the I1 class on each Distribution Date at an annual rate equal to:

- the weighted average of the interest rates of the Group 1 Underlying REMIC Securities, weighted on the basis of their principal balances, minus 0.11%,

minus

- the weighted average of the interest rates of the A1, A2 and A3 classes, weighted on the basis of their principal balances;

subject to any adjustments as described below under “—*Interest Adjustment Amounts.*”

We will pay interest on the I2 class on each Distribution Date at an annual rate equal to:

- the weighted average of the interest rates on the Group 2 Underlying REMIC Securities, weighted on the basis of their principal balances, minus 0.11%,

minus

- the interest rate of the A4 class;

subject to any adjustment as described below under “—*Interest Adjustment Amounts*.”

Our determination of the rate of interest for each of the weighted average coupon classes will be final and binding, absent manifest error. You may obtain these rates by calling the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-6547.

Notional Classes. The Notional classes will not have principal balances. However, during each Interest Accrual Period, they will bear interest at the applicable weighted average coupon rates described in this prospectus on their notional principal balances. The notional principal balances of the Notional classes will be calculated as specified in this prospectus under “Reference Sheet—Notional Classes.”

We use the notional principal balance of a Notional class to determine interest distributions on that class. Although a Notional class will not have a principal balance and not be entitled to any principal, we will publish a class factor for each such class. References in this prospectus to the principal balances of the Certificates generally also shall refer to the notional principal balances of the Notional classes.

Interest Adjustment Amounts. We will reduce the interest to be paid on the Group 1 Certificates on each Distribution Date by their *pro rata* shares (based on their then current interest entitlements) of any shortfalls in interest experienced by the Group 1 Underlying REMIC Securities, including shortfalls due to prepayments in full of the related Contracts. Similarly, we will reduce the interest to be paid on the Group 2 Certificates on each Distribution Date by their *pro rata* shares (based on their then current interest entitlements) of any shortfalls in interest experienced by the Group 2 Underlying REMIC Securities, including shortfalls due to prepayments in full of the related Contracts.

Any additional amounts paid as interest on the Group 1 Underlying REMIC Securities and Group 2 Underlying REMIC Securities will be paid on the Group 1 Certificates and Group 2 Certificates, respectively, in proportions that correspond to any prior interest deficiencies.

Distributions of Principal

Categories of Classes

For the purpose of principal payments, the classes fall into the following categories:

<u>Principal Type*</u>	<u>Classes</u>
Group 1	
Structured Collateral/Sequential Pay	A1, A2 and A3
Notional	I1
Group 2	
Structured Collateral/Pass-Through	A4
Notional	I2
No Payment Residual	R and RL

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

Group 1 Principal Distribution Amount. On each Distribution Date, we will pay, sequentially, to the Holders of the A1, A2 and A3 classes, in that order, an amount (the “Group 1 Principal Distribution Amount”) equal to the aggregate principal amount payable on the Group 1 Underlying REMIC Securities in the month in which that Distribution Date occurs, whether or not that amount is actually paid on the Group 1 Underlying REMIC Securities.

Group 2 Principal Distribution Amount. On each Distribution Date, we will pay to the Holders of the A4 class an amount (the “Group 2 Principal Distribution Amount”) equal to the aggregate principal amount payable on the Group 2 Underlying REMIC Securities in the month in which that Distribution Date occurs, whether or not that amount is actually paid on the Group 2 Underlying REMIC Securities.

Class Definitions and Abbreviations

The following chart identifies and generally defines the categories specified on the cover of this prospectus.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definitions</u>
INTEREST TYPE		
AFC	Available Funds	Receives as interest certain interest payments on the Underlying REMIC Securities. These payments may be insufficient on any Distribution Date to cover fully the accrued interest on the Certificates of this class at the applicable interest rate described in this prospectus for the related Interest Accrual Period. In this case, the unpaid interest will be carried over to subsequent Distribution Dates until payments are sufficient to cover all unpaid interest amounts. It is possible that these insufficiencies will remain unpaid and, if so, they will not be covered by our guaranty.
IO	Interest Only	Receives some of the interest payments made on the Underlying REMIC Securities of the trust but no principal. Interest Only classes have a notional principal balance. A notional principal balance is the amount used as a reference to calculate the amount of interest due on an Interest Only class.
NPR	No Payment Residual	A residual class designed to receive no payments of interest.
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period.
PRINCIPAL TYPES		
NPR	No Payment Residual	A residual class designed to receive no payments of principal.
SC	Structured Collateral	Is designed to receive principal payments based on the actual distributions on the Underlying REMIC Securities representing “regular interests” in a REMIC.
SEQ	Sequential Pay	Receives principal payments in a prescribed sequence but without a predetermined schedule.
PT	Pass-Through	Is designed to receive principal payments in direct relation to actual or scheduled payments on the Underlying REMIC Securities.
NTL	Notional	Has no principal balance and bears interest on its notional principal balance. The notional principal balance is used to determine interest distributions on an Interest Only class that is not entitled to principal.

Structuring Assumptions

Pricing Assumptions. The information in the tables in this prospectus has been prepared based on the following assumptions (collectively, the “Pricing Assumptions”):

- The Contracts backing the Underlying REMIC Securities have the assumed characteristics specified on Exhibit A.
- The closing date for the sale of the Certificates is October 30, 1998.
- The related Contracts’ prepayment rates are the indicated multiple of MHP.
- All prepayments are prepayments in full, and include 30 days’ interest on the amount prepaid.
- No Contract is ever delinquent.
- Green Tree or the servicer of the related Contracts exercises its option to terminate each Underlying REMIC Trust at the earliest applicable date.

Prepayment Assumptions. It is common to measure how manufactured housing contracts prepay relative to a standard prepayment model. In this prospectus we use the Manufactured Housing Prepayment Model (“MHP”) which represents an assumed rate at which a pool of new manufactured housing contracts will prepay. When we refer to “100% MHP,” we mean an annual prepayment rate of 3.7% of the then unpaid principal balance of the pool in the first month after the origination of those contracts and an additional 0.1% each month until the 24th month. (For example, the assumed annual prepayment rate would be 3.8% of the then unpaid principal balance in month 2, 3.9% in month 3 and so on, and would level out at 6% of the then unpaid principal balance at month 24.) Beginning in month 24 and for all later months, “100% MHP” means a constant annual prepayment rate of 6%.

Multiples of MHP are calculated in the same way. Thus, “50% MHP” assumes that contracts will prepay at one-half of the assumed prepayment rate at 100% MHP; “200% MHP” assumes that contracts will prepay at twice the assumed prepayment rate at 100% MHP; and so on.

This model does not predict the prepayment experience of the Contracts backing any of the Underlying REMIC Securities or describe the historic performance of any particular pool of manufactured housing contracts.

Yield Tables

General. The tables below indicate the sensitivity of the pre-tax corporate bond equivalent yield of certain classes of Certificates to various constant percentages of MHP. The yields set forth in the table 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 of Certificates, would cause the discounted present value of those assumed streams of cash flows to equal the assumed aggregate purchase prices of those classes and
- converting the monthly rates to corporate bond equivalent rates.

These calculations do not take into account variations in the interest rates at which you could reinvest funds received as distributions on the Certificates. Accordingly, these calculations do not purport to reflect the return on any investment in the Certificates when such reinvestment rates are considered.

We cannot assure you that

- the pre-tax yields on the applicable Certificates will correspond to any of the pre-tax yields shown here or

- the aggregate purchase prices of the applicable Certificates will be as assumed.

Furthermore, because some of the Contracts will likely have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the principal payments on the applicable classes of Certificates are likely to differ from those assumed. This would be the case even if all Contracts prepay at the indicated constant percentages of MHP. Moreover, it is unlikely that

- the Contracts will prepay at a constant percentage of MHP or
- all of such Contracts will prepay at the same rate.

The Interest Only Classes. The yields to investors in the I1 and I2 classes will be very sensitive to the rate of principal payments (including prepayments) of the Contracts backing the Underlying REMIC Securities of the related Group. The Contracts generally can be prepaid at any time. If the actual prepayment rates of the related Contracts backing the Underlying REMIC Securities of the related Group were to exceed certain levels, the investors in the I1 and I2 classes, as applicable, could lose money on their initial investments.

The information set forth in the following tables has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase prices of the I1 and I2 classes (expressed in each case as a percentage of the original principal balance) are as follows:

<u>Class</u>	<u>Price</u>
I1	5.90294%
I2	0.48786%

Sensitivity of the I1 Class to Prepayments

	<u>MHP Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>250%</u>	<u>350%</u>	<u>500%</u>
Pre-Tax Yields	20.4%	18.7%	9.0%	(1.0)%	(20.2)%

Sensitivity of the I2 Class to Prepayments

	<u>MHP Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>200%</u>	<u>350%</u>	<u>500%</u>
Pre-Tax Yields	13.6%	12.6%	9.0%	(1.1)%	(17.8)%

Weighted Average Lives of the Certificates

The “weighted average life” of a class of Certificates means the average length of time, weighted by principal, that will elapse from when we issue the Certificates until we pay you the full amount of outstanding principal. We determine the weighted average life of a class of Certificates in the following way:

- first, calculate the amount of principal to be paid to the Holders of that class on each Distribution Date, based on the applicable prepayment assumption;
- second, multiply each of those amounts in each case by the number of years from the Settlement Date to the related Distribution Date;
- third, total all the results; and

- fourth, divide that total by the aggregate amount of principal payments that were calculated in the first step.

The weighted average life of a class of Certificates will be affected by the rate at which principal payments are made on the Contracts backing the related Underlying REMIC Securities. Principal payments include scheduled principal payments, voluntary principal prepayments, liquidations due to default, casualty and condemnation, repurchases for breaches of representations and warranties or due to the exercise of the option to terminate the related Underlying REMIC Trusts, or for other reasons. Each of these types of principal payments on the Contracts backing the applicable Underlying REMIC Securities will be applied to payment of principal of the related A Classes.

The effects of these factors may differ as to various classes and the effects on any class may vary at different times during the life of that class. Accordingly, we can give no assurance as to the weighted average life of any class of Certificates. Further, variability in the weighted average lives of the classes of Certificates could result in variability in the yield. For an example of how the weighted average lives of the classes of Certificates may be affected at various constant percentages of MHP, see the decrement tables below.

Maturity Considerations and Final Distribution Dates

Each Contract will provide for amortization of principal according to a schedule that, in the absence of prepayments, would result in repayment of the Contract by its maturity date.

The “Final Distribution Date” for the Certificates of a particular class is the date by which we must pay the Holders the full outstanding principal balance of the Certificates of that class. We determine the Final Distribution Dates based on the payments scheduled to be received on the related Underlying REMIC Securities. We do not take our guaranty into account for this purpose.

Decrement Tables

The following tables indicate the percentages of original principal balances of the specified classes of Certificates that would be outstanding after each date shown at various constant percentages of MHP and the corresponding weighted average lives of those classes. We have prepared the tables on the basis of the Pricing Assumptions. It is unlikely that:

- all of the Contracts backing the related Underlying REMIC Securities will have the interest rates, ages or remaining terms to maturity assumed or
- the Contracts backing the related Underlying REMIC Securities will prepay at any constant percentage of MHP.

In addition, the diverse remaining terms to maturity of the Contracts could produce slower or faster principal distributions than indicated in the table at the specified constant percentages of MHP. This is the case even if the weighted average remaining terms to maturity and the weighted average ages of the Contracts are identical to the remaining terms to maturity and ages specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

Date	A1 Class					A2 Class					A3 Class				
	MHP Prepayment Assumption					MHP Prepayment Assumption					MHP Prepayment Assumption				
	0%	100%	250%	350%	500%	0%	100%	250%	350%	500%	0%	100%	250%	350%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
October 1999	99	87	56	10	0	100	100	100	100	93	100	100	100	100	100
October 2000	94	60	0	0	0	100	100	95	89	73	100	100	100	100	100
October 2001	88	14	0	0	0	100	100	88	75	42	100	100	100	100	100
October 2002	74	0	0	0	0	100	96	79	51	25	100	100	100	100	100
October 2003	38	0	0	0	0	100	91	62	35	11	100	100	100	100	100
October 2004	0	0	0	0	0	100	85	45	19	0	100	100	100	100	0
October 2005	0	0	0	0	0	97	79	26	11	0	100	100	100	100	0
October 2006	0	0	0	0	0	95	73	19	0	0	100	100	100	12	0
October 2007	0	0	0	0	0	88	65	13	0	0	100	100	100	0	0
October 2008	0	0	0	0	0	80	49	3	0	0	100	100	100	0	0
October 2009	0	0	0	0	0	65	38	0	0	0	100	100	3	0	0
October 2010	0	0	0	0	0	61	29	0	0	0	100	100	0	0	0
October 2011	0	0	0	0	0	56	21	0	0	0	100	100	0	0	0
October 2012	0	0	0	0	0	49	15	0	0	0	100	100	0	0	0
October 2013	0	0	0	0	0	42	5	0	0	0	100	100	0	0	0
October 2014	0	0	0	0	0	32	3	0	0	0	100	100	0	0	0
October 2015	0	0	0	0	0	15	0	0	0	0	100	1	0	0	0
October 2016	0	0	0	0	0	8	0	0	0	0	100	0	0	0	0
October 2017	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0
October 2018	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
October 2019	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
October 2020	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
October 2021	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
October 2022	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
October 2023	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
October 2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
October 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
October 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
October 2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
October 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	4.5	2.1	1.0	0.7	0.5	13.4	10.0	5.8	4.3	2.9	18.9	16.5	10.6	7.9	5.7

Date	I1† Class					A4 and I2† Classes				
	MHP Prepayment Assumption					MHP Prepayment Assumption				
	0%	100%	250%	350%	500%	0%	100%	200%	350%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100
October 1999	100	99	98	96	89	100	100	100	100	100
October 2000	100	98	91	86	71	100	100	100	100	100
October 2001	99	96	84	73	42	100	100	100	96	54
October 2002	99	92	77	51	27	100	100	100	69	17
October 2003	97	87	61	36	14	100	100	100	43	12
October 2004	95	81	45	21	0	100	100	89	22	8
October 2005	93	76	28	14	0	100	100	79	17	0
October 2006	91	71	21	*	0	100	100	62	13	0
October 2007	84	64	16	0	0	100	98	45	0	0
October 2008	77	49	6	0	0	100	90	31	0	0
October 2009	64	39	*	0	0	100	83	21	0	0
October 2010	59	30	0	0	0	100	72	17	0	0
October 2011	55	23	0	0	0	100	58	14	0	0
October 2012	49	18	0	0	0	100	44	0	0	0
October 2013	42	8	0	0	0	100	30	0	0	0
October 2014	33	6	0	0	0	99	21	0	0	0
October 2015	18	*	0	0	0	88	17	0	0	0
October 2016	11	0	0	0	0	68	12	0	0	0
October 2017	*	0	0	0	0	38	0	0	0	0
October 2018	0	0	0	0	0	20	0	0	0	0
October 2019	0	0	0	0	0	0	0	0	0	0
October 2020	0	0	0	0	0	0	0	0	0	0
October 2021	0	0	0	0	0	0	0	0	0	0
October 2022	0	0	0	0	0	0	0	0	0	0
October 2023	0	0	0	0	0	0	0	0	0	0
October 2024	0	0	0	0	0	0	0	0	0	0
October 2025	0	0	0	0	0	0	0	0	0	0
October 2026	0	0	0	0	0	0	0	0	0	0
October 2027	0	0	0	0	0	0	0	0	0	0
October 2028	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	13.2	9.9	5.8	4.3	2.9	18.6	13.7	9.1	5.1	3.3

* 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” above.

† In the case of a Notional class, the 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. If there are any remaining assets of the Trust after the principal balances of all the classes of Certificates have been reduced to zero, we will pay the Holder of the R class the proceeds from those assets. If there are any remaining assets of the Lower Tier REMIC after the principal balances of the Lower Tier Regular Interests have been reduced to zero, we will pay the proceeds of those assets to the Holder of the RL class. Fannie Mae does not expect that there will be any material assets remaining in either case.

The R and RL classes will be subject to certain transfer restrictions. No R or RL class may be transferred to a “disqualified organization” or to anyone acting on behalf of a disqualified organization. The term “transfer” can include any transfer of record ownership or of beneficial ownership, whether as a result of a sale, gift, pledge, default or otherwise. The term “disqualified organization” includes the United States, any State or other political subdivision, any foreign government, any international organization, or any agency or instrumentality of any of them (other than certain taxable instrumentalities), any cooperative organization furnishing electric energy or providing telephone service to persons in rural areas, or any organization (other than a farmers’ cooperative) that is exempt from federal income tax, unless such organization is subject to a tax on unrelated business income. Each person or entity to which an R or RL class is transferred will be required to execute an affidavit, acceptable to us, stating that:

- the transferee is not a disqualified organization;
- it is not acquiring the R or RL class for the account of a disqualified organization;
- it consents to any amendment of the Trust Agreement that we deem necessary (upon the advice of our counsel) to ensure that the R or RL class will not be owned directly or indirectly by a disqualified organization;
- it is not acquiring the R or RL class to avoid or impede the assessment or collection of tax;
- it understands that it may incur tax liabilities in excess of any cash that it will receive on the R or RL class;
- it intends to pay taxes on the R or RL class as they become due; and
- it will not transfer the R or RL class unless it has received from the new transferee an affidavit containing these same seven representations and it does not have actual knowledge that this other affidavit is false.

See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Residual Certificates*—Sales and Other Dispositions of Residual Certificates—*Residual Certificates Transferred to or Held by Disqualified Organizations*.” The transferee also must deliver a properly executed Internal Revenue Service Form W-9 with its taxpayer identification number. In addition, if a pass-through entity (including a nominee) holds an R or RL class, it may be subject to additional taxes if a disqualified organization is a record holder in the entity.

No R or RL class may be transferred to any person that is not a U.S. Person without our written consent. The term “U.S. Person” means

- a citizen or resident of the United States;
- a corporation, partnership or other entity created under the laws of the United States or any of its political subdivisions;
- an estate the income of which is subject to U.S. federal income tax regardless of the source of its income; or

- a trust if a court within the United States can exercise primary supervision over its administration, and one or more United States persons have the authority to control all substantial decisions of the trust.

Under regulations issued by the Treasury Department, if a “noneconomic residual interest” is transferred to a U.S. Person, the transfer 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 are noneconomic residual interests. See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Residual Certificates*.”

Under the Treasury regulations, the phrase “a significant purpose of the transfer to impede the assessment or collection of tax” means that the transferor of the R or RL class had “improper knowledge” at the time of the transfer. In other words, the transferor knew, or should have known, that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the applicable REMIC trust. A transferor is presumed not to have improper knowledge if two conditions are met. First, the transferor conducts, at the time of the transfer, a reasonable investigation of the financial condition of the transferee and, based on the results, finds that the transferee has historically paid its debts as they come due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future. Second, the transferee makes certain representations to the transferor in the affidavit relating to disqualified organizations discussed above. If you plan to transfer an R or RL class, you should consult your tax advisor for further information.

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 Lower Tier REMIC. See “Certain Federal Income Tax Consequences.” Pursuant to the Trust Agreement, we will be obligated to provide to these Holders (i) information 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.

THE TRUST AGREEMENT

In the sections below, we summarize certain provisions of the Trust Agreement that are not discussed elsewhere in this prospectus. These summaries are, by definition, not complete. If there is ever a conflict between what we have summarized in this prospectus and the actual terms of the Trust Agreement, the terms of the Trust Agreement will prevail.

Reports to Certificateholders

On or shortly before each applicable Distribution Date, we will publish (in print or otherwise) the class factors for each class of the Certificates (other than the R and RL classes). The “class factor” is a number (carried to eight decimal places) which, when multiplied by the original principal balance of a Certificate of the related class, will equal the amount of principal of that Certificate that will still be outstanding after the principal to be paid on the applicable Distribution Date has been paid.

Within a reasonable time after the end of each calendar year, we will also furnish to each person who was a Certificateholder at any time during that year a statement containing any information required by the federal income tax laws.

We ourselves, or a special agent that we engage, will make all the necessary numerical calculations.

Certain Matters Regarding Fannie Mae

The Trust Agreement provides that we may not resign from our obligations and duties unless they are no longer permissible under applicable law. A resignation will be effective only after a successor has

assumed our obligations and duties. However, no successor may succeed to our guaranty obligations, and we will continue to be responsible under our guaranty even if we are terminated from our other duties and responsibilities under the Trust Agreement.

The Trust Agreement also provides that neither we nor any of our directors, officers, employees or agents will be under any liability to the Trust or to the Certificateholders for errors in judgment or for any action we take, or refrain from taking, in good faith pursuant to the Trust Agreement. However, neither we nor any such person will be protected against any liability due to willful misfeasance, bad faith or gross negligence or willful disregard of obligations and duties.

In addition, the Trust Agreement also provides that we are not under any obligation to appear in, prosecute or defend any legal action that is not incidental to our responsibilities under the Trust Agreement and that in our opinion may involve us in any expense or liability. However, in our discretion, we may undertake any legal action that we deem necessary or desirable in the interests of the Certificateholders. In that event, we will pay the legal expenses and costs of the action, which will not be reimbursable out of the trust fund.

Any corporation into which we are merged or consolidated, any corporation that results from a merger, conversion or consolidation to which we are a party or any corporation that succeeds to our business will be our successor under the Trust Agreement.

Events of Default

Any of the following will be considered an “Event of Default” under the Trust Agreement:

- if we fail to make a required payment to the Certificateholders and our failure continues uncorrected for 15 days after we receive written notice from Certificateholders (who represent ownership interests totaling at least 5% of the trust fund) that they have not been paid; or
- if we fail in a material way to fulfill any of our obligations under the Trust Agreement and our failure continues uncorrected for 60 days after we receive written notice of our failure from Certificateholders (who represent ownership interests totaling at least 25% of the trust fund) that they have not been paid; or
- if we become insolvent or unable to pay our debts or if other events of insolvency occur.

Rights upon Event of Default

If one of the Events of Default listed above has occurred and continues uncorrected, Certificateholders who represent ownership interests totaling at least 25% of the trust fund have the right to terminate, in writing, our obligations under the Trust Agreement both as Trustee and in our corporate capacity. However, our guaranty obligations will continue in effect. The same proportion of Certificateholders that has the right to terminate us may also appoint, in writing, a successor to all of our terminated obligations. In addition, the successor that they appoint will take legal title to the Underlying REMIC Securities and any other assets of the Trust.

Amendment

We may amend the Trust Agreement for any of the following purposes without notifying the Certificateholders:

- to add to our duties;
- to evidence that another party has become our successor and has assumed our duties under the Trust Agreement in our capacity as Trustee or in our corporate capacity or both;
- to eliminate any of our rights in our corporate capacity under the Trust Agreement;

- to cure any ambiguity or correct or add to any provision in the Trust Agreement, so long as no Certificateholder is adversely affected in the case of an addition; and
- to modify the Trust Agreement to maintain the legal status of each REMIC as a REMIC.

If the Certificateholders that represent ownership interests totaling at least 66% of the Trust give their consent, we may amend the Trust Agreement to eliminate, change or add to the terms of the Trust Agreement or to waive our compliance with any of those terms. Nevertheless, we may not terminate or change our guaranty obligations or reduce the percentage of Certificateholders who must give their consent to the types of amendments listed in the previous sentence. In addition, unless each affected Certificateholder consents, no amendment may reduce or delay the funds that are required to be distributed on any Certificate.

Termination

The Trust Agreement will terminate when the Underlying REMIC Securities have been paid off or liquidated, and their proceeds distributed. In no event, however, will the Trust continue beyond the expiration of 21 years from the death of the last survivor of the persons named in the Trust Agreement.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The Certificates and payments on the Certificates generally are subject to taxation. Therefore, you should consider the tax consequences of holding a Certificate before you acquire one. The following discussion describes certain U.S. federal income tax consequences to beneficial owners of Certificates. The discussion is general and does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. This discussion may not apply to your particular circumstances for various reasons, including the following:

- This discussion reflects federal tax laws in effect as of the date of this prospectus. Changes to any of these laws after the date of this prospectus may affect the tax consequences discussed below.
- This discussion addresses only Certificates acquired at original issuance and held as “capital assets” (generally, property held for investment).
- This discussion does not address tax consequences to beneficial owners subject to special rules, such as dealers in securities, certain traders in securities, banks, tax-exempt organizations, life insurance companies, persons that hold Certificates as part of a hedging transaction or as a position in a straddle or conversion transaction, or persons whose functional currency is not the U.S. dollar.
- This discussion does not address taxes imposed by any state, local or foreign taxing jurisdiction.

For these reasons, you should consult your own tax advisors regarding the federal income tax consequences of holding and disposing of Certificates as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

The topics in this discussion are addressed in the order of the following captions:

- REMIC Elections and Special Tax Attributes
- Taxation of Beneficial Owners of Regular Certificates
- Taxation of Beneficial Owners of Residual Certificates
- Taxes on the Trust (or Lower Tier REMIC)
- Reporting and Other Administrative Matters
- Backup Withholding
- Foreign Investors

REMIC Elections and Special Tax Attributes

We will elect to treat the Trust and Lower Tier REMIC as REMICs under the Code. Assuming compliance with Trust Agreement, the Trust and the Lower Tier REMIC will qualify as REMICs if each of the Underlying REMIC Securities qualifies as a “regular interest” in a REMIC. Qualification as a regular interest in a REMIC requires initial and ongoing compliance with certain conditions. The Underlying REMIC Disclosure Documents state that each Underlying REMIC Security qualified as a “regular interest” in a REMIC as of the date of the applicable Disclosure Document and that each Underlying REMIC Security will continue to qualify as a regular interest in a REMIC, provided that certain requirements are met after that date. We are relying on the correctness of these statements in electing to treat the Trust and the Lower Tier REMIC as REMICs, and the remainder of this discussion assumes that each of the Underlying REMIC Securities is, and will continue to be, a regular interest in a REMIC. You should consult your tax advisors regarding the tax consequences to a beneficial owner of a Certificate if an Underlying REMIC Security were to fail to qualify as a regular interest in a REMIC.

Our special tax counsel, Arnold & Porter, will deliver its opinion that, assuming compliance with the Trust Agreement, the Trust and Lower Tier REMIC will be treated as REMICs for federal income tax purposes. In delivering this opinion, Arnold & Porter will assume that each of the Underlying REMIC Securities is, and will continue to be, a regular interest in a REMIC.

The Certificates, other than the R and RL classes, will be designated as the “regular interests” (each, a “Regular Certificate” and together the “Regular Certificates”) 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. Certificates of the R and RL Classes are referred to below as “Residual Certificates.”

Regular and Residual Certificates will be “regular or residual interests in a REMIC” within the meaning of section 7701(a)(19)(C)(xi) of the Code and “real estate assets” within the meaning of section 856(c)(5)(B) of the Code. If at any time during a calendar year less than 95 percent of the assets of the Lower Tier REMIC consist of “qualified mortgages,” then the portion of the Regular and Residual Certificates that are qualifying assets under those sections during the calendar year may be limited to the portion of the assets of the Lower Tier REMIC that are “qualified mortgages.” Similarly, income on the Regular and Residual Certificates will be treated as “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. For purposes of applying this limitation, the Lower Tier REMIC should be treated as owning the assets represented by the Underlying REMIC Securities. In general, an Underlying REMIC Security will be a “qualified mortgage” if the Contracts underlying that security are “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code. The assets of the Lower Tier REMIC will include, in addition to Underlying REMIC Securities, payments on Underlying REMIC Securities held pending distribution on the Regular and Residual Certificates and any reinvestment income thereon.

Regular and Residual Certificates held by a financial institution (as referred to in section 582(c)(2) of the Code) will be treated as evidence of indebtedness for purposes of section 582(c)(1) of the Code. Regular Certificates will also be “qualified mortgages” within the meaning of section 860G(a)(3) of the Code with respect to other REMICs and “permitted assets” within the meaning of section 860L(c)(1) of the Code with respect to financial asset securitization investment trusts.

Taxation of Beneficial Owners of Regular Certificates

For federal income tax purposes, the Regular Certificates will be treated as debt instruments issued by a REMIC on the date the Certificates are first sold to the public (the “Settlement Date”) and not as ownership interests in a REMIC or its assets. Interest, original issue discount and market discount with respect to a Regular Certificate will represent ordinary income to the beneficial owner of the Certificate (a “Regular Owner”). A Regular Owner must report interest on a Regular Certificate using an accrual method of accounting, regardless of whether it otherwise reports income using a cash method of accounting. Rules regarding original issue discount and market discount are discussed below.

Treatment of Original Issue Discount

The Notional classes will be issued with “original issue discount” (“OID”) within the meaning of section 1273(a) of the Code, and certain other classes of Certificates may be issued with OID. A Regular Owner must include in gross income the sum of the “daily portions” of OID on its Regular Certificate for each day during its taxable year on which it held the Certificate, generally in advance of receipt of the cash attributable to that income. We will supply to Holders, brokers and middlemen information with respect to the original issue discount accruing on the Regular Certificates. We will supply this information at the time and in the manner required by the Internal Revenue Service (the “IRS”).

Definition of Original Issue Discount

In general, a Regular Certificate will be considered to be issued with OID equal to the excess, if any, of its “stated redemption price at maturity” over its “issue price.” The issue price of a Regular Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Regular Certificates was sold. The issue price also includes any accrued interest attributable to the period before the Settlement Date. The stated redemption price at maturity of a Regular Certificate generally is its stated principal amount, plus an amount equal to the excess (if any) of the interest payable on the first Distribution Date over the interest that accrues for the period from the Settlement Date to the first Distribution Date. The stated redemption price at maturity of a Regular Certificate of a Notional class, however, is equal to the sum of all distributions to be made under that Regular Certificate.

Notwithstanding the general definition, OID on a Regular Certificate will be treated as zero if the discount is less than 0.25 percent of the stated redemption price at maturity of the Certificate multiplied by its weighted average life. The weighted average life of a Regular Certificate is apparently computed for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the Certificate, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the Settlement Date until the date on which each such distribution is expected to be made under the assumption that the Contracts backing the related Underlying REMIC Securities prepay at a specified rate (the “Prepayment Assumption”) by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the Regular Certificate’s stated redemption price at maturity. If OID is treated as zero under this rule, the actual amount of OID must be allocated to the principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized. The Prepayment Assumptions applicable to the Underlying REMIC Securities are as follows:

<u>Certificate Group</u>	<u>MHP Prepayment Assumption</u>
1	250%
2	200%

See “Description of the Certificates—Structuring Assumptions—*Prepayment Assumptions*.”

Daily Portions of Original Issue Discount

For Regular Certificates considered to be issued with OID, the daily portions of OID will be determined as follows. A calculation will first be made of the portion of the OID that accrued during each “accrual period.” The OID accruing during any accrual period will then be allocated ratably to each day during the period to determine the daily portion of OID.

Final regulations issued by the Treasury Department relating to the tax treatment of debt instruments with OID (the “OID Regulations”) provide that for purposes of measuring the accrual of OID on a debt instrument, a holder of the debt instrument may use an accrual period of any length, up to one year, as long as each distribution of principal or interest occurs on either the final day or the first day of an accrual period. We will report OID based on accrual periods of one month, beginning on a Distribution Date and ending on the day before the next Distribution Date.

The portion of OID treated as accruing for any accrual period will equal the excess, if any, of

- (i) the sum of (A) the present values of all the distributions remaining to be made on the Regular Certificate, if any, as of the end of the accrual period and (B) the distribution made on the Certificate during the accrual period of amounts included in the stated redemption price at maturity, over
- (ii) the adjusted issue price of the Certificate at the beginning of the accrual period.

The present value of the remaining distributions will be calculated based on the following:

- the yield to maturity of the Regular Certificate, calculated as of the Settlement Date, giving effect to the Prepayment Assumption,
- events (including actual prepayments) that have occurred prior to the end of the accrual period, and
- the Prepayment Assumption.

The adjusted issue price of a Regular Certificate at any time will equal the issue price of the Certificate, increased by the aggregate amount of previously accrued OID with respect to the Certificate, and reduced by the amount of any distributions made on the Certificate as of that time of amounts included in the stated redemption price at maturity.

The Code requires that the Prepayment Assumption be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. The legislative history of this Code provision indicates that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. We believe that the Prepayment Assumptions will be consistent with this standard. We make no representation, however, that the Contracts will prepay at either of those rates or at any other rate. You must make your own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the Certificates. See “Description of the Certificates—Weighted Average Lives of the Certificates” and “—Decrement Tables.”

Subsequent Holders’ Treatment of Original Issue Discount

If a Regular Certificate is issued with OID and a subsequent holder purchases the Certificate at a cost of less than its remaining stated redemption price at maturity, that holder also will be required to include in income the daily portion of OID with respect to the Certificate for each day it holds the Certificate. If the cost of the Certificate to the subsequent holder exceeds the adjusted issue price of the Certificate, however, the holder can reduce the daily accruals by an amount equal to the product of (i) the daily portion and (ii) a constant fraction. The numerator of the constant fraction is the excess of the purchase price over the adjusted issue price of the Certificate, and the denominator is the sum of the daily portions of OID on the Certificate for all days on or after the day of purchase.

Regular Certificates Purchased at a Premium

If a Regular Owner purchases a Certificate for an amount (net of accrued interest) greater than its remaining stated redemption price at maturity, the Owner will have premium with respect to the Certificate (a “Premium Certificate”) in the amount of the excess. Such a purchaser need not include in income any remaining OID and may elect, under section 171(c)(2) of the Code, to treat the premium as “amortizable bond premium.”

If a Regular Owner makes this election, the amount of any interest payment that must be included in the Regular Owner’s income for each period ending on a Distribution Date will be reduced by the portion of the premium allocable to the period based on the Premium Certificate’s yield to maturity. In addition, the legislative history of the Tax Reform Act of 1986 states that premium should be amortized under principles analogous to those governing the accrual of market discount (as discussed below under “—Regular Certificates Purchased with Market Discount”). The election will also apply to all bonds (as well as all REMIC regular interests) the interest on which is not excludible from gross income (“fully taxable bonds”) held by the Regular Owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by it. A Regular Owner may revoke the election only with the consent of the IRS.

If the election is not made, (i) a Regular Owner must include the full amount of each interest payment in income as it accrues, and (ii) the premium must be allocated to the principal distributions on the Premium Certificate and, when each principal distribution is received, a loss equal to the premium allocated to the distribution will be recognized. Any tax benefit from the premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the Premium Certificate.

Regular Certificates Purchased with Market Discount

A Regular Owner that purchases a Regular Certificate at a price that is less than the remaining stated redemption price at maturity of the Certificate (or in the case of a Regular Certificate issued with OID, less than the adjusted issue price of the Certificate) has market discount with respect to the Certificate in the amount of the difference. In general, three consequences arise if a Regular Owner acquires a Regular Certificate with market discount. First, the Regular Owner must treat any principal payment with respect to a Regular Certificate acquired with market discount as ordinary income to the extent of the market discount that accrued while the Regular Owner held the Certificate. Second, the Regular Owner must treat gain on the disposition or retirement of such a Certificate as ordinary income under the circumstances discussed below under “—Sales and Other Dispositions of Regular Certificates.” Third, a Regular Owner that incurs or continues indebtedness to acquire a Regular Certificate at a market discount may be required to defer the deduction of all or a portion of the interest on the indebtedness until the corresponding amount of market discount is included in income. Alternatively, a Regular Owner may elect to include market discount in income on a current basis as it accrues, in which case the three consequences discussed above will not apply. If a Regular Owner makes this election, the Regular Owner must also apply the election to all debt instruments the Regular Owner acquires on or after the beginning of the first taxable year to which the election applies. A Regular Owner may revoke the election only with the consent of the IRS.

The legislative history to the Tax Reform Act of 1986 states that market discount on a Regular Certificate may be treated as accruing in proportion to remaining accruals of OID, if any, or if none, in proportion to remaining distributions of interest on a Regular Certificate. An Owner may instead elect to determine the accrual of market discount under a constant yield method. We will make available to Holders information necessary to compute the accrual of market discount, in the manner and form as required by the IRS.

Notwithstanding the above rules, market discount on a Regular Certificate will be considered to be zero if the discount is less than 0.25 percent of the remaining stated redemption price at maturity of the Certificate multiplied by its weighted average remaining life. Weighted average remaining life

presumably would be calculated in a manner similar to weighted average life, taking into account payments (including prepayments) prior to the date of acquisition of the Regular Certificate by the subsequent purchaser. If market discount on a Regular Certificate is treated as zero under this rule, the actual amount of market discount must be allocated to the remaining principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized.

Special Election

For any Regular Certificate acquired on or after April 4, 1994, the OID Regulations permit a Regular Owner to elect to include in gross income all “interest” that accrues on the Regular Certificate by using a constant yield method. For purposes of the election, the term “interest” includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. You should consult your own tax advisor regarding the time and manner of making and the scope of the election and the implementation of the constant yield method.

Sales and Other Dispositions of Regular Certificates

Upon the sale, exchange, retirement or other disposition of a Regular Certificate, the Owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the Owner’s adjusted basis in the Certificate. In addition, the Code requires the recognition of gain upon the “constructive sale of an appreciated financial position.” In general, a constructive sale of an appreciated financial position occurs if a taxpayer enters into certain transactions or series of transactions with respect to a financial instrument that have the effect of substantially eliminating the taxpayer’s risk of loss and opportunity for gain with respect to the financial instrument. These provisions only apply to Certificates of a Notional class.

The adjusted basis of a Regular Certificate generally will equal the cost of the Certificate to the Owner, increased by any OID or market discount included in the Owner’s gross income with respect to the Certificate and reduced by distributions previously received by the Owner of amounts included in the Certificate’s stated redemption price at maturity and by any premium that has reduced the Owner’s interest income with respect to the Certificate.

The gain or loss, if any, will be capital gain or loss, provided the Certificate is held as a “capital asset” (generally, property held for investment) within the meaning of section 1221 of the Code and none of the following apply. First, gain that might otherwise be capital gain will be treated as ordinary income to the extent that the gain does not exceed the excess, if any, of (i) the amount that would have been includible in the income of the Regular Owner had income accrued at a rate equal to 110 percent of the “applicable Federal rate” (generally, an average of current yields on Treasury securities) as of the date of purchase over (ii) the amount actually includible in the Regular Owner’s income. Second, gain recognized by a Regular Owner who purchased a Regular Certificate at a market discount will be taxable as ordinary income in an amount not exceeding the portion of the market discount that accrued during the period the Certificate was held by the Regular Owner, reduced by any market discount includible in income under the rules described above under “—Regular Certificates Purchased with Market Discount.” Third, any gain or loss resulting from a sale or exchange described in section 582(c) of the Code (which generally applies to banks) will be taxable as ordinary income or loss.

Termination

In general, no special tax consequences will apply to a Regular Owner upon the termination of the Trust by virtue of the final payment or liquidation of the last Contract that backs the last Underlying REMIC Security remaining in the Lower Tier REMIC.

Taxation of Beneficial Owners of Residual Certificates

Daily Portions

Except as indicated below, an Owner of an R (or RL) class (each, a “Residual Owner”) generally will be required to report its daily portion of the taxable income or net loss of the Trust (or Lower Tier REMIC) for each day during a calendar quarter that such Residual Owner owns such Residual Certificate. For this purpose, the daily portion is determined by allocating to each day in the calendar quarter its ratable portion of the taxable income or net loss of the Trust (or Lower Tier REMIC) for the quarter and then allocating that amount among the respective Residual Owners in accordance with their percentage interests on that day. Daily portions of income or loss allocated to a Residual Owner will be treated as ordinary income or loss. A Residual Owner must continue to report its daily portion of the taxable income or net loss of the Trust (or Lower Tier REMIC) until no Certificates of any class are outstanding, even though the Residual Owner may have received full payment of any stated interest and principal on its Residual Certificate.

Taxable Income or Net Loss of the Trust (or Lower Tier REMIC)

The taxable income or net loss of the Trust (or Lower Tier REMIC) will be the income from the “qualified mortgages” it holds and any reinvestment earnings less deductions allowed to the Trust (or Lower Tier REMIC). In general, an Underlying REMIC Security or a Lower Tier Regular Interest will be a “qualified mortgage” if the Contracts backing that security are “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code or if that security is a regular interest in another REMIC.

The taxable income or net loss for a given calendar quarter will be determined in the same manner as for an individual having the calendar year as the taxable year and using the accrual method of accounting, with the following modifications and limitations:

- A deduction will be allowed for accruals of interest (including any OID, but without regard to the investment interest limitation in section 163(d) of the Code) on the Regular Certificates and the Lower Tier Regular Interests (but not the Residual Certificates).
- Market discount equal to any excess of the total Stated Principal Balances of the qualified mortgages over the REMIC’s basis in these qualified mortgages generally will be included in income by the REMIC as it accrues under a constant yield method, taking into account the Prepayment Assumption.
- If a REMIC is treated as having acquired qualified mortgages at a premium, the premium also will be amortized using a constant yield method.
- No item of income, gain, loss or deduction allocable to a prohibited transaction (see “—*Taxes on the Trust (or Lower Tier REMIC)*—Prohibited Transactions” below) will be taken into account.
- A REMIC generally may not deduct any item that would not be allowed in calculating the taxable income of a partnership by virtue of section 703(a)(2) of the Code.
- The limitation on miscellaneous itemized deductions imposed on individuals by section 67 of the Code will not be applied at the REMIC level to any administrative fees, such as servicing and guaranty fees. (See, however, “—Pass-Through of Servicing and Guaranty Fees to Individuals” below.)
- No deduction is allowed for any expenses incurred in connection with the formation of a REMIC and the issuance of the Regular and Residual Certificates.

- Any gain or loss to a REMIC from the disposition of any asset, including a qualified mortgage or “permitted investment” (as defined in section 860G(a)(5) of the Code) will be treated as ordinary gain or loss.

A REMIC’s basis in qualified mortgages is the aggregate of the issue prices of all the regular and residual interests in the REMIC on the Settlement Date. If, however, the amount sold to the public of any class of regular or residual interests is not substantial, then the fair market value of all the regular or residual interests in that class as of the date of this prospectus should be substituted for the issue price. If the deductions allowed to the Trust (or Lower Tier REMIC) exceed its gross income for a calendar quarter, the excess will be a net loss for the Trust (or Lower Tier REMIC) for that calendar quarter.

For purposes of determining the taxable income or net loss of the Trust (or Lower Tier REMIC), OID will be calculated by taking into account the following. First, because all the regular interests of the Lower Tier REMIC are issued to the Trust, these regular interests will be treated as a single debt instrument because they were issued to a single holder in a single transaction. Second, because the Lower Tier REMIC and the Trust each hold regular interests as qualified mortgages (each, an “Underlying Certificate”), the Lower Tier REMIC and the Trust each will elect to include in gross income all interest that accrues on each Underlying Certificate by using a constant yield method. See “—*Taxation of Owners of Regular Certificates—Special Election*” above. Third, the accruals of OID on each Underlying Certificate will be determined using the same Prepayment Assumption used to calculate the accruals of OID on the Regular Certificates. The IRS, however, could take the position that the proper Prepayment Assumption to be used is the Prepayment Assumption originally established for the Underlying REMIC Securities.

A Residual Owner may be required to recognize taxable income without being entitled to receive a corresponding amount of cash. This could occur, for example, if the qualified mortgages are considered to be purchased by the REMIC at a discount, some or all of the regular interests are issued at a discount, and the discount included as a result of a prepayment on a qualified mortgage that is used to pay principal on the regular interests exceeds the REMIC’s deduction for unaccrued original issue discount relating to the regular interests. Taxable income may also be greater in earlier years because interest expense deductions, expressed as a percentage of the outstanding principal amount of the regular interests, may increase over time as the earlier classes of regular interests are paid, whereas interest income of the REMIC from each qualified mortgage expressed as a percentage of the outstanding principal amount of that qualified mortgage, may remain constant over time.

Basis Rules and Distributions

A Residual Owner has an initial basis in its Residual Certificate equal to the amount paid for the Residual Certificate. The basis is increased by amounts included in the income of the Residual Owner and decreased by distributions and by any net loss taken into account with respect to the Residual Certificate. A distribution on a Residual Certificate to a Residual Owner is not included in gross income to the extent it does not exceed the Residual Owner’s basis in the Residual Certificate (adjusted as described above) and, to the extent it exceeds the adjusted basis of the Residual Certificate, is treated as gain from the sale of the Residual Certificate.

A Residual Owner is not allowed to take into account any net loss for a calendar quarter to the extent the net loss exceeds the Residual Owner’s adjusted basis in its Residual Certificate as of the close of that calendar quarter (determined without regard to that net loss). Any loss disallowed by reason of this limitation may be carried forward indefinitely to future calendar quarters and, subject to the same limitation, may be used only to offset income from the Residual Certificate.

Treatment of Excess Inclusions

Any excess inclusions with respect to a Residual Certificate are subject to certain special tax rules. With respect to a Residual Owner, the excess inclusion for any calendar quarter is defined as the

excess (if any) of the daily portions of taxable income over the sum of the “daily accruals” for each day during the quarter that the Residual Certificate was held by the Residual Owner. (The determination of daily accruals is discussed below.) The Treasury Department has the authority to issue regulations that would treat all taxable income of a REMIC as excess inclusions if the Residual Certificate does not have “significant value.” The Treasury Department has not yet exercised this authority, but may do so in the future.

Any excess inclusions cannot be offset by losses from other activities. For Residual Owners that are subject to tax only on unrelated business taxable income (as defined in section 511 of the Code), an excess inclusion of the Residual Owner is treated as unrelated business taxable income. With respect to variable contracts (within the meaning of section 817 of the Code), a life insurance company cannot adjust its reserve to the extent of any excess inclusion, except as provided in regulations. If a Residual Owner is a member of an affiliated group filing a consolidated income tax return, the taxable income of the affiliated group cannot be less than the sum of the excess inclusions attributable to all residual interests in REMICs held by members of the affiliated group. For purposes of the alternative minimum tax, taxable income does not include excess inclusions, the alternative minimum taxable income cannot be less than excess inclusions, and excess inclusions are disregarded in computing the alternative tax net operating loss deduction. For a discussion of the effect of excess inclusions on certain foreign investors that own Residual Certificates, see “—*Foreign Investors*—Residual Certificates” below.

In the case of any Residual Certificates that are held by a real estate investment trust, under regulations yet to be prescribed, the aggregate excess inclusions with respect to the Residual Certificates reduced (but not below zero) by the real estate investment trust taxable income (within the meaning of section 857(b)(2) of the Code, excluding any net capital gain) would be allocated among the shareholders of the trust in proportion to the dividends received by the shareholders from the trust, and any amount so allocated would be treated as an excess inclusion with respect to a Residual Certificate as if held directly by the shareholder. Similar rules would apply in the case of regulated investment companies, common trust funds and certain cooperatives that hold a Residual Certificate.

Determination of Daily Accruals

The daily accruals are determined by allocating to each day during a calendar quarter its ratable portion of the product of the “adjusted issue price” of the Residual Certificate at the beginning of the calendar quarter and 120 percent of the “Federal long-term rate” in effect on the Settlement Date, based on quarterly compounding and properly adjusted for the length of the quarter. The Federal long-term rate is a blend of current yields on Treasury securities having a maturity of more than nine years computed and published monthly by the IRS. The rate to be used for the Residual Certificates is 6.42% (which is 120% of the “Federal long-term rate”).

The adjusted issue price of a Residual Certificate as of the beginning of any calendar quarter is equal to the issue price of the Residual Certificate, increased by the amount of daily accruals for all prior quarters and decreased by any distributions made with respect to the Residual Certificate before the beginning of the quarter. The issue price of a Residual Certificate generally is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Residual Certificates was sold.

Pass-Through of Servicing and Guaranty Fees to Individuals

A Residual Owner who is an individual will be required to include in income a share of the administrative fees of the REMIC. A deduction for such fees generally will be allowed to such a Residual Owner only to the extent that such fees, along with certain of the Residual Owner’s other miscellaneous itemized deductions, exceed 2 percent of the Residual Owner’s adjusted gross income. In addition, such a Residual Owner may not be able to deduct any portion of such fees in computing the

Residual Owner's alternative minimum tax liability. A Residual Owner's share of such fees generally will be determined by (i) allocating the amount of such expenses for each calendar quarter on a *pro rata* basis to each day in the calendar quarter, and (ii) allocating the daily amount among the Owners in proportion to their respective holdings on that day. Similar rules apply in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Residual Certificate through an investment in a "pass-through entity." Pass-through entities include partnerships, S corporations, grantor trusts and non-publicly offered regulated investment companies, but do not include estates, trusts other than grantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies.

Sales and Other Dispositions of Residual Certificates

Upon the sale, exchange or other disposition of a Residual Certificate, the Residual Owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the Residual Owner's adjusted basis in the Certificate. The adjusted basis of a Residual Certificate is determined as described above under "—Basis Rules and Distributions." Except as provided in section 582(c) of the Code, the gain or loss, if any, will be capital gain or loss, provided the Residual Certificate is held as a capital asset.

If a Residual Owner sells or otherwise disposes of its Residual Certificate at a loss, the loss will not be recognized if, within six months before or after the sale or other disposition of the Residual Certificate, the Residual Owner purchases another residual interest in any REMIC or any interest in a taxable mortgage pool (as defined in section 7701(i) of the Code) comparable to a residual interest in a REMIC. The disallowed loss would be allowed upon the sale or other disposition of the other residual interest (or comparable interest) if the rule referred to in the preceding sentence does not apply to that sale or other disposition. While this rule may be modified by Treasury regulations, no such regulations have yet been published.

Residual Certificates Transferred to or Held by Disqualified Organizations

Section 860E(e) of the Code imposes a substantial tax, payable by the transferor (or, if a transfer is through a broker, nominee, or other middleman as the transferee's agent, payable by that agent) upon any transfer of a Residual Certificate to a "disqualified organization." A transfer includes any transfer of record or beneficial ownership, whether pursuant to a purchase, a default under a secured lending agreement or otherwise. The term "disqualified organization" is defined above under "Description of the Certificates—Characteristics of the R and RL Classes." A transferor of a Residual Certificate (or an agent of a transferee of a Residual Certificate, as the case may be) will be relieved of this tax liability if (i) the transferee furnishes to the transferor (or the transferee's agent) an affidavit that the transferee is not a disqualified organization, and (ii) the transferor (or the transferee's agent) does not have actual knowledge that the affidavit is false at the time of the transfer.

In addition, a tax may be imposed upon a pass-through entity (including a regulated investment company, real estate investment trust, common trust fund, partnership, trust, estate and nominee and certain cooperatives) that owns a Residual Certificate if the pass-through entity has a disqualified organization as a record holder. For this purpose, all interests in an electing large partnership are treated as held by disqualified organizations. No such tax will be imposed on a pass-through entity for a period with respect to an interest therein owned by a disqualified organization if (i) the record holder of the interest furnishes to the pass-through entity an affidavit that it is not a disqualified organization, (ii) during that period, the pass-through entity has no actual knowledge that the affidavit is false and (iii) the entity is not an electing large partnership.

Other Transfers of Residual Certificates

A transfer of a Residual Certificate that has tax avoidance potential is disregarded for federal income tax purposes if the transferee is not a U.S. Person (a "Non-U.S. Person"), unless the

transferee's income from the Certificate is otherwise subject to U.S. income tax. A Residual Certificate has tax avoidance potential unless, at the time of the transfer, the transferor reasonably expects that, for each excess inclusion, the REMIC will pay to the transferee an amount that will equal at least 30 percent of the excess inclusion, and that each amount will be paid at or after the time at which the excess inclusion accrues and not later than the close of the calendar year following the calendar year of accrual. Certain transfers by a Non-U.S. Person to a U.S. Person or another Non-U.S. Person are also disregarded if the transfer has the effect of allowing the transferor to avoid tax on accrued excess inclusions. See "Description of the Certificates—Characteristics of the R and RL Classes" for a discussion of additional provisions applicable to transfers of Residual Certificates.

Amounts Paid to a Transferee of a Residual Certificate

The federal income tax consequences of any consideration paid to a transferee on the transfer of a Residual Certificate are unclear. You should consult your own tax advisor regarding the tax consequences of receiving such consideration.

Termination

Although the matter is not entirely free from doubt, it appears that a Residual Owner will be entitled to a loss if:

- a REMIC terminates by virtue of the final payment or liquidation of the last qualified mortgage remaining in the REMIC and
- the Residual Owner's adjusted basis in its Residual Certificate at the time the termination occurs exceeds the amount of cash distributed to the Residual Owner in liquidation of its interest.

The amount of the loss will equal the amount by which the Residual Owner's adjusted basis exceeds the amount of cash distributed to the Residual Owner in liquidation of its interest.

Taxes on the Trust (or Lower Tier REMIC)

Neither REMIC will be subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below. It is not anticipated that either REMIC will engage in any transactions that will give rise to a tax on either REMIC. In any event, pursuant to our guaranty obligations, we will make distributions on the Regular Certificates and Residual Certificates without offset or deduction for any tax imposed on either REMIC.

Prohibited Transactions

The Code imposes a tax on a REMIC equal to 100 percent of the net income derived from "prohibited transactions." In general, the term "prohibited transaction" means the disposition of a qualified mortgage other than pursuant to certain specified exceptions, the receipt of investment income from a source other than a qualified mortgage or certain other permitted investments, the receipt of compensation for services, or the disposition of a "cash flow investment" as defined in Section 860G(a)(6) of the Code.

Contributions to a REMIC After the Startup Day

The Code imposes a tax on a REMIC equal to 100 percent of the value of any property contributed to the REMIC after the "startup day" (generally the same as the Settlement Date). Exceptions are provided for cash contributions to a REMIC if made (i) during the three-month period beginning on the startup day, (ii) to a qualified reserve fund by a holder of a residual interest, (iii) in the nature of a guarantee, or (iv) to facilitate a qualified liquidation or clean-up call.

Net Income from Foreclosure Property

The Code imposes a tax on a REMIC equal to the highest corporate rate on “net income from foreclosure property.” The terms “foreclosure property” (which includes property acquired by deed in lieu of foreclosure) and “net income from foreclosure property” are defined by reference to the rules applicable to real estate investment trusts. Generally, foreclosure property would be treated as such until the close of the third taxable year following the taxable year in which the acquisition occurs, with possible extensions. Net income from foreclosure property generally means gain from the sale of foreclosure property that is inventory property and gross income from foreclosure property other than qualifying rents and other qualifying income for a real estate investment trust, net of deductions directly connected with the production of such income.

Reporting and Other Administrative Matters

For purposes of the administrative provisions of the Code, each REMIC will be treated as a partnership and the Residual Owners with respect to that REMIC will be treated as partners. We will prepare, sign and file federal income tax returns for each REMIC, which returns are subject to audit by the IRS. We do not intend to register either REMIC as a tax shelter pursuant to section 6111 of the Code. We will also act as the tax matters partner for each REMIC, either as a Residual Owner or as a fiduciary for the Residual Owner. Each Residual Owner, by the acceptance of its Residual Certificate, agrees that we will act as its fiduciary in the performance of any duties required of it in the event that it is the tax matters partner.

Within a reasonable time after the end of each calendar year, we will furnish to each Holder that received a distribution during that year a statement setting forth the portions of any distributions that constitute interest distributions, OID and any other information as is required by Treasury regulations and, with respect to Holders of Residual Certificates, information necessary to compute the daily portions of the taxable income (or net loss) of the related REMIC for each day during that year.

If, for a taxable year, there is more than one Residual Owner with respect to a REMIC, each Residual Owner with respect to that REMIC is required to treat items on its return consistently with the treatment on the return of the REMIC, unless the Residual Owner either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the REMIC. The IRS may assert a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the REMIC level.

Backup Withholding

Distributions of interest and principal, as well as distributions of proceeds from the sale of Regular and Residual Certificates, may be subject to the “backup withholding tax” under section 3406 of the Code at a rate of 31 percent if recipients of the distributions fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from this tax. Any amounts deducted and withheld from a distribution to a recipient would be allowed as a credit against the recipient’s federal income tax. Certain penalties may be imposed by the IRS on a recipient of distributions required to supply information who does not do so in the proper manner.

Foreign Investors

Regular Certificates

Distributions made on a Regular Certificate to, or on behalf of, a Regular Owner that is a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, provided (a) the Regular Owner is not subject to U.S. tax as a result of a connection to the United States other

than ownership of the Certificate, (b) the Regular Owner signs a statement under penalties of perjury that certifies that the Regular Owner is a Non-U.S. Person, and provides the name and address of the Regular Owner, and (c) the last U.S. Person in the chain of payment to the Regular Owner receives the statement from the Regular Owner or a financial institution holding on its behalf and does not have actual knowledge that the statement is false. You should be aware that the IRS might take the position that this exemption does not apply to a Regular Owner that also owns 10 percent or more of the Residual Certificates or of the voting stock of Fannie Mae, or to a Regular Owner that is a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code.

Residual Certificates

Amounts distributed to a Residual Owner that is a Non-U.S. Person generally will be treated as interest for purposes of applying the 30 percent (or lower treaty rate) withholding tax on income that is not effectively connected with a U.S. trade or business. Amounts not constituting excess inclusions that are distributed on a Residual Certificate to a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, subject to the same conditions applicable to distributions on Regular Certificates, as described above, but only to the extent that the obligations directly underlying the REMIC that issued the Residual Certificate (e.g., mortgage loans or regular interests in another REMIC) were issued after July 18, 1984. In no case will any portion of REMIC income that constitutes an excess inclusion be entitled to any exemption from the withholding tax or a reduced treaty rate for withholding. See “—*Taxation of Owners of Residual Certificates*—Treatment of Excess Inclusions” above.

LEGAL INVESTMENT CONSIDERATIONS

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities, you may be subject to restrictions on investment in certain classes of the Certificates. If you are a financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the Treasury or other federal or state agencies with similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing or pledging the Certificates. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Certificate. **Investors should consult their own legal advisors in determining whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment and whether and to what extent the Certificates can be used as collateral for various types of borrowings.**

LEGAL OPINION

If you purchase Certificates, we will send you, upon request, an opinion of our General Counsel (or one of our Deputy General Counsels) as to the validity of the Certificates and the related Trust Agreement.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code impose certain requirements on employee benefit plans subject to ERISA (such as employer-sponsored retirement plans) and upon other types of benefit plans and arrangements subject to section 4975 of the Code (such as individual retirement accounts). ERISA and the Code also impose these requirements on certain entities in which the benefit plans or arrangements that are subject to ERISA and the Code invest. We refer to these plans, arrangements and entities as “Plans.” Any

person who is a fiduciary of a Plan is also subject to the requirements imposed by ERISA and the Code. Before a Plan invests in any Certificate, the Plan fiduciary must consider whether the governing instruments for the Plan would permit the investment, whether the Certificates would be a prudent and appropriate investment for the Plan under its investment policy and whether such an investment might result in a transaction prohibited under ERISA or the Code for which no exemption is available.

On November 13, 1986, the U.S. Department of Labor issued a final regulation covering the acquisition by a Plan of a “guaranteed governmental mortgage pool certificate,” defined to include certificates which are “backed by, or evidencing an interest in specified mortgages or participation interests therein” and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a Plan in a “guaranteed governmental mortgage pool certificate” does not cause the assets of the Plan to include the mortgages underlying the certificate or the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgages in the pool. Our counsel, Brown & Wood LLP, has advised us that the Certificates qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of Certificates by Plans will not cause the underlying Contracts or the assets of Fannie Mae to be subject to the fiduciary requirements of ERISA or to the prohibited transaction provisions of ERISA and the Code.

PLAN OF DISTRIBUTION

Pursuant to a Fannie Mae commitment, we will deliver the Certificates to Lehman Brothers Inc. (the “Dealer”) in exchange for the Underlying REMIC Securities. 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 these transactions to or through other dealers.

LEGAL MATTERS

Brown & Wood LLP will provide legal representation for Fannie Mae. Brown & Wood LLP will also provide legal representation for the Dealer.

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Exhibit A

Underlying REMIC Securities
and Assumed Contract Characteristics

A-1	Underlying REMIC Trust	Class	Month of Issuance	CUSIP	Original Principal Balance of Class in the Lower Tier REMIC	Class Coupon	Principal Factor as of October 1998	Principal Balance of Class in the Lower Tier REMIC as of October 1998	Assumed Weighted Average Remaining Term to Maturity (1) (in months)	Assumed Weighted Average Contract Age (1) (in months)	Assumed Weighted Average Contract Rate (1) (2)
	Group 1										
	1994-1	A4	March 1994	393505BX9	\$ 2,500,000	7.20%	1.00000000	\$ 2,500,000	148	56	9.72%
	1994-1	A5	March 1994	393505BY7	34,000,539	7.65	1.00000000	34,000,539	148	56	9.72%
	1994-5	A4	August 1994	393505DG4	14,800,000	7.95	1.00000000	14,800,000	151	50	11.11%
	1995-1	A6	February 1995	393505FG2	9,000,000	8.70 (3)	1.00000000	9,000,000	171	44	11.80%
	1995-5	A5	July 1995	393505HG0	2,870,000	6.90 (3)	1.00000000	2,870,000	191	39	10.60%
	1995-5	A6	July 1995	393505HH8	20,000,000	7.25 (3)	1.00000000	20,000,000	191	39	10.60%
	1995-8	A5	October 1995	393505JT0	1,250,000	6.90	1.00000000	1,250,000	209	36	10.07%
	1995-8	A6	October 1995	393505JU7	23,800,000	7.35 (3)	1.00000000	23,800,000	209	36	10.07%
	1995-9	A6	November 1995	393505KD3	22,000,000	7.30 (3)	1.00000000	22,000,000	211	35	10.10%
	1996-1	A3	January 1996	393505LC4	13,000,000	6.20	1.00000000	13,000,000	218	32	9.72%
	1996-10	A6	December 1996	393505RH7	42,649,000	7.30 (3)	1.00000000	42,649,000	240	22	10.20%
	1997-4	A6	June 1997	393505UU4	11,278,000	7.03	1.00000000	11,278,000	237	15	10.04%
	1997-6	A3	September 1997	393505WZ1	2,700,000	6.32	1.00000000	2,700,000	250	12	9.83%
	1997-6	A7	September 1997	393505XD9	10,000,000	7.14	1.00000000	10,000,000	250	12	9.83%
	1997-6	A8	September 1997	393505XE7	2,715,000	7.07	0.97256603	2,640,516	250	12	9.83%
	1997-6	A10	September 1997	393505XG2	12,145,000	6.87	1.00000000	12,145,000	250	12	9.83%
	Group 2										
	1998-3	A6	April 1998	393505E40	50,300,000	6.76 (3)	1.00000000	50,300,000	260	4	9.59%
	1998-6	A6	July 1998	393505J86	5,660,000	6.27	1.00000000	5,660,000	255	1	9.55%
	1998-6	A7	July 1998	393505J94	34,200,000	6.45 (3)	1.00000000	34,200,000	255	1	9.55%

(1) The numbers listed below represent only assumed characteristics of the related Contracts.

(2) A limited number of Contracts have interest rates that will increase to specified levels subsequent to the date of this prospectus.

(3) Class Coupon is subject to available funds. See “Description of the Certificates—The Underlying REMIC Securities” and the Underlying REMIC Disclosure Documents for additional information.

No one is authorized to give information or to make representations in connection with this offering other than those contained in this prospectus and the other disclosure documents. You must not rely on any unauthorized information or representation. This prospectus and the other disclosure documents do not constitute an offer or solicitation with regard to the Certificates if it is illegal to make such an offer or solicitation to you under state law. By delivering this prospectus and the other disclosure documents at any time, no one implies that the information contained in these documents is correct after their dates.

The Securities and Exchange Commission has not approved or disapproved the Certificates or determined if this prospectus is truthful and complete. Any representation to the contrary is a criminal offense.

\$314,793,055 (Approximate)



FannieMae

**Guaranteed REMIC Trust
Pass-Through Certificates
Fannie Mae REMIC Trust 1998-65**

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PROSPECTUS

LEHMAN BROTHERS

October 23, 1998
