

\$47,000,000 (Approximate) †



FannieMae

Guaranteed Grantor Trust Pass-Through Certificates Fannie Mae Grantor Trust 1998-T1

Carefully consider the risk factors starting on page 6 of this prospectus. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.

The certificates, together with interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof 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 class 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 to the extent available for payment, and
- principal to the extent available for payment.

Interest payments on the certificates will decline from month to month and may decline sharply or in varying degrees. Principal payments on the certificates are likely to fluctuate from month to month and may fluctuate widely.

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 remaining principal balance of the certificates on the final distribution date shown below will be paid on that date.

The Trust and its Assets

The trust will own the interest only and principal only REMIC securities listed on Exhibit A. Most of the issuers of the underlying REMIC securities are private label issuers. The underlying REMIC securities represent interests in certain mortgage loans included in the related mortgage pools. These mortgage pools consist of first-lien, single-family, fixed-rate mortgage loans.

Class	Original Class Balance	Principal Type	Interest Rate	Interest Type	CUSIP Number	Final Distribution Date
A ..	\$47,000,000	SC/PT	(1)	WAC	31359N7M7	December 2028

- (1) The certificates will receive monthly interest equal to the interest amount required to be paid on the interest only underlying REMIC securities, net of a specified amount described in this prospectus. Interest payable on the certificates will not be calculated based on the principal balance of the certificates.

† Based on the aggregate principal balance of the principal only underlying REMIC securities as of the reference date. We expect the actual balance of the certificates to be lower than the indicated amount as a result of payments made on the principal only underlying REMIC securities between the reference date and the settlement date.

The dealer will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be November 6, 1998.

Donaldson, Lufkin & Jenrette
Securities Corporation

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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, so you should read them together with this prospectus.

The Information Statement and the class factors are available on our website located at <http://www.fanniemae.com>.

You can obtain all the Disclosure Documents by writing or calling:

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

or

- Donaldson, Lufkin & Jenrette Securities Corporation
Prospectus Department
277 Park Avenue, 7th Floor
New York, New York 10172
(telephone 212-892-4525).

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. You should purchase the certificates only after reading this prospectus and each of the additional 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 unrelated interest only and principal only REMIC securities that represent interests in certain mortgage loans included in the mortgage pools.
- Most of the issuers of the underlying REMIC securities are private label issuers.
- The underlying mortgage pools consist of first lien, single-family, fixed-rate mortgage loans.
- The mortgage loans backing the interest only underlying REMIC securities have higher coupons relative to the other mortgage loans in the same pools.
- Interest payments on the certificates will be based on amounts required to be paid on the interest only underlying REMIC securities.
- Principal payments on the certificates will be based on amounts required to be paid on the principal only underlying REMIC securities.

Assumed Characteristics of the Mortgage Loans Backing the Underlying REMIC Securities*

Interest Only Underlying REMIC Securities

<u>Issuer</u>	<u>Series</u>	<u>Class</u>	<u>Approximate Principal Balance</u>	<u>Approximate Weighted Average Original Term to Maturity (in months)</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Approximate Weighted Average Coupon</u>
Fannie Mae	1998-W4	X	\$256,887,720	358	357	7.785%
Fannie Mae	1998-W7	X	206,847,104	357	357	7.794%
PNC Mortgage Securities Corp. ...	1998-7	II-X	320,518,399	359	357	8.171%
PNC Mortgage Securities Corp. ...	1998-8	II-X-1	225,174,595	360	358	8.097%
PNC Mortgage Securities Corp. ...	1998-10	II-X-2	218,334,773	360	359	8.106%

Principal Only Underlying REMIC Securities

<u>Issuer</u>	<u>Series</u>	<u>Class</u>	<u>Approximate Principal Balance</u>	<u>Approximate Weighted Average Original Term to Maturity (in months)</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Approximate Weighted Average Coupon</u>
Impac Secured Assets Corp.	1998-3	A-2	\$297,621,554	351	349	8.788%
Norwest Integrated Structured Assets, Inc.	1998-2	II-A-2	142,550,226	346	343	7.839%
Residential Accredited Loans, Inc. ...	1998-QS12	CB-2	208,041,980	359	358	8.001%
Residential Asset Securitization Trust 1998-A13	1998-M	II-A-2	450,344,873	355	354	7.950%
PNC Mortgage Securities Corp. ...	1998-8	II-A-2	331,438,970	360	358	8.028%

* As of the Reference Date described in Exhibit A.

Additional Information on the Underlying REMIC Securities

The table contained in Exhibit A contains information about the underlying REMIC securities, including certain information about the related mortgage loans. You can obtain certain additional information about the underlying REMIC securities by reviewing the disclosure documents for the

underlying REMIC securities. You can obtain these disclosure documents from us as described on page 3.

Class Factors

The class factors are numbers that, when multiplied by the initial principal balance of a certificate, can be used to calculate the current principal balance of that certificate (after taking into account distributions in the same month). We will publish the class factors shortly after the 25th day of each month.

Settlement Date

We expect to issue the certificates on November 6, 1998.

Distribution Dates

We will make payments on the certificates on the 3rd business day following the monthly payment date applicable to the underlying REMIC securities, beginning in November 1998. The monthly payment date applicable to the underlying REMIC securities is the 25th day of each month, or the next business day if the 25th day is not a business day.

Book-Entry Certificates

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

Distributions of Interest

We will pay interest on the certificates each month in an amount equal to the aggregate amount of interest required to be paid on the interest only underlying REMIC securities in such month, net of a specified amount described in this prospectus. We will pay interest on the certificates on a pro rata basis.

Interest payable on the certificates will not be calculated based on the principal balance of the certificates.

Distributions of Principal

We will pay principal on the certificates each month in an amount equal to the sum of (i) the aggregate amount of principal required to be paid on the principal only underlying REMIC securities in such month plus (ii) the amount of certain losses allocated to such underlying REMIC securities as described herein. We will pay principal on the certificates on a pro rata basis.

Weighted Average Life (years)

<u>Class</u>	<u>% of Prepayment Scenario</u>				
	<u>0%</u>	<u>75%</u>	<u>100%</u>	<u>150%</u>	<u>175%</u>
A.....	20.0	6.7	5.1	3.4	2.8

RISK FACTORS

We describe 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, the disclosure documents for the underlying REMIC securities and the documents incorporated by reference.
- 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.
- In particular, you should be able to bear the risk that the certificates could in the future be backed exclusively by interest only or principal only underlying REMIC securities.
- 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.

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 mortgage loans backing the interest only underlying REMIC securities;
- how quickly or slowly borrowers prepay the mortgage loans backing the principal only underlying REMIC securities;
- when and if the mortgage loans are liquidated due to borrower defaults, casualties or condemnations affecting the properties securing those loans;
- if and when the mortgage loans are repurchased;
- any reductions in the principal balance of the certificates due to certain losses allocated to the principal only underlying REMIC securities; and
- the actual characteristics of the mortgage loans.

The mortgage loans backing the interest only underlying REMIC securities may be more likely to prepay than mortgage loans having lower coupons. If these higher coupon mortgage loans prepaid earlier or in greater amounts than you expect, less interest would be paid on the certificates than you expect and your yield could decline. Moreover, mortgage loans that prepay will accrue interest only to the date of prepayment rather than for a full month. If the related servicers do not make compensating interest payments sufficient to cover any such prepayment interest shortfalls, interest payments on the certificates will be reduced. As a result of these factors, the interest payable on the certificates could be sharply reduced or even extinguished.

If the mortgage loans backing the principal only underlying REMIC securities prepaid later

or in smaller amounts than you expected, principal on the certificates would be paid later than you expected and your yield could decline.

In addition, the rate of principal payments on the principal only underlying REMIC securities will depend on the payment priorities of such underlying REMIC securities. As described in the related disclosure documents, certain of the principal only underlying REMIC securities are subsequent in payment priority to certain other classes in the same trusts. As a result, such other classes may receive principal before the underlying REMIC securities for long periods. Thus, your yield could be lower than you expected.

Since interest payments on the certificates generally will be based on required payments on the interest only underlying REMIC securities and principal payments on the certificates generally will be based on required payments on the principal only underlying REMIC securities, the interest payment rates and principal payment rates are likely to differ and may differ sharply.

Even if the underlying mortgage loans are prepaid at a rate that on average is consistent with your expectations, variations in the prepayment rate over time could significantly affect your yield. Generally, the earlier the payment of principal, the greater the effect on the yield to maturity. 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 prepayment rate on yield.

We used certain assumptions concerning the mortgage loans in preparing the tabular information in this prospectus. If the actual mortgage loan characteristics differ even slightly from those assumptions, the weighted average life and yield of the certificates will be affected.

You must make your own decision as to the assumptions, including the principal prepayment assumptions you will use in deciding whether to purchase the certificates.

Allocation of Certain Losses

Losses on the mortgage loans in the pools may be allocated to the principal only underly-

ing REMIC securities under the circumstances described in the underlying REMIC disclosure documents. In particular, an allocation of certain bankruptcy, fraud and special hazard losses to these securities will result in a corresponding reduction in the principal balance of the certificates. In such event, our guaranty will not provide for any payment to compensate investors for such loss.

Prepayment Considerations

The rate of principal payments on the certificates generally will depend on the rate of principal payments on the mortgage loans backing the principal only underlying REMIC securities. Similarly, the rate of interest payments on the certificates generally will depend on the rate of principal payments on the mortgage loans backing the interest only underlying REMIC securities, since principal payments will reduce the loan balances on which interest will accrue.

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 mortgage loans at any time without penalty.

It is highly unlikely that the mortgage loans will prepay:

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

Many mortgage loans provide that the lender can require repayment in full if the borrower sells the property that secures the loan. In this way, property sales by borrowers can affect the rate of prepayment. In addition, borrowers often seek to refinance their loans by obtaining new loans secured by the same properties. Refinancing of loans also affects the rate of prepayment. Furthermore, the institution that forms a mortgage pool may have to repurchase loans from the pool if those loans fail to conform to the representations and warranties that the institution made when forming the pool. These repurchases also affect the rate of prepayment.

In general, the seller or master servicer for an underlying REMIC trust may terminate such

trust once the related pool balance is reduced to 10% of its original level. If a seller or master servicer terminates an underlying REMIC trust, it would purchase all of the mortgage loans in the related mortgage pool, having the effect of a prepayment in full of such mortgage loans. Each of the underlying REMIC trusts also may be terminated for failing to qualify as a REMIC and for other reasons. For a further description of the termination risks, you should read the underlying REMIC disclosure documents.

In general, the rates of prepayment may be influenced by:

- the level of current interest rates relative to the rates borne by the mortgage loans backing the underlying REMIC securities,
- homeowner mobility,
- the general creditworthiness of the borrowers,
- borrower sophistication regarding the benefits of refinancing,
- solicitation by competing lenders,
- repurchases of mortgage loans from the related mortgage pools, and
- general economic conditions.

Because so many factors affect the rate of prepayment of a pool of mortgage loans, we cannot estimate the prepayment experience of the mortgage loans 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 certifi-

cates, 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 payment to certificateholders of interest and principal in amounts based on the interest and principal required to be paid on the underlying REMIC securities;
- the characteristics of the mortgage loans in the underlying pools;
- past and expected prepayment levels of the mortgage loans and comparable loans;
- 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;
- the level, direction and volatility of interest rates generally; and
- general economic conditions.

Fannie Mae Guaranty Considerations

If we were unable to perform our guaranty obligations, certificateholders would receive only borrower payments and other recoveries on the mortgage loans. If that happened, delinquencies and defaults on the mortgage loans could directly affect the amounts that certificateholders would receive each month.

DESCRIPTION OF THE CERTIFICATES

The material under this heading summarizes certain features of the Certificates. You will find additional information about the Certificates in the other sections of this Prospectus, as well as in the additional Disclosure Documents and the Trust Agreement (defined below). If we use a capitalized term in this Prospectus without defining it, you will find the definition of such term in the applicable Disclosure Document or in the Trust Agreement.

General

Structure. We will create the Fannie Mae Grantor Trust specified on the cover (the “Trust”) pursuant to a trust agreement dated as of November 1, 1998 (the “Trust Agreement”). We will execute the Trust Agreement in our corporate capacity and in our capacity as trustee (the “Trustee”). We will issue the Certificates indicated on the cover of this Prospectus pursuant to the Trust Agreement.

The Guaranteed Grantor Trust Pass-Through Certificates (the “Certificates”) will represent beneficial ownership interests in the Trust. The assets of the Trust will consist of various unrelated interest only and principal only REMIC securities (the “Underlying REMIC Securities”) evidencing beneficial ownership interests in certain assets held in the related REMIC trusts (the “Underlying REMIC Trusts”) as further described in Exhibit A and in the Underlying REMIC Disclosure Documents.

Fannie Mae Guaranty. We guarantee that on each Distribution Date we will distribute to Certificateholders:

- the Net Interest Distribution Amount, and
- the Principal Distribution Amount,

whether or not we have received sufficient funds with respect to the Underlying REMIC Securities.

Our guaranty relates only to the Certificates offered under this prospectus. We provide no guaranty on the Underlying REMIC Securities. Our guaranty will not cover reductions in the principal balances of the Certificates due to Excess Losses (defined herein) allocated to the principal only Underlying REMIC Securities. Furthermore, reductions in interest payments on the Certificates due to prepayment interest shortfalls on the Mortgage Loans backing the interest only Underlying REMIC Securities will be covered by our guaranty only to the extent of the compensating interest amounts required to be paid by the related servicers. If we were unable to perform our guaranty obligations, Certificateholders would receive only the amounts paid and other recoveries on the Underlying REMIC Securities. If that happened, delinquencies and defaults on the Mortgage Loans, and defaults under any third-party credit enhancement arrangement for the Underlying REMIC Securities, would directly affect the amounts that Certificateholders would receive each month. Our guaranty is not backed by the full faith and credit of the United States.

Characteristics of Certificates. The Certificates 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 Certificates through its book-entry facilities. The “Holder” or “Certificateholder” of a DTC Certificate is the nominee of DTC. A Holder is not necessarily the beneficial owner of a Certificate. Beneficial owners ordinarily will “hold” Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations.

Authorized Denominations. We will issue the Certificates in minimum denominations of \$1,000 and whole dollar increments.

Distribution Dates. We will make payments of principal and interest on the Certificates on the 3rd business day following the monthly payment date applicable to the Underlying REMIC Securities,

beginning in November 1998. Each such date for payments on the Certificates is a “Distribution Date.” The monthly payment date applicable to the Underlying REMIC Securities is the 25th day of each month (or, if the 25th day is not a business day, on the first business day after the 25th day).

Record Date. On each Distribution Date, we will make each monthly payment to Certificateholders who were Holders of record on the last day of the preceding month or, in the case of the initial Distribution Date, Holders of record on the date we issue the Certificates (expected to be November 6, 1998).

Class Factors. After the 25th day of each month, we will publish a factor (carried to eight decimal places) for the Certificates. When the factor is multiplied by the original principal balance of a Certificate, the product will equal the current principal balance of that Certificate after taking into account payments on the Distribution Date in that month.

Termination of the Underlying REMIC Trusts. In general, the seller or master servicer for an Underlying REMIC Trust may terminate such trust when the principal balance of the related Pool is reduced to 10% of its original level. If a seller or master servicer terminates an Underlying REMIC Trust, all of the Mortgage Loans in the related Pool would be purchased, having the effect of a prepayment in full of such Mortgage Loans. Each Underlying REMIC Trust 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 Certificates having principal balances aggregating at least 51% of the principal balance of all Certificates. 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 are interest only and principal only securities. Most of the issuers of the Underlying REMIC Securities are private label issuers. The Underlying REMIC Securities represent beneficial ownership interests in certain first lien single-family fixed-rate mortgage loans (the “Mortgage Loans”) held by the related trustees in the related Underlying REMIC Trusts. The assets of the Underlying REMIC Trusts consist primarily of the mortgage pools (each, a “Pool”) that include the Mortgage Loans. The Mortgage Loans in the various Pools were originated under various programs and guidelines and are serviced under various servicing portfolios. Distributions on the Underlying REMIC Securities will be passed through monthly.

Each of the interest only Underlying REMIC Securities represents an entitlement to monthly interest equal to the excess, if any, of the Net Loan Rate for each Mortgage Loan in the related Pool over the applicable Structuring Rate, to the extent such monthly interest is paid or advanced in respect of such Mortgage Loan. The “Net Loan Rate” for any Mortgage Loan is equal to the interest rate for such loan less servicing and other similar costs. The “Structuring Rate” for any Pool is the specified rate used in distinguishing between the Mortgage Loans backing the related interest only Underlying REMIC Security (*i.e.*, higher coupon loans) and the other mortgage loans (*i.e.*, lower coupon loans) in the same Pool. However, interest will accrue on Mortgage Loans that prepay only to the date of prepayment rather than for a full month. The Underlying REMIC Trusts require each related servicer to pay an amount (commonly referred to as “compensating interest”) in the event of a shortfall in interest due to a principal prepayment (commonly referred to as a “prepayment interest shortfall”), but only up to a specified percentage of the servicing fee. As a result, amounts payable on the related interest only Underlying REMIC Securities will be reduced to the extent any such prepayment interest shortfalls are not covered by compensating interest payments from the related servicers.

Each of the principal only Underlying REMIC Securities represents an entitlement to monthly principal calculated on the basis of a specific cash flow sequence. Although each such class is backed by all or a portion of the Mortgage Loans in the related Pool, principal distributions on such class will be determined by the related cash flow provisions, rather than by a percentage of the principal collections on such Mortgage Loans.

See Exhibit A for certain information about the Underlying REMIC Securities.

Additional information relating to the Underlying REMIC Securities, the Underlying REMIC Trusts and the related Pools and Mortgage Loans 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 the Underlying REMIC Disclosure Documents were prepared by their respective issuers. 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 over time 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 Bank and Trust Company will act as Paying Agent for, and perform certain administrative functions with respect to, 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. The 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.

Distributions of Interest

Interest Type Category. For the purpose of payments of interest, the Certificates will be categorized as a Weighted Average Coupon Class. See “Description of the Certificates—Class Definitions and Abbreviations.”

Net Interest Distribution Amount. On each Distribution Date, we will pay to the Certificateholders an amount (the “Net Interest Distribution Amount”) equal to

- the aggregate interest amount required to be paid on the interest only Underlying REMIC Securities in the month of that Distribution Date, whether or not that amount is actually paid on those Underlying REMIC Securities,

minus

- one-twelfth of 0.11% multiplied by the aggregate principal balance of the Certificates immediately prior to such Distribution Date.

On each Distribution Date, the Net Interest Distribution Amount will be paid to Certificateholders on a pro rata basis.

As described above, interest paid on the Certificates will be based on the required interest payments on the interest only Underlying REMIC Securities and will not be calculated based on the principal balance of the Certificates. Furthermore, interest payments on the Certificates will be reduced to the extent compensating interest payments from the related servicers are not required to cover prepayment interest shortfalls caused by Mortgage Loan prepayments.

Distributions of Principal

Principal Type Category. For the purpose of payments of principal, the Certificates will be categorized as a Structured Collateral/Pass-Through Class. See “Description of the Certificates—Class Definitions and Abbreviations.”

Principal Distribution Amount. On each Distribution Date, we will pay to the Certificateholders an amount (the “Principal Distribution Amount”) equal to the sum of

- the aggregate principal amount required to be paid on the principal only Underlying REMIC Securities in the month of such Distribution Date, whether or not that amount actually has been paid on those Underlying REMIC Securities,

plus

- the amount of any losses (other than Excess Losses) allocated to the principal only Underlying REMIC Securities since the previous Distribution Date.

On each Distribution Date, the Principal Distribution Amount will be paid to Certificateholders on a pro rata basis.

Allocation of Certain Losses

Losses may be allocated to the principal only Underlying REMIC Securities under the circumstances and in the amounts described in the Underlying REMIC Disclosure Documents. On each Distribution Date, the principal balance of the Certificates will be reduced in an amount equal to the Excess Losses, if any, allocated to the principal only Underlying REMIC Securities since the previous Distribution Date. The “Excess Losses” consist of certain bankruptcy, fraud and special hazard losses on Mortgage Loans in the related Pools in excess of certain limits specified in the Underlying REMIC Disclosure Documents.

Our guaranty does **not** cover any reduction in the principal balance of the Certificates resulting from the allocation of Excess Losses to the principal only Underlying REMIC Securities.

Class Definitions and Abbreviations

The following chart identifies and generally defines the categories specified on the cover of this Prospectus and in Exhibit A.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definitions</u>
INTEREST TYPE		
IO*	Interest Only	Receives some of the interest payments made on the related Mortgage Loans 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.
PO*	Principal Only	Does not bear interest and is entitled to receive only payments of principal.
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period. A Weighted Average Coupon Class may consist of multiple payment components, some of which have different interest rates.
PRINCIPAL TYPES		
SC	Structured Collateral	Is designed to receive principal payments based on the actual distributions on underlying securities representing “regular interests” in a REMIC trust.
PT	Pass-Through	Is designed to receive principal payments in direct relation to actual or scheduled payments on the underlying securities, but is not a strip class.

* These interest types relate solely to the Underlying REMIC Securities, as described on Exhibit A.

Structuring Assumptions

Pricing Assumptions. Except where otherwise noted, the information in the tables in this Prospectus was prepared based on the following assumptions (collectively, the “Pricing Assumptions”):

- The Mortgage Loans have the characteristics specified under “Reference Sheet—Assumed Characteristics of the Mortgage Loans Backing the Underlying REMIC Securities.”
- The settlement date for the sale of the Certificates is October 30, 1998.
- The interest rates on the Mortgage Loans are net of servicing fees and certain other fees.
- The related Mortgage Loans’ prepayment rates are the indicated multiple of the Prepayment Scenario.
- All prepayments are prepayments in full, and include 30 days’ interest thereon.
- No Mortgage Loan is ever delinquent.

Prepayment Assumptions. Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this Prospectus is a prepayment scenario (the “Prepayment Scenario”) which represents an assumed rate of prepayment each month relative to the then outstanding principal balance of a pool of mortgage loans for the life of such mortgage loans. A 100% Prepayment Scenario assumes a conditional prepayment rate of 4% per annum of the then outstanding principal balance of the Mortgage Loans in the first month of the life of the related Mortgage Loans and an additional 1.0909090909% per annum in each month thereafter until the

twelfth month. Beginning in the twelfth month and in each month thereafter during the life of related Mortgage Loans, the 100% Prepayment Scenario assumes a conditional prepayment rate of 16% per annum each month. As used in the table below, 0% Prepayment Scenario assumes prepayment rates equal to 0% of the Prepayment Scenario, *i.e.*, no prepayments on the eleven aggregated mortgage pools having the characteristics described above under “Structuring Assumptions.” Correspondingly, 100% Prepayment Scenario assumes prepayment rates equal to 100% of the Prepayment Scenario, and so forth.

The model does not predict the prepayment experience of the Mortgage Loans backing any Underlying REMIC Securities or describe the historic performance of any particular pool of mortgage loans. It is highly unlikely that the Mortgage Loans will repay at any constant percentage of the Prepayment Scenario or at any other constant rate.

Weighted Average Life of the Certificates

The “weighted average life” of the 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. The weighted average life of the Certificates is determined by:

- first, calculating the amount of principal to be paid to the Certificateholders on each Distribution Date, based on the applicable prepayment assumption;
- second, multiplying each such amount by the number of years from the Settlement Date to the related Distribution Date;
- third, summing all the results; and
- fourth, dividing the sum by the aggregate amount of principal payments that were calculated in the first step.

The weighted average life of the Certificates will be affected by the rate at which principal payments are made on the underlying Mortgage Loans. Principal payments include scheduled principal payments, voluntary principal prepayments, liquidations due to default, casualty and condemnation, payments under credit enhancement arrangements affecting the Underlying REMIC Trusts and repurchases for breaches of representations and warranties or for other reasons. Each of these types of principal payments on the Mortgage Loans backing the principal only Underlying REMIC Securities will be applied to payment of principal of the Certificates.

The effects of the foregoing factors may vary at different times during the life of the Certificates. Accordingly, we can give no assurance as to the weighted average life of the Certificates. Further, variability in the weighted average life of the Certificates could result in variability in the yield to maturity. For an example of how the weighted average life of the Certificates may be affected at various constant percentages of the Prepayment Scenario, see the Decrement Table below.

Maturity Considerations and Final Distribution Date

The original maturities of substantially all of the Mortgage Loans are expected to be between 15 and 30 years. Each Mortgage Loan will provide for amortization of principal according to a schedule that, in the absence of prepayments or defaults would result in repayment of the Mortgage Loan by its maturity date.

On the Final Distribution Date, we will pay the Certificateholders the remaining principal balance of the Certificates on that date. We determine the Final Distribution Date based on the payments scheduled to be received on the Mortgage Loans backing the Underlying REMIC Securities.

Decrement Table

The following table indicates the percentage of original principal balance of the Certificates that would be outstanding after each of the dates shown at various constant percentages of the Prepayment Scenario and the corresponding weighted average life of the Certificates. We have prepared the table on the basis of the Pricing Assumptions. It is unlikely that all of the underlying Mortgage Loans

- will have the interest rates or remaining terms to maturity assumed or
- will prepay at any constant percentage of the Prepayment Scenario.

In addition, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal distributions than indicated in the table at the specified constant percentages of the Prepayment Scenario. This would be the case even if the weighted average remaining terms to maturity of the Mortgage Loans were identical to the remaining terms to maturity specified in the Pricing Assumptions.

Percent of Original Principal Balance Outstanding

Date	% of Prepayment Scenario				
	0%	75%	100%	150%	175%
October 1998	100	100	100	100	100
October 1999	99	90	86	80	77
October 2000	98	77	71	58	53
October 2001	97	66	58	42	36
October 2002	96	57	47	30	23
October 2003	95	49	38	21	15
October 2004	93	42	30	15	9
October 2005	92	36	25	10	6
October 2006	90	31	20	7	3
October 2007	89	26	16	5	2
October 2008	87	23	13	4	2
October 2009	85	19	11	3	1
October 2010	83	17	9	2	1
October 2011	80	14	7	2	1
October 2012	78	12	6	1	*
October 2013	75	10	5	1	*
October 2014	72	9	4	1	*
October 2015	69	7	3	*	*
October 2016	66	6	3	*	*
October 2017	62	5	2	*	*
October 2018	58	4	2	*	*
October 2019	54	3	1	*	*
October 2020	49	3	1	*	*
October 2021	44	2	1	*	*
October 2022	39	2	1	*	*
October 2023	33	1	*	*	*
October 2024	27	1	*	*	*
October 2025	20	1	*	*	*
October 2026	12	*	*	*	*
October 2027	4	*	*	*	*
October 2028	0	0	0	0	0
Weighted Average Life (years)**	20.0	6.7	5.1	3.4	2.8

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

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

THE TRUST AGREEMENT

In the sections below, we summarize certain provisions of the Trust Agreement that are not discussed elsewhere in this Prospectus. Certain capitalized terms that we use in these summaries are defined in the Trust Agreement. 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

As soon as practicable after the 25th calendar day of each month, we will publish (in print or otherwise) the Class Factor for the Certificates. The “Class Factor” is a number (carried to eight decimal places) which, when multiplied by the original principal balance of a Certificate, will equal the amount of principal of that Certificate that will still be outstanding after the principal to be paid on the next 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, 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. Our 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 or have resigned 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, 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; and
- 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 to any provision.

If the Certificateholders that represent ownership interests totaling at least 66% of the trust fund 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 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 person 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 (“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 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.

Classification of the Trust

Our special tax counsel, Arnold & Porter, will deliver its opinion that, assuming compliance with the Trust Agreement, the Trust will be classified as a trust under subpart E of part I of subchapter J of the Internal Revenue Code of 1986, as amended (the “Code”) and not as an association taxable as a corporation. The Underlying REMIC Securities will be the assets of the trust, and the Certificates will represent ownership interests in the Underlying REMIC Securities.

Taxation of Owners of Certificates

Each Owner of a Certificate will be considered the beneficial owner of a pro rata interest in each of the Underlying REMIC Securities. An Owner will be required to report its pro rata share of the entire income accruing with respect to each of the Underlying REMIC Securities, as further described below.

An Owner must allocate its cost to acquire a Certificate among the Underlying REMIC Securities in proportion to the relative fair market values of the Underlying REMIC Securities at the time the Owner acquires the Certificate. A sale or other disposition of a Certificate will constitute a sale or other disposition of a pro rata portion of the corresponding Underlying REMIC Securities. When an Owner sells or disposes of a Certificate, the Owner must allocate the sale proceeds among the Underlying REMIC Securities in proportion to the relative fair market values of the Underlying REMIC Securities at the time of sale or other disposition.

Each Owner can deduct its pro rata share of the compensation paid to administer the Trust as provided in section 162 or section 212 of the Code, consistent with its method of accounting. An Owner’s ability to deduct its share of these expenses is limited under section 67 of the Code in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Certificate directly or through an investment in a “pass-through entity” (other than in connection with such individual’s trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, and non-publicly offered regulated investment companies, but do not include estates, nongrantor trusts, cooperatives, real estate investment trust and publicly offered regulated investment companies. Generally, such an Owner can deduct its share of these costs only to the extent that these costs, when aggregated with certain of the Owner’s other miscellaneous itemized deductions, exceed two percent of the Owner’s adjusted gross income. For this purpose, an estate or nongrantor trust computes adjusted gross income in the same manner as in the case of an individual, except that deductions for administrative expenses of the estate or trust that would not have been incurred if the property were not held in such trust or estate are treated as allowable in arriving at adjusted gross income. In addition, an Owner may not be able to deduct any portion of these costs in computing its alternative minimum tax liability.

The Underlying REMIC Disclosure Documents state that each Underlying REMIC Security qualified as a “regular interest” in a “real estate mortgage investment conduit” (a “REMIC”) within the meaning of the Code 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. Qualification as a regular interest in a REMIC requires initial and ongoing compliance with certain conditions. The discussion under “—Regular Interests in a REMIC” describes certain federal income tax consequences to beneficial owners of regular interests, and this discussion assumes that all the requirements for qualification as a regular interest in a REMIC have been, and will continue to be, met. If an Underlying REMIC Security were to fail to qualify as a regular interest in a REMIC, that Underlying REMIC Security might not be accorded the status described under “Regular Interests in a REMIC—*Special Tax Attributes*” and the related Underlying REMIC Trust might be taxable as a corporation. You should consult your tax advisors regarding the tax consequences to an Owner of a Certificate if an Underlying REMIC Security were to fail to qualify as a regular interest in a REMIC.

Regular Interests in a REMIC

For federal income tax purposes, regular interests in a REMIC will be treated as debt instruments issued by a REMIC on the date the regular interests are first sold to the public (the “Settlement Date”) and not as ownership interests in a REMIC or its assets. Original issue discount and market discount with respect to a regular interest will represent ordinary income to the beneficial owner of the regular interest. A beneficial owner of a regular interest must report interest on the regular interest 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.

Original Issue Discount

Regular interests that are principal only or interest only securities typically are issued with “original issue discount” within the meaning of section 1273(a) of the Code. A beneficial owner must include in gross income the sum of the “daily portions” of original issue discount on its regular interest for each day during its taxable year on which it held the regular interest, generally in advance of receipt of the cash attributable to that income. We will supply information with respect to the original issue discount accruing on the Underlying REMIC Securities at the time and in the manner required by the Internal Revenue Service (the “IRS”).

In general, a regular interest will be considered to be issued with original issue discount equal to the excess, if any, of its “stated redemption price at maturity” over its “issue price.” The issue price of a regular interest is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the regular interests was sold. The stated redemption price at maturity of a regular interest that is a principal only security is its stated principal amount. The stated redemption price at maturity of a regular interest that is an interest only security is equal to the sum of all distributions to be made under that regular interest.

For regular interests considered to be issued with original issue discount, the daily portions of original issue discount is determined as follows. A calculation is first made of the portion of the original issue discount that accrued during each “accrual period.” The original issue discount accruing during any accrual period is then allocated ratably to each day during the period to determine the daily portion. Final regulations issued by the Treasury Department relating to the tax treatment of debt instruments with original issue discount (the “OID Regulations”) provide that for purposes of measuring the accrual of original issue discount 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 interests occurs on either the final day or the first day of an accrual period.

The portion of original issue discount 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 interest, if any, as of the end of the accrual period and (B) the distribution made on the regular interest during the accrual period of amounts included in the stated redemption price at maturity, over

(ii) the adjusted issue price of the regular interest 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 interest, calculated as of its Settlement Date, giving effect to the assumption that the mortgage loans backing the regular interest prepay at a specified rate (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 interest at any time will equal the issue price, increased by the aggregate amount of previously accrued original issue discount with respect to the regular interest, and reduced by the amount of any distributions made on the regular interest 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. The Prepayment Assumption for each of the Underlying REMIC Securities is discussed in the respective Underlying REMIC Disclosure Document. We make no representation, however, that the Mortgage Loans backing each Underlying REMIC Security will prepay at the rate reflected in the respective Prepayment Assumption. You must make your own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase the Certificates.

If a regular interest is issued with original issue discount and a subsequent holder purchases the regular interest 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 original issue discount with respect to the regular interest for each day it holds the regular interest. If the cost of the regular interest to the subsequent holder exceeds the adjusted issue price of the regular interest, 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 regular interest, and the denominator is the sum of the daily portions of original issue discount on the regular interest for all days on or after the day of purchase.

Regular Interests Purchased With Market Discount

A beneficial owner that purchases a regular interest that is a principal only or interest only security at a price that is less than the adjusted issue price of the regular interest has market discount with respect to the regular interest in the amount of the difference. In general, three consequences arise if a beneficial owner acquires a regular interest with market discount. First, the beneficial owner must treat any principal payment with respect to a regular interest acquired with market discount as ordinary income to the extent of the market discount that accrued while the beneficial owner held the regular interest. Second, the beneficial owner must treat gain on the disposition or retirement of such a regular interest as ordinary income under the circumstances discussed below under “—*Sales and Other Dispositions of Regular Interests.*” Third, a beneficial owner that incurs or continues indebtedness to acquire a regular interest 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 beneficial 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 beneficial owner makes this election, the beneficial owner must also apply the election to all debt instruments the beneficial owner acquires on or after the beginning of the first taxable year to which the election applies. A beneficial 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 interest may be treated as accruing in proportion to remaining accruals of original issue discount, if any, or if none, in proportion to remaining distributions of interest on a regular interest. An Owner may instead elect to determine the accrual of market discount under a constant yield method. We will make available 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 interest 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 regular interest multiplied by its weighted average remaining life. Weighted average remaining life presumably would be calculated for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the regular interest to be made after the date of acquisition of the regular interest by the subsequent purchaser, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the date the regular interest is acquired until the date on which each such distribution is expected to be made under 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 interest's stated redemption price at maturity. If market discount on a regular interest is treated as zero under this rule, the actual amount of market discount must be allocated to the remaining distributions of amounts included in the stated redemption price at maturity of the regular interest and, when each such distribution is received, gain equal to the discount allocated to that distribution will be recognized.

Special Election

For any regular interest acquired on or after April 4, 1994, the OID Regulations permit a beneficial owner of the regular interest to elect to include in gross income all "interest" that accrues on the regular interest by using a constant yield method. For purposes of the election, the term "interest" includes stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, 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 Interests

Upon the sale, exchange, retirement or other disposition of a regular interest, the beneficial owner of the regular interest 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 regular interest. 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 do not apply to regular interests other than regular interests that are interest only securities.

The adjusted basis of a regular interest generally will equal the cost of the regular interest to the owner, increased by any original issue discount or market discount included in the owner's gross income with respect to the regular interest and reduced by distributions previously received by the owner of amounts included in the regular interest's stated redemption price at maturity.

The gain or loss, if any, will be capital gain or loss, provided the regular interest 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 exceptions 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 beneficial 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 beneficial owner’s income. Second, gain recognized by a beneficial owner who purchased a regular interest 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 regular interest was held by the beneficial owner, reduced by any market discount includible in income under the rules described above under “—*Regular Interests 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 beneficial owner of a regular interest in a REMIC upon the termination of the REMIC by virtue of the final payment or liquidation of the last mortgage loan remaining in the REMIC.

Special Tax Attributes

Regular interests in a REMIC 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 REMIC consist of “qualified mortgages,” then the portion of the regular interests in the REMIC that are qualifying assets under those sections during the calendar year may be limited to the portion of the assets of the REMIC that are “qualified mortgages.” Similarly, income on regular interests 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, a REMIC should be treated as owning the assets represented by the “qualified mortgages” held by the REMIC. In general, a mortgage loan will be a “qualified mortgage” if the mortgage loan is “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code.

Regular interests held by a financial institution (as referred to in section 582(c)(2) of the Code) will be treated as evidences of indebtedness for purposes of section 582(c)(1) of the Code. Regular interests 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.

Information Reporting and Backup Withholding

Fannie Mae will furnish or make available, within a reasonable time after the end of each calendar year, to each Holder of a Certificate at any time during such year, such information as is required by Treasury regulations and such other information as Fannie Mae deems necessary or desirable to assist Holders in preparing their federal income tax returns, or to enable Holders to make such information available to Owners or other financial intermediaries for which such Holders hold Certificates as nominees.

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

Foreign Investors

Additional rules apply to an Owner of a Certificate that is not a U.S. Person (a “Non-U.S. Person”). The term “U.S. Person” means:

- a citizen or resident of the United States,
- a corporation, partnership or other entity created or organized in or 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 at least one United States person has the authority to control all substantial decisions of the trust.

Payments on a Certificate made to, or on behalf of, an Owner that is a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, provided the following conditions are satisfied:

- the Owner is not subject to U.S. tax as a result of a connection to the United States other than ownership of the Certificate,
- the Owner signs a statement under penalties of perjury certifying that it is a Non-U.S. Person, and provides the name, address and taxpayer identification number, if any, of the Owner and
- the last U.S. Person in the chain of payment to the Owner receives such statement from the Owner or a financial institution holding on behalf of the Owner and does not have actual knowledge that such statement is false.

You should be aware that the IRS might take the position that this exemption does not apply to an Owner that also owns 10 percent or more of the Residual Certificates in any of the Underlying REMIC Trusts or of the voting stock of Fannie Mae, or to an Owner that is a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code.

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 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 or other federal or state agencies with similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing any 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 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 also is 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 Mortgage Loans 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 Donaldson, Lufkin & Jenrette Securities Corporation (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. Morgan, Lewis & Bockius LLP will provide legal representation for the Dealer.

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Underlying REMIC Securities and Certain Characteristics of Related Mortgage Loans

Issuer of the Underlying REMIC Securities	Series Designation	Class Designation	Month of Issuance	CUSIP	Class Type	Stated Final Distribution Date	Original Principal or Notional Principal Balance of Class	Principal Factor as of the Reference Date*	Notional Principal Balance or Principal Balance in the Trust as of the Reference Date*	Approximate Weighted Average Coupon on the Related Mortgage Loans as of the Reference Date*	Approximate Weighted Average Remaining Term to Maturity (in months) of the Related Mortgage Loans as of the Reference Date*
Fannie Mae	1998-W4	X	July 1998	31359UQP3	IO	August 2028	\$260,605,127.00	0.985735480	\$124,796,054.35	7.785%**	357**
Fannie Mae	1998-W7	X	September 1998	31359UA54	IO	November 2028	206,847,104.00	1.000000000	206,847,104.00	7.794%**	357**
PNC Mortgage Securities Corp.	1998-7	II-X	August 1998	69348LQ85	IO	September 2028	20,963,252.00	0.991608522	5,913,211.81	8.171%**	357**
PNC Mortgage Securities Corp.	1998-8	II-X-1	September 1998	69348LU72	IO	October 2028	9,872,789.00	1.000000000	9,872,789.00	8.097%**	358**
PNC Mortgage Securities Corp.	1998-10	II-X-2	October 1998	69348LY2	IO	November 2028	10,545,301.25	1.000000000	10,545,301.25	8.106%**	359**
Impac Secured Assets Corp.	1998-3	A-2	September 1998	45254TAS3	PO	September 2028	9,991,578.00	1.000000000	9,991,578.00	8.788%	349
Norwest Integrated Structured Assets, Inc.	1998-2	II-A-2	September 1998	66938DBB4	PO	September 2028	6,626,300.00	1.000000000	6,626,300.00	7.839%	343
Residential Accredited Loans, Inc.	1998-QS12	CB-2	September 1998	76110FXP3	PO	September 2028	6,964,350.00	1.000000000	6,964,350.00	8.001%	358
Residential Asset Securitization Trust 1998-A13	1998-M	II-A-2	October 1998	12669AW75	PO	December 2028	20,702,099.00	1.000000000	20,702,099.00	7.950%	354
PNC Mortgage Securities Corp.	1998-8	II-A-2	September 1998	69348LU23	PO	October 2028	5,777,134.00	1.000000000	2,715,673.00	8.028%	358

* "Reference Date" means September 1, 1998, except that in the case of the PNC Mortgage Securities Corp., Series 1998-10 and Residential Asset Securitization Trust 1998-A13, Series M, the Reference Date will be the date of issuance of such series (expected to be on or about October 29, 1998).

** Based on the particular Mortgage Loans backing each related Underlying REMIC Security.

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 additional Disclosure Documents. You must not rely on any unauthorized information or representation. This Prospectus and the additional 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 additional 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.

\$47,000,000 (Approximate)



**Guaranteed Grantor Trust
Pass-Through Certificates
Fannie Mae Grantor Trust 1998-T1**

PROSPECTUS

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Donaldson, Lufkin & Jenrette
Securities Corporation

September 15, 1998
