Prospectus

$74,104,700 (Approximate)

Wisconsin Avenue Securities

Mezzanine REMIC Pass-Through Certificates

Fannie Mae REMIC Trust 1998-W2

The REMIC Pass-Through Certificates offered hereby (collectively, the "Offered Certificates" or the "Mezzanine Certificates") will represent beneficial ownership interests in one of two trust funds. The Offered Certificates will represent beneficial ownership interests in Fannie Mae REMIC Trust 1998-W2 (the "Trust"). The assets of the Trust will consist of "regular interests" in a separate trust fund (the "Lower Tier REMIC"). The assets of the Lower Tier REMIC will consist of first lien, single-family, fixed-rate, fully amortizing residential mortgage loans (the "Mortgage Loans") having the characteristics described herein. The Mortgage Loans were generally originated under lending programs designed to meet the objectives of the Community Reinvestment Act of 1977 (the "CRA").

The Offered Certificates will be issued by Fannie Mae. The rights of the holders of the Offered Certificates will be subordinate to the rights of the holders of the Senior Certificates (as defined herein), and will be senior to the rights of the holders of the Subordinate Certificates (as defined herein and, together with the Senior Certificates, the "Non-Offered Certificates"), to receive distributions thereon. **The Offered Certificates are not guaranteed by Fannie Mae and do not represent an interest in or obligation of Fannie Mae or any of its affiliates or of the United States or any agency or instrumentality thereof.**

Investors should not purchase the Offered Certificates before reading this Prospectus and the Information Statement referred to at the bottom of page 2.

(Cover continued on next page)

See "Risk Factors" beginning on page 6 hereof for a discussion of certain risks that should be considered in connection with an investment in the Offered Certificates.

THE OFFERED CERTIFICATES MAY NOT BE SUITABLE INVESTMENTS FOR ALL INVESTORS. NO INVESTOR SHOULD PURCHASE OFFERED CERTIFICATES UNLESS SUCH INVESTOR UNDERSTANDS AND IS ABLE TO BEAR THE PREPAYMENT, YIELD, LIQUIDITY AND OTHER RISKS ASSOCIATED WITH SUCH CERTIFICATES.

THE OFFERED CERTIFICATES ARE NOT GUARANTEED BY, AND DO NOT REPRESENT AN INTEREST IN OR OBLIGATION OF, FANNIE MAE OR ANY OF ITS AFFILIATES OR OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY THEREOF. THE OFFERED CERTIFICATES ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND ARE "EXEMPTED SECURITIES" WITHIN THE MEANING OF THE SECURITIES EXCHANGE ACT OF 1934.

Class (1)	Original Principal Balance (2)	Interest Rate	CUSIP Number
B-1	$31,812,600	6.50%	31359UPG4
B-2	28,818,500	6.50	31359UPH2
B-3	13,473,600	6.50	31359UPJ8

(1) As described herein, distributions of interest and principal on the Mezzanine Certificates are subordinated to the Senior Certificates and are NOT guaranteed by Fannie Mae.
(2) Subject to a permitted variance of plus or minus 5% in the aggregate.

The Offered Certificates will be offered by Bear, Stearns & Co. Inc. (the "Dealer") from time to time in negotiated transactions, at varying prices to be determined at the time of sale.

The Offered Certificates will be offered by the Dealer, subject to issuance by Fannie Mae and to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by the Dealer, subject to the right by the Dealer to reject any order in whole or in part and subject to approval of certain legal matters by counsel. It is expected that the Offered Certificates will be available through the book-entry facilities of The Depository Trust Company on or about July 31, 1998 (the "Settlement Date").

Bear, Stearns & Co. Inc.

The date of this Prospectus is May 29, 1998.

(Cover continued from previous page)

The yields to investors in each Class of Offered Certificates will be sensitive to the rate of principal payments of the Mortgage Loans. Such yields will also be sensitive to the actual characteristics of the related Mortgage Loans and the purchase price paid for the related Class. Accordingly, investors should consider the following risks:

- **The Mortgage Loans generally may be prepaid at any time without penalty, and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time.**
- **Slight variations in Mortgage Loan characteristics could substantially affect the weighted average lives and yields of some or all of the Classes.**
- **In the case of any Offered Certificates purchased at a discount to their principal amounts, a slower than anticipated rate of principal payments is likely to result in a lower than anticipated yield.**
- **The effective yields on the Offered Certificates will be reduced to the extent prepayments of the Mortgage Loans result in Uncovered Prepayment Interest Shortfalls, as described under ''Description of the Offered Certificates—Distributions of Interest.''**
- **The yields and weighted average lives of the Mezzanine Certificates will be affected to a certain extent by the disproportionately lower allocation of prepayments to the Mezzanine Certificates as compared to the Senior Certificates. Investors in the Mezzanine Certificates also should consider the impact on yield due to the timing of the return of principal, if any, with respect to defaulted Mortgage Loans, which, unless purchased by the Master Servicer pursuant to its option (as described herein), will remain in the Trust until the final disposition of the related Mortgaged Properties. Any Realized Losses will be allocated to the Mezzanine and Subordinate Certificates (in the reverse order of their numerical class designations) and the proceeds of such final disposition may not be sufficient to pay the applicable Mezzanine Certificates principal with respect to any such Mortgage Loan at such time. See ''Risk Factors—*Allocation of Realized Losses; Variability of Yield*'' herein.**

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

- **The rate of principal distributions of the Offered Certificates is uncertain and investors may be unable to reinvest the distributions thereon at yields equaling the yields on such Certificates. See ''Risk Factors—*Allocation of Realized Losses; Variability of Yield*'' and ''—Reinvestment Risk'' herein.**
- **The actual final payment of the Offered Certificates may occur earlier or later than the maturity date of the latest maturing Mortgage Loan. See ''Description of the Offered Certificates—Weighted Average Lives of the Offered Certificates'' herein.**
- **Investors whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities may be subject to restrictions on investment in certain Classes of Offered Certificates. Investors should consult their legal advisors to determine whether and to what extent the Offered Certificates constitute legal investments or are subject to restrictions on investment. See ''Legal Investment Considerations'' herein.**

The Dealer intends to make a market for the Offered Certificates but is not obligated to do so. There can be no assurance that such a secondary market will develop or, if developed, that it will continue. Thus, investors may not be able to sell their Offered Certificates readily or at prices that will enable them to realize their anticipated yield. No investor should purchase Offered Certificates unless such investor understands and is able to bear the risk that the value of such Offered Certificates will fluctuate over time and that such Offered Certificates may not be readily saleable.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

Elections will be made to treat the Lower Tier REMIC and the Trust as ''real estate mortgage investment conduits'' (''REMICs'') pursuant to the Internal Revenue Code of 1986, as amended (the ''Code''). See ''Certain Federal Income Tax Consequences'' herein.

Investors should purchase the Offered Certificates only if they have read and understood this Prospectus and Fannie Mae's Information Statement dated March 31, 1998 and any supplements thereto (as so supplemented, the ''Information Statement'').

The Information Statement is incorporated herein by reference and may be obtained from Fannie Mae by writing or calling its MBS Helpline at 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 (telephone 1-800-BEST-MBS or 202-752-6547). Such document may also be obtained from Bear, Stearns & Co. Inc. by writing or calling its Prospectus Department at One Metro Tech Center North, Brooklyn, New York 11201 (telephone 212-272-1581).

PROSPECTIVE INVESTORS IN THE MEZZANINE CERTIFICATES SHOULD CAREFULLY REVIEW ''RISK FACTORS'' HEREIN FOR A DESCRIPTION OF CERTAIN RISKS ASSOCIATED WITH OWNING THE MEZZANINE CERTIFICATES.

PROCEEDS OF THE ASSETS IN THE TRUST ARE THE SOLE SOURCE OF PAYMENTS ON THE MEZZANINE CERTIFICATES. THE MEZZANINE CERTIFICATES, TOGETHER WITH ANY INTEREST THEREON, ARE NOT GUARANTEED BY, AND DO NOT REPRESENT AN INTEREST IN OR OBLIGATION OF, FANNIE MAE OR ANY OF ITS AFFILIATES OR OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY THEREOF.

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REFERENCE SHEET

This reference sheet is not a summary of the REMIC transaction and it does not contain complete information about the Offered Certificates. Investors should purchase the Offered Certificates only after reading this Prospectus and the Information Statement referred to herein in their entirety.

Assumed Characteristics of the Mortgage Loans

The tables contained herein under the heading "The Mortgage Loans—General" set forth certain summary information regarding the assumed characteristics of the Mortgage Loans as of the Issue Date (as defined herein), aggregated on the basis of the characteristics specified therein, including certain information regarding principal balance, weighted average net mortgage rate, weighted average mortgage rate, weighted average age and weighted average maturity ("WAM").

General

The REMIC Pass-Through Certificates for Fannie Mae REMIC Trust 1998-W2 will consist of ten classes of guaranteed senior certificates designated as the A-1, A-2, A-3, A-4, A-5, A-6, A-7 and A-8 Classes (collectively, the "A Classes"), the PO Class and the X Class (together with the A Classes, the "Senior Classes"), three classes of mezzanine certificates designated as the B-1, B-2 and B-3 Classes (collectively, the "Offered Classes" or the "Mezzanine Classes"), three classes of subordinate certificates designated as the B-4, B-5 and B-6 Classes (collectively, the "Subordinate Classes" and together with the Mezzanine Classes, the "B Classes"), and two residual classes designated as the R and RL Classes (the "Residual Classes", and together with the Senior Classes and the Subordinate Classes, the "Non-Offered Classes"). Fannie Mae will not guarantee the B Classes. The Offered Classes and the Non-Offered Classes (other than the RL Class) in the aggregate evidence the entire beneficial ownership interest in the Trust. The assets of the trust will consist of "regular interests" in the Lower Tier REMIC.

It is expected that the assets of the Lower Tier REMIC will consist of Mortgage Loans having an initial aggregate Stated Principal Balance of approximately $748,532,503 (subject to a permitted variance of plus or minus 5% in the aggregate). The Offered Certificates initially evidence an undivided ownership interest of approximately 9.9% in the Mortgage Loans. The initial aggregate principal balance of the Senior Certificates will be approximately $630,638,600, and will initially evidence an undivided ownership interest of approximately 84.25% in the Mortgage Loans. The initial aggregate principal balance of the Subordinate Certificates will be approximately $43,789,203, and will initially evidence an undivided ownership interest of approximately 5.85% in the Mortgage Loans. Only the Offered Certificates are offered hereby. The Non-Offered Classes, which are not being offered hereby, will be issued to the Dealer on the Settlement Date and may be sold at any time thereafter either publicly (in the case of the Senior Classes and the Residual Classes) or in limited private offerings (in the case of the Subordinate Classes).

Interest Distributions

The Offered Certificates will bear interest at the respective per annum interest rates set forth on the cover hereof. On each Distribution Date, each Class of Offered Certificates will be entitled to receive its Interest Distribution Amount, to the extent funds are available therefor.

For a description of the "Interest Distribution Amount" for each Class of Offered Certificates, see "Distribution of the Offered Certificates—Distributions on the Offered Certificates—*General*" and "—*Interest Calculations*" herein.

Principal Distributions

On each Distribution Date, each Class of Offered Certificates will be entitled to receive its Principal Distribution Amount, until the principal balance of such Class is reduced to zero.

For a description of the "Principal Distribution Amount" for each Class of Offered Certificates, see "Description of the Offered Certificates—Distributions on the Offered Certificates—*Principal Calculations*" herein.

Weighted Average Lives (years)*

	PSA Prepayment Assumption**				
Class	**0%**	**75%**	**150%**	**300%**	**500%**
B-1, B-2 and B-3	17.8	14.7	12.7	10.2	7.6

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

** For a description of the PSA Prepayment Assumption, see "Description of the Offered Certificates—Structuring Assumptions—*Prepayment Assumptions*" herein.

Ratings

It is a condition to the issuance of the B-1 Class, B-2 Class and B-3 Class Certificates that they be rated at least AA, A and BBB, respectively, by Fitch IBCA, Inc. (the "Rating Agency"). See "Ratings" herein.

RISK FACTORS

Suitability. Investors in the Offered Certificates should have sufficient knowledge and experience in financial and business matters to evaluate the Offered Certificates, the merits and risks of investing in the Offered Certificates and the information contained and incorporated by reference in this Prospectus. In addition, such investors should have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of such investors' financial situation, the Offered Certificates, the merits and risks of investing in the Offered Certificates and the impact the Offered Certificates will have on their overall investment portfolios. No investor should purchase an Offered Certificate unless such investor understands, and has sufficient financial resources to bear, the prepayment, yield, structure, market, liquidity and other risks associated with such Offered Certificate. Investors also should not purchase any Offered Certificate without sufficient experience, financial resources and liquidity, relative to the potential risks, to manage their investments, including their investment in the related Offered Certificate. Before purchasing any Offered Certificate, investors should understand thoroughly the terms of such Offered Certificate, be familiar with the behavior of the mortgage-backed securities markets, and consider (if necessary, with the assistance of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect their investment, and their ability to bear the associated risks under a variety of such scenarios. Investors also should consider any legal restrictions that may apply to their investments in Offered Certificates. See "Legal Investment Considerations" herein.

Prepayment Considerations and Risks. The rate of principal payments of the Offered Certificates is directly related to the rate of payments of principal of the Mortgage Loans, which may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations resulting from default, casualty or condemnation and payments made pursuant to any exercise of the option, under certain circumstances described herein, of the Master Servicer, the Special Servicer or Fannie Mae, as applicable, to purchase certain delinquent Mortgage Loans). The Mortgage Loans generally may be prepaid in whole or in part at any time without penalty. The Seller is obligated to repurchase Mortgage Loans found to be in material breach of representations and warranties made by it. If such repurchase occurs, and the Seller is unable to substitute a Mortgage Loan therefor, Holders of the Offered Certificates will experience prepayments of principal with respect to the Offered Certificates.

The rate of prepayments on fixed-rate mortgage loans such as the Mortgage Loans is likely to be sensitive to prevailing interest rates. In general, when the level of prevailing interest rates declines sufficiently relative to the interest rate on fixed-rate mortgage loans, the rate of prepayment is likely to increase, although the prepayment rate is influenced by a number of other factors as well, including general economic conditions and homeowner mobility. In addition, it is increasingly difficult to generalize as to the degree to which interest rates must decline before significant prepayments are likely to be experienced. Increased borrower sophistication regarding the benefits of refinancing and extensive solicitation by lenders may result in an increase in the rate at which the Mortgage Loans are prepaid due to refinancing. Additionally, certain rights of the Master Servicer, the Special Servicer and Fannie Mae, as applicable, such as the option under certain circumstances described herein to purchase certain delinquent Mortgage Loans, may affect the rate of prepayment of the Mortgage Loans in the Trust. See "—Repurchases Due to Delinquency". Accordingly, Fannie Mae is unable to estimate what the prepayment experience for the Mortgage Loans in the Trust will be. The Information Statement contains the most recent mortgage loan prepayment experience of Fannie Mae's portfolio. However, Fannie Mae has had limited experience with loans reflecting the underwriting criteria applicable to the Mortgage Loans and is unable to predict whether the experience with respect to its portfolio will have any applicability to the Mortgage Loans. Moreover, it is possible that the Mortgage Loans will experience rates of delinquency, foreclosure and bankruptcy that are higher than those experienced by comparable Mortgage Loans underwritten in accordance with the Fannie Mae Selling Guide.

In an environment of declining interest rates, lenders servicing mortgage loans often are asked by borrowers to refinance the mortgage loans through issuance of new loans secured by mortgages on the same properties. The resulting prepayments, if they involve the Mortgage Loans, will result in the distribution to Certificateholders of the principal balances of the prepaid Mortgage Loans and their removal from the Trust. Lenders servicing the Mortgage Loans are not prohibited from advertising their availability to handle refinancings. Fannie Mae does not, however, permit the removal of Mortgage Loans from the Trust for the purpose of modifications prior to default.

Acceleration of mortgage payments on the Mortgage Loans as a result of transfers of the Mortgaged Property is another factor affecting prepayment rates. The Mortgage Loans will generally provide by their terms that, in the event of the transfer or prospective transfer of title to the underlying Mortgaged Property, the full unpaid principal balance of the Mortgage Loan is due and payable at the option of the holder thereof. As described herein, the Master Servicer is required to exercise its right to accelerate the maturity of Mortgage Loans containing enforceable "due-on-sale" provisions upon certain transfers of the related Mortgaged Property. However, certain state and federal laws limiting the enforcement of "due-on-sale" provisions remain in effect. See "The Agreements—Collection and Other Servicing Procedures" herein.

Provided that timely information is available, principal prepayments (including liquidation proceeds) allocable to the Offered Certificates will be passed through to Certificateholders in the month following the month of receipt (unless, with respect to voluntary prepayments, they are received on the first day of the month in which the Distribution Date occurs, in which case, such prepayments will be distributed in the month of receipt). In the event that timely information is not available, such principal prepayments will be distributed on the Distribution Date in the second month following the month of receipt (or, in the case of such voluntary prepayments received on the first day of a month, in the month following receipt).

Allocation of Realized Losses; Variability of Yield. In the event the aggregate principal balances of the Subordinate Classes were reduced to zero due to the allocation of Realized Losses, the yields to maturity on the Offered Certificates would be extremely sensitive to the default and Realized Loss experience on the Mortgage Loans and to the timing of any such defaults or Realized Losses. The rights of the holders of the Offered Certificates to receive distributions in respect of the Mortgage Loans will be subordinate to the rights of holders of the Senior Certificates to the extent described herein. In addition, the rights of the holders of the B-2 and B-3 Classes to receive such distributions will be subordinate to such rights of the holders of the B-1 Class, and the rights of the holders of the B-3 Class to receive such distributions will be further subordinate to such rights of the holders of the B-2 Class, in each case to the extent described herein. Subject to the limitations described herein, all Realized Losses and other shortfalls in collections on the Mortgage Loans will be allocated to the Subordinate Certificates and then to the Mezzanine Certificates in the reverse order of their numerical class designations until the respective outstanding principal balances thereof have been reduced to zero. There can be no assurance as to the delinquency, foreclosure or Realized Loss experience with respect to the Mortgage Loans. **Investors in the Offered Certificates should fully consider the risk that Realized Losses on the Mortgage Loans could result in the failure of such investors to fully recover their investments**. For additional considerations relating to the yield on the Offered Certificates, see "—*Prepayment Considerations and Risks*" and "Yield Considerations" herein.

The yield to maturity of the Offered Certificates will also be affected by the rate and timing of principal payments (including principal prepayments, defaults and liquidations) on the Mortgage Loans and the application of such payments to reduce the outstanding principal balances of the Offered Certificates. As described herein under "Description of the Offered Certificates—Principal Distributions", for each Distribution Date occurring prior to the Distribution Date in August 2003, the Senior Prepayment Percentage will equal 100%. Furthermore, commencing on the Distribution Date in August 2003, unless the outstanding principal balances of the Senior Certificates have been reduced to zero, the Subordinate Prepayment Percentage may continue to be 0% or otherwise be

disproportionately small relative to the Subordinate Percentage. See "Description of the Offered Certificates—Principal Distributions" herein. This disproportionate allocation of principal prepayments will have the effect of accelerating the amortization of the Senior Certificates while increasing the proportionate interest evidenced by the Offered Certificates and the Subordinate Certificates in the Mortgage Loans, which is intended to preserve the availability of the subordination provided by the Offered Certificates and the Subordinate Certificates to the Senior Certificates and will cause the outstanding principal balances of the Offered Certificates to decline more slowly than would be the case if the Offered Certificates received their proportionate share of principal prepayments on the Mortgage Loans. As a result, in the absence of Realized Losses, the average life of the Offered Certificates will likely be longer than otherwise would be the case, and the performance characteristics of the Offered Certificates will be different from other mortgage pass-through certificates that do not disproportionately allocate principal prepayments on the Mortgage Loans according to the certificate class.

Delinquencies on Mortgage Loans that are not covered by a Delinquency Advance will also affect an investor's yield to maturity on the Offered Certificates. As described herein, amounts otherwise distributable to holders of the Offered Certificates will be made available to protect the Holders of the Senior Certificates against interruptions in distributions due to certain mortgagor delinquencies. Such delinquencies, even if subsequently cured, will affect the timing of the receipt of distributions by holders of the Offered Certificates. In addition, if the aggregate amount of Realized Losses exceed certain specified levels during certain specified periods (ranging from 30% of the Original Subordinate Principal Balance during the 12 months beginning in August 2003 to 50% of the Original Subordinate Principal Balance during or after August 2007), then the rate of principal payments on the Offered Certificates would be affected because the Senior Prepayment Percentage would not decrease pursuant to the schedule that would govern in the absence of such Realized Losses.

Geographic Concentration.

A table herein illustrates the geographic diversity of the Mortgage Loans. The states of Massachusetts, New York and Connecticut represent the largest concentration of Mortgage Loans in the Trust, with approximately 46.26%, 23.37% and 14.66% of the aggregate Stated Principal Balances, respectively. If the residential real estate markets in the states or regions with the heaviest concentrations of Mortgage Loans should experience an overall decline in property values, the rates of delinquencies, foreclosures, bankruptcies and Realized Losses on the Mortgage Loans may be expected to increase and may increase substantially.

Reinvestment Risk. Because the Mortgage Loans may be prepaid at any time, it is not possible to predict the rate at which distributions of principal of any Class of Offered Certificates will be received. Accordingly, the Offered Certificates generally would not be an appropriate investment for an investor requiring a particular distribution of principal on a specified date or any other predictable stream of principal distributions. In addition, since prevailing interest rates are subject to fluctuation, there can be no assurance that investors in any Class of Offered Certificates will be able to reinvest the distributions thereon at yields equaling or exceeding the yields on the Offered Certificates. It is possible that yields on any such reinvestments will be lower, and may be significantly lower, than the yields on the Offered Certificates. Prospective investors in the Offered Certificates should carefully consider the foregoing risks in light of other investments that may be available to such investors.

Liquidity. The Offered Certificates may not have an established trading market when issued. There can be no assurance of a secondary market for any Offered Certificates or the liquidity of such market if one develops. Consequently, investors may not be able to sell their Offered Certificates readily or at prices that will enable them to realize an anticipated yield. This is particularly the case for Offered Certificates that are designed for specific investment objectives or strategies or that have been structured to meet the investment requirements of limited categories of investors, which may have a more limited secondary market and less or no liquidity and may experience more price volatility

than other similar mortgage-backed securities. Illiquidity may have a severely adverse effect on the market value of the Offered Certificates.

No investor should purchase Offered Certificates unless such investor understands and is able to bear the risk that certain Offered Certificates may not be readily saleable, that the value of Offered Certificates will fluctuate over time, and that such fluctuations may be significant and could result in losses to such investor. This is particularly the case for investors whose circumstances may not permit them to hold the Offered Certificates until maturity. Further, depending on the type of Offered Certificates, market conditions and other factors, investors seeking to sell relatively small or relatively large amounts of Offered Certificates may not be able to do so at prices comparable to those that may be available to other investors.

Credit Enhancement. Credit enhancement will be provided for the Offered Certificates first by the right of the Holders of the Offered Certificates to receive certain payments prior to the Subordinate Certificates and second by the allocation of Realized Losses to the Subordinate Certificates. None of the Seller, the Trustee, the Master Servicer, the Special Servicer or any of their respective affiliates will have any obligation to replace or supplement such credit enhancement. Accordingly, if the aggregate principal balance of the Subordinate Certificates were to be reduced to zero, delinquencies and defaults on the Mortgage Loans would affect monthly distributions to Holders of the Offered Certificates.

Cash Flow. Assuming that the Mortgaged Properties provide adequate security for the Mortgage Loans, substantial delay could be encountered in connection with the liquidation of defaulted Mortgage Loans and corresponding delays in the receipt of related Liquidation Proceeds by Holders of the Offered Certificates could occur. Further, liquidation expenses (such as legal fees, real estate taxes and maintenance and preservation expenses) will reduce the proceeds payable to Holders of the Offered Certificates and thereby reduce the security for the related Mortgage Loans.

Nature of Collateral. The Mortgage Loans were generally originated under lending programs designed to meet the objectives of the CRA to provide loans to low- to moderate-income borrowers and in low- and moderate-income neighborhoods. The underwriting guidelines for these programs are less stringent than those for mortgage lending programs following the Fannie Mae Selling Guide, permitting, for example, higher Loan-to-Value Ratios, higher debt to income ratios, no payment reserves and no primary mortgage insurance. It is possible that mortgage loans originated in accordance with these standards would be more likely than non-CRA mortgage loans to experience delinquencies or defaults in the event of negative economic forces affecting the related borrowers and properties. Neither Fannie Mae nor the Seller is aware, however, of long-term historical data regarding the delinquency and loss rates for mortgage loans originated under CRA programs. See "The Mortgage Loans—Origination/Underwriting Description—Community Reinvestment Act Loan Programs". In addition, certain of the Mortgage Loans were up to 60 days delinquent as of the Issue Date. See "The Mortgage Loans—Statistical Information—Delinquency History."

Permitted Variance Factor. The Issue Date Pool Balance and the initial original principal balances of the Certificates are subject to a permitted variance of plus or minus 5%. Therefore, investors should be aware that the characteristics of the Mortgage Loans actually included in the Mortgage Pool may differ from the characteristics of the Mortgage Loans set forth in the discussions and tables in this Prospectus.

Repurchases Due to Delinquency. The Special Servicer, so long as any B-5 Class Certificates are outstanding, and the Master Servicer, at any time, will have the option, but not the obligation, to purchase Mortgage Loans that are more than 90 days delinquent, at a price equal to the Stated Principal Balance thereof plus accrued interest thereon, as described herein. The effect of any such purchase would be the same as that of a prepayment in full of the related Mortgage Loan.

Certain Investment Considerations. No assurances can be given as to the regulatory treatment of an investment in the Offered Certificates, and investors should consult their regulatory advisors

prior to investing in the Offered Certificates. In particular, no representation is being made as to whether any investment in the Offered Certificates will result in credit or favorable treatment under the CRA for any investor subject thereto. See "Legal Investment Considerations" herein.

Real Estate Market. An overall decline in the residential real estate markets in the states in which the Mortgaged Properties are located could adversely affect the values of the Mortgaged Properties such that the outstanding principal balances of Mortgage Loans having original Loan-to-Value Ratios of less than 100% would then equal or exceed (or further exceed, in the case of Mortgage Loans having Loan-to-Value Ratios in excess of 100% prior to such decline) the value of the related Mortgaged Properties. See "The Mortgage Loans—Statistical Information—Original Loan-to-Value Ratios". Residential real estate markets in many states have softened in recent years. Neither Fannie Mae nor the Seller can quantify the impact of such declines in property values or predict how long such decline may continue or when such declines will end. During a period of such declines, the rates of delinquencies, foreclosures and losses on the Mortgage Loans may be higher than those experienced in the mortgage lending industry in general. Geographic concentration of the Mortgage Loans may increase the impact of such market changes. See "The Mortgage Loans—Statistical Information—Geographic Distribution of Mortgaged Properties" and "—Zip Code Concentrations".

A rise in interest rates over a period of time and the general conditions of the Mortgaged Properties, as well as other factors such as general employment levels, may have the effect of reducing the value of the Mortgaged Properties from the appraised value thereof from the time of origination of the related Mortgage Loans. If there is a reduction in the value of a Mortgaged Property, the ratio of the principal balance of the related Mortgage Loan to the value of such Mortgaged Property at such time may increase relative to such ratio at the time such Mortgage Loan was originated. Such an increase may reduce the likelihood of liquidation or other proceeds being sufficient to pay in full the outstanding principal balance of such Mortgage Loan.

Other Legal Considerations. Certain states have imposed statutory prohibitions that limit the remedies of a beneficiary under a deed of trust, security deed or a mortgagee under a mortgage. In some states, statutes limit the right of the beneficiary or mortgagee to obtain a deficiency judgment against the borrower following foreclosure or sale under a deed of trust, security deed or mortgage. A deficiency judgment would be a personal judgment against the borrower equal in most cases to the difference between the net amount received upon the public sale of the real property and the amount due the lender. Other statutes require the beneficiary or mortgagee to exhaust the security afforded under a deed of trust, security deed or mortgage by foreclosure in an attempt to satisfy the full debt before bringing a personal action against the borrower. Finally, other statutory provisions limit any deficiency judgment against the borrower following a judicial sale to the excess of the outstanding debt over the fair market value of the property at the time of the public sale. The purpose of these statutes is generally to prevent a beneficiary or a mortgagee from obtaining a large deficiency judgment against the borrower as a result of low or no bids at the judicial sale.

Applicable state laws generally regulate interest rates and other charges, require certain disclosures, and require licensing of mortgage loan originators and servicers, among others. In addition, other state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of the Mortgage Loans. The Seller will be required to repurchase any Mortgage Loan that, at the time of origination, did not comply with applicable federal and state laws and regulations. Depending on the provisions of applicable law and the specific facts and circumstances involved, violations of such laws, policies and principles may limit the ability of the Trust to collect all or part of the principal of or interest on the related Mortgage Loans, may entitle the related borrowers to a refund of amounts previously paid and, in addition, could subject the Trust to damages and administrative enforcement.

The Mortgage Loans are also subject to federal laws, including:

(a) the Federal Truth in Lending Act and Regulation Z promulgated thereunder, which require certain disclosures to borrowers regarding the terms of mortgage loans;

(b) the Equal Credit Opportunity Act and Regulation B promulgated thereunder, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit;

(c) the Fair Credit Reporting Act, which regulates the use and reporting of information related to borrowers' credit experience;

(d) the Americans with Disabilities Act, which, among other things, prohibits discrimination on the basis of disability in the full and equal enjoyment of the goods, services, facilities, privileges, advantages or accommodations of any place of public accommodation; and

(e) the Mortgage Loan Consumer Protection Act of 1998, which requires additional application disclosures, limits changes that may be made to loan documents without the related borrower's consent and restricts a lender's ability to declare a default or to suspend or reduce a borrower's credit line to certain enumerated events.

Violations of certain provisions of these federal laws may limit the ability of the Master Servicer or, to the extent applicable, the Special Servicer to collect all or part of the principal of or interest on the related Mortgage Loans, and in addition could subject the Trust to damages and administrative enforcement. The federal Soldiers' and Sailors' Civil Relief Act of 1940 may affect the ability of the Master Servicer or the Special Servicer, as applicable, to collect full amounts of interest on certain Mortgage Loans and could interfere with the ability of the Master Servicer or the Special Servicer, as applicable, to foreclose on certain properties.

Under federal and state environmental legislation and applicable case law, it is unclear whether liability for costs of eliminating environmental hazards in respect of real property may be imposed on a secured lender (such as the Trust) acquiring title to such real property. Such costs could be substantial.

GENERAL

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

Structure. The Offered Certificates will be issued by the Federal National Mortgage Association ("Fannie Mae"), a corporation organized and existing under the laws of the United States, under the authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*). The Trust and the Lower Tier REMIC will be created pursuant to a trust agreement dated as of July 1, 1998 (the "Trust Agreement"), executed by Fannie Mae in its corporate capacity and in its capacity as trustee (in such capacity, the "Trustee"), and the Offered Certificates in the Classes and aggregate original principal balances set forth on the cover hereof as well as the Non-Offered Classes will be issued by Fannie Mae pursuant thereto. Each of Fannie Mae, Bear Stearns Mortgage Capital Corporation (the "Seller"), Fleet Mortgage Corp. (the "Master Servicer") and the Special Servicer (defined herein) will be a party to a sale and servicing agreement (the "Sale and Servicing Agreement") dated as of July 1, 1998 (the "Issue Date"). A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement.

The Certificates (other than the R and RL Classes) will be designated as the "regular interests," and the R Class will be designated as the "residual interest," in the REMIC constituted by the Trust. The interests in the Lower Tier REMIC other than the RL Class (the "Lower Tier Regular Interests") will be designated as the "regular interests," and the RL Class will be designated as the "residual interest," in the Lower Tier REMIC.

The assets of the Trust will consist of the Lower Tier Regular Interests. The Offered Classes and the Non-Offered Classes (other than the RL Class) will evidence the entire beneficial ownership interest in the distributions of principal of and interest on the Lower Tier Regular Interests owned by the Trust. The assets of the Lower Tier REMIC will consist of the Mortgage Loans and will in the aggregate evidence the entire beneficial ownership interest in the distributions of principal and interest thereon.

Authorized Denominations. The Offered Certificates will be issued in minimum denominations of $100,000 and integral multiples of $1 in excess thereof.

Characteristics of Offered Certificates. The Offered Certificates will be represented by one or more certificates (the "DTC Certificates") to be registered at all times in the name of the nominee of the Depository (as defined herein), which Depository will maintain such Certificates through its book-entry facilities. When used herein with respect to any DTC Certificate, the terms "Holders" and "Certificateholders" refer to the nominee of the Depository. A Holder is not necessarily the beneficial owner of a book-entry Certificate. Beneficial owners will ordinarily hold book-entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See "Description of the Offered Certificates—Book-Entry Procedures" herein.

Distribution Dates. Distributions on the Offered Certificates will be made on the 25th day of each month or, if such 25th day is not a business day, on the first business day next succeeding such 25th day (each, a "Distribution Date"), commencing in the month following the Settlement Date.

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

REMIC Trust Factors. As soon as practicable following the 12th day of each month, Fannie Mae will publish or otherwise make available for each Class of Offered Certificates the factor (carried to eight decimal places) which, when multiplied by the original principal balance of a Certificate of such Class, will equal the remaining principal balance of such Certificate after giving effect to the distribution of principal to be made on the following Distribution Date.

Optional Termination. Fannie Mae may effect an early termination of the Trust as described herein under "The Agreements—Termination."

THE MORTGAGE LOANS

General

The information with respect to the Mortgage Loans set forth herein has been collected and summarized by the Seller and provided to Fannie Mae. Fannie Mae has made no independent verification of such information and, therefore, does not warrant its truth or accuracy and shall not be responsible therefor.

In addition, prior to the Settlement Date, Mortgage Loans may be removed and other Mortgage Loans may be substituted therefor. The Seller believes that the information set forth herein with respect to the Mortgage Loans as presently constituted will be representative of the characteristics of the Mortgage Loans as of the Settlement Date, although certain characteristics of the Mortgage Loans may vary.

It is expected that the assets of the Lower Tier REMIC will consist of approximately 8,922 mortgage loans (collectively, the "Mortgage Loans") having an aggregate Stated Principal Balance of approximately $748,532,503 (subject to a variance of plus or minus 5% in the aggregate) as of the Issue Date. Mortgage Loans originated or acquired by Fleet Bank (defined herein) or its affiliates were generally originated under lending programs designed to meet the objectives of the CRA. See "—Origination/Underwriting Description."

The Mortgage Loans consist of first lien, single family, fixed-rate, fully amortizing mortgage loans with original terms of from 10 to 30 years. Each Mortgage Loan is evidenced by a promissory note or similar evidence of indebtedness (a "Mortgage Note") that is secured by a first mortgage or deed of trust on a single family residential property and that provides for monthly payments of principal and interest. As used herein, the property that secures repayment of a Mortgage Loan is referred to as the "Mortgaged Property."

Each Mortgage Loan provides for payments by the obligor on the related Mortgage Note (the "borrower") as of a scheduled day in each month that is fixed at the time of origination. In addition, each Mortgage Loan provides that interest is charged to the related borrower at the rate of interest set forth or calculated as provided in the related Mortgage Note on the outstanding principal balance thereof calculated on the basis of a 360-day year consisting of twelve 30-day months. Scheduled monthly payments made by a borrower either earlier or later than their scheduled due date will not affect the amortization schedule or the relative application of such payment to principal and interest.

None of the Mortgage Loans is FHA-insured or VA-guaranteed. Generally, the Mortgage Loans were originated pursuant to criteria that did not require primary mortgage insurance.

Set forth below is certain summary information regarding the assumed characteristics of the Mortgage Loans, aggregated on the basis of the specified characteristics as of the Issue Date (without giving effect to prepayments received on the Mortgage Loans on or after the Issue Date). Such summary information has been aggregated on the basis of the assumed characteristics specified below and is not intended to reflect actual or assumed individual Mortgage Loan characteristics.

The "Weighted Average Net Mortgage Rate" for any Distribution Date is the weighted average of the Net Mortgage Rates in effect during the preceding calendar month, weighted on the basis of the Stated Principal Balances of the Mortgage Loans immediately prior to such Distribution Date. The "Weighted Average Age" is the weighted average loan age of the Mortgage Loans. The "Net Mortgage Rate" for any Mortgage Loan is the applicable mortgage interest rate on such Mortgage Loan less 0.314%. The "Discount Mortgage Loans" are all Mortgage Loans having Net Mortgage Rates lower than 6.50%. The "Non-Discount Mortgage Loans" are all Mortgage Loans having Net Mortgage Rates equal to or greater than 6.50%.

Discount Mortgage Loans

Batch	Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Original Term (in months)	WAM (in months)	Weighted Average Age (in months)
1	$ 120,026.17	3.6860000000%	4.0000000000%	396	328	68
2	90,148.55	4.4360000000	4.7500000000	360	304	56
3	75,640.19	4.8110000000	5.1250000000	360	304	56
4	260,157.18	5.2435839527	5.5575839527	344	286	58
5	646,772.67	5.3547621035	5.6687621035	358	303	55
6	153,847.29	5.4360000000	5.7500000000	360	326	34
7	142,580.50	5.6860000000	6.0000000000	345	318	27
8	28,004.54	5.6860000000	6.0000000000	317	303	14
9	1,182,764.46	5.6860000000	6.0000000000	359	343	16
10	1,081,001.66	5.6951580074	6.0091580074	360	333	27
11	1,407,306.43	5.7039236799	6.0179236799	361	352	9
12	1,427,093.70	5.7194633099	6.0334633099	360	328	32
13	3,814,474.07	5.7677262860	6.0817262860	359	306	53
14	173,604.77	5.8064777524	6.1204777524	333	312	21
15	1,118,678.86	5.8087839652	6.1227839652	359	339	20
16	518,904.06	5.8682560008	6.1822560008	330	277	53
17	45,507.61	5.9360000000	6.2500000000	291	269	22
18	57,163.34	5.9360000000	6.2500000000	180	122	58
19	304,247.86	6.0891481355	6.4031481355	360	340	20
20	144,797.52	6.1795199684	6.4935199684	183	132	51
21	292,623.13	6.1854360408	6.4994360408	299	272	27
22	192,937.99	6.2370220084	6.5510220084	216	167	49
23	13,004,068.58	6.2738270382	6.5878270382	358	305	53
24	8,816,072.00	6.2926547464	6.6066547464	359	332	27
25	1,103,994.62	6.2993066799	6.6133066799	332	276	56
26	1,596,755.32	6.3066616936	6.6206616936	343	315	28
27	2,756,227.24	6.3387510845	6.6527510845	362	329	33
28	15,935,890.30	6.3815113095	6.6955113095	359	352	7
29	2,619,083.81	6.4189395188	6.7329395188	359	354	5
30	47,694.19	6.4360000000	6.7500000000	277	271	6
Total	$59,158,068.61	6.1902710818%	6.5042710818%	356	327	29

Non-Discount Mortgage Loans

Batch	Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Original Term (in months)	WAM (in months)	Weighted Average Age (in months)
1	$ 120,808.62	6.5610000000%	6.8750000000%	312	284	28
2	190,143.21	6.6387221088	6.9527221088	318	310	8
3	64,786.60	6.6590231059	6.9730231059	236	197	39
4	23,382,934.50	6.6663641292	6.9803641292	359	350	9
5	40,319.99	6.6860000000	7.0000000000	320	302	18
6	1,593,018.31	6.7075293500	7.0215293500	343	315	28
7	256,211.57	6.7278078602	7.0418078602	200	159	41
8	7,662,461.97	6.7319857051	7.0459857051	360	333	27
9	521,110.21	6.7336552626	7.0476552626	298	243	55
10	16,261,730.19	6.7463309640	7.0603309640	360	328	32
11	3,954,435.69	6.7751337321	7.0891337321	332	278	54
12	125,204.34	6.8056667584	7.1196667584	260	245	15
13	31,755,819.28	6.8107798254	7.1247798254	356	306	50
14	64,981.72	6.8110000000	7.1250000000	294	276	18
15	1,763,488.31	6.8204537237	7.1344537237	360	356	4

Batch	Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Original Term (in months)	WAM (in months)	Weighted Average Age (in months)
16	175,001.85	6.8285347289	7.1425347289	178	120	58
17	7,310,843.43	6.8622737386	7.1762737386	359	344	15
18	1,739,391.75	6.8685565553	7.1825565553	358	340	18
19	2,020.74	6.9360000000	7.2500000000	41	7	34
20	22,060.12	6.9360000000	7.2500000000	110	53	57
21	44,282.60	7.0610000000	7.3750000000	237	210	27
22	60,461.82	7.0610000000	7.3750000000	237	232	5
23	100,897.33	7.0610000000	7.3750000000	290	277	13
24	195,980.05	7.1355372807	7.4495372807	179	129	50
25	103,404.00	7.1623886068	7.4763886068	249	235	14
26	348,912.03	7.1786544343	7.4926544343	322	309	13
27	9,946,538.89	7.1844958689	7.4984958689	358	344	14
28	104,713.93	7.1860000000	7.5000000000	305	287	18
29	64,994.41	7.1860000000	7.5000000000	192	172	20
30	18,062.32	7.1860000000	7.5000000000	108	56	52
31	7,115,607.51	7.2186393951	7.5326393951	359	355	4
32	24,985,926.50	7.2436781168	7.5576781168	359	327	32
33	66,791,105.65	7.2620127967	7.5760127967	357	308	49
34	7,482,800.66	7.2662928320	7.5802928320	330	278	52
35	7,286,224.10	7.2737081745	7.5877081745	342	315	27
36	1,190,112.77	7.2738613166	7.5878613166	290	236	54
37	197,345.24	7.2774299478	7.5914299478	252	226	26
38	647,408.99	7.2791366025	7.5931366025	298	272	26
39	362,416.70	7.2793316849	7.5933316849	249	200	49
40	30,637,821.71	7.2895027165	7.6035027165	359	333	26
41	139,073.74	7.3110000000	7.6250000000	202	164	38
42	34,955.79	7.3110000000	7.6250000000	306	303	3
43	1,301.96	7.3110000000	7.6250000000	75	7	68
44	144,721.29	7.3110000000	7.6250000000	143	95	48
45	13,364,099.52	7.3168388527	7.6308388527	358	337	21
46	12,629,310.35	7.3228583324	7.6368583324	359	351	8
47	1,273,706.62	7.3284443036	7.6424443036	336	315	21
48	118,530.05	7.5610000000	7.8750000000	180	158	22
49	44,691.65	7.5610000000	7.8750000000	153	108	45
50	78,379.21	7.5610000000	7.8750000000	333	323	10
51	62,218.50	7.5610000000	7.8750000000	276	247	29
52	132,310.21	7.5610000000	7.8750000000	309	281	28
53	48,586.47	7.6149159359	7.9289159359	114	64	50
54	205,401.15	7.6481010216	7.9621010216	167	124	43
55	527,694.94	7.6786233493	7.9926233493	242	201	41
56	15,056,731.15	7.6829510175	7.9969510175	358	337	21
57	169,766.47	7.6868239480	8.0008239480	268	247	21
58	10,273,967.40	7.7100356309	8.0240356309	360	333	27
59	1,720,830.56	7.7139897313	8.0279897313	343	317	26
60	15,674,526.48	7.7249401432	8.0389401432	359	350	9
61	376,185.06	7.7341790465	8.0481790465	360	356	4
62	5,893,032.64	7.7351583178	8.0491583178	328	276	52
63	1,293,273.36	7.7363685885	8.0503685885	331	310	21
64	49,436,110.99	7.7370500605	8.0510500605	354	311	43
65	859,601.28	7.7800715860	8.0940715860	278	234	44
66	26,654,976.68	7.7937973864	8.1077973864	360	328	32
67	16,632.81	7.8110000000	8.1250000000	237	160	77
68	39,933.41	7.8110000000	8.1250000000	234	216	18
69	19,258.06	7.8110000000	8.1250000000	239	233	6
70	10,256,808.18	7.8667722132	8.1807722132	359	343	16

Batch	Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Original Term (in months)	WAM (in months)	Weighted Average Age (in months)
71	639,475.95	7.9052021881	8.2192021881	335	319	16
72	50,157.82	8.0610000000	8.3750000000	171	135	36
73	155,622.02	8.0610000000	8.3750000000	300	285	15
74	18,623.72	8.0610000000	8.3750000000	115	84	31
75	366,458.37	8.1117223099	8.4257223099	323	312	11
76	3,929,890.62	8.1298553346	8.4438553346	360	349	11
77	15,452,854.15	8.1400162355	8.4540162355	358	344	14
78	16,688.54	8.1487709344	8.4627709344	99	56	43
79	95,540.17	8.1860000000	8.5000000000	240	223	17
80	25,373.42	8.1860000000	8.5000000000	120	104	16
81	114,108.10	8.1860000000	8.5000000000	238	219	19
82	139,637.28	8.1860000000	8.5000000000	180	163	17
83	78,887.16	8.1860000000	8.5000000000	261	215	46
84	15,750,919.15	8.1901066330	8.5041066330	360	327	33
85	637,849.73	8.2010490010	8.5150490010	276	235	41
86	1,707,792.35	8.2097244541	8.5237244541	336	311	25
87	268,996.85	8.2186083465	8.5326083465	330	315	15
88	10,891,553.89	8.2189980232	8.5329980232	360	335	25
89	42,482,944.21	8.2248903253	8.5388903253	356	315	41
90	4,642,482.53	8.2288431983	8.5428431983	326	272	54
91	117,020.09	8.2607530296	8.5747530296	305	281	24
92	1,603,832.07	8.2697002148	8.5837002148	338	317	21
93	15,671,750.18	8.3046213785	8.6186213785	358	338	20
94	85,602.12	8.3701453810	8.6841453810	225	161	64
95	313,699.95	8.5610000000	8.8750000000	344	320	24
96	2,126,806.44	8.5704534696	8.8844534696	359	335	24
97	1,113,493.98	8.5843481976	8.8983481976	342	320	22
98	10,370,452.79	8.6098751679	8.9238751679	359	337	22
99	332,101.19	8.6193639884	8.9333639884	354	339	15
100	36,937.82	8.6220567299	8.9360567299	164	119	45
101	4,865.79	8.6360000000	8.9500000000	96	14	82
102	789,651.58	8.6860000000	9.0000000000	179	165	14
103	214,183.33	8.6860000000	9.0000000000	238	220	18
104	273,121.61	8.6860000000	9.0000000000	176	158	18
105	26,615.52	8.6860000000	9.0000000000	112	94	18
106	37,352.67	8.6860000000	9.0000000000	120	107	13
107	262,289.09	8.6860000000	9.0000000000	239	226	13
108	137,114.56	8.6860000000	9.0000000000	360	356	4
109	21,375.70	8.6860000000	9.0000000000	119	113	6
110	25,861.07	8.6860000000	9.0000000000	240	234	6
111	3,265,474.60	8.7249199188	9.0389199188	360	325	35
112	761,117.69	8.7400570904	9.0540570904	297	239	58
113	102,378.43	8.7540009695	9.0680009695	223	160	63
114	343,038.01	8.7577578484	9.0717578484	250	197	53
115	73,177,888.84	8.7698244077	9.0838244077	357	315	42
116	7,407,369.80	8.7726490328	9.0866490328	339	275	64
117	246,413.95	9.1532919938	9.4672919938	214	129	85
118	339,771.61	9.1590353251	9.4730353251	294	238	56
119	1,592,622.30	9.2181572777	9.5321572777	322	274	48
120	199,467.34	9.2252243976	9.5392243976	360	327	33
121	37,145,681.65	9.2391167878	9.5531167878	357	316	41
122	41,311.21	9.3110000000	9.6250000000	205	163	42
123	39,674.10	9.3583488687	9.6723488687	128	85	43
124	196,310.53	9.4054220427	9.7194220427	298	204	94
125	54,073.19	9.5610000000	9.8750000000	360	326	34

Batch	Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Original Term (in months)	WAM (in months)	Weighted Average Age (in months)
126	918,669.83	9.5610000000	9.8750000000	318	278	40
127	65,608.89	9.5610000000	9.8750000000	255	216	39
128	32,344.50	9.5610000000	9.8750000000	272	231	41
129	11,176,829.13	9.5710842034	9.8850842034	357	317	40
Total	$689,374,434.77	7.8215224608%	8.1355224608%	354	320	34

Statistical Information

The statistical information presented below concerning the Mortgage Loans expected to be included in the Lower Tier REMIC is based on the aggregate Stated Principal Balance of such Mortgage Loans as of the Issue Date.

The "loan-to-value ratios" shown below were calculated based upon the ratio of the principal balance of the Mortgage Loans to the values of the related Mortgaged Properties at the time of origination. No assurance can be given that values of the Mortgaged Properties have remained or will remain at their levels on the dates of origination of the related Mortgage Loans. If the residential real estate market has experienced or should experience an overall decline in property values such that the outstanding principal balances of the Mortgage Loans approach or exceed (or further exceed, in the case of Mortgage Loans having Loan-to-Value Ratios in excess of 100% prior to such decline) the value of the Mortgaged Properties, the actual rates of delinquencies, foreclosures and losses could be higher than those now generally experienced in the mortgage lending industry.

As of the Issue Date, the average Stated Principal Balance of the Mortgage Loans was $83,897; the mortgage interest rates of the Mortgage Loans ranged from 4.000% to 10.125%; the weighted average mortgage interest rate of the Mortgage Loans was 8.007%; and the weighted average remaining term to stated maturity of the Mortgage Loans was 326 months. The remaining terms to stated maturity as of the Issue Date of the Mortgage Loans ranged from 78 months to 358 months. The maximum and minimum Stated Principal Balances of any Mortgage Loan as of the Issue Date were $273,038 and $1,302, respectively. No Mortgage Loan will mature later than May 1, 2028.

The following information sets forth in tabular format certain information, as of the Issue Date, as to the Mortgage Loans. References to "Aggregate Loan Balance" represent the aggregate of the Stated Principal Balances of the related Mortgage Loans as of the Issue Date. The "Stated Principal Balance" of a Mortgage Loan at any time is the unpaid principal balance thereof (or the scheduled unpaid principal balance thereof, in the case of Mortgage Loans that are delinquent) as of the Issue Date reduced by all amounts representing principal received or advanced by the Master Servicer and previously distributed to Certificateholders with respect to such Mortgage Loan and by the principal portion of any Realized Loss in respect of such Mortgage Loan; provided, however, that the Stated Principal Balance of a Liquidated Loan will be deemed to be zero after all Realized Losses, if any, relating to such Mortgage Loan have been determined. Unless otherwise indicated, information presented below expressed as a percentage (other than rates of interest) are approximate percentages based on the Stated Principal Balances of the Mortgage Loans as of the Issue Date. The sum of the percentage columns in the following tables may not equal 100% due to rounding.

Delinquency History

Delinquency History	Number of Mortgage Loans	Aggregate Loan Balances	% of Aggregate Loan Balance
0 × 30 days late in last 17 months	6,577	$563,339,122	75.26%
1 × 30 days late in last 17 months	531	44,123,588	5.89
2 × 30 days late in last 17 months	240	19,283,213	2.58
3+ × 30 days late in last 17 months	690	53,563,597	7.16
1 × 60 days late in last 17 months	226	17,948,870	2.4
2+ × 60 days late in last 17 months	322	25,115,961	3.36
1 × 90 days late in last 17 months	123	9,264,095	1.24
2+ × 90 days late in last 17 months	213	15,894,059	2.12
	8,922	$748,532,503	100.00%

As of the Issue Date, 91.01% of the Mortgage Loans were not delinquent, 7.24% were 30 days delinquent, and 1.75% were 60 days delinquent.

Current Stated Principal Balances

Range of Current Stated Principal Balances ($)	Number of Mortgage Loans	Aggregate Loan Balance	% of Aggregate Loan Balance
Less than 20,000	78	$ 1,202,842	0.16%
20,001 to 50,000	1,546	59,660,838	7.97
50,001 to 60,000	968	53,403,480	7.13
60,001 to 70,000	1,086	70,587,107	9.43
70,001 to 80,000	978	73,416,119	9.81
80,001 to 90,000	870	73,827,349	9.86
90,001 to 100,000	713	67,762,410	9.05
100,001 to 150,000	2,191	263,394,956	35.19
150,001 to 200,000	439	73,683,773	9.84
200,001 or greater	53	11,593,631	1.55
Totals	8,922	$748,532,503	100.00%

The average current Stated Principal Balance of the Mortgage Loans is expected to be approximately $83,897.

Mortgage Interest Rates

Mortgage Interest Rate (%)	Number of Mortgage Loans	Aggregate Loan Balances	% of Aggregate Loan Balances
4.000 to 6.000	22	$ 2,309,243	0.31%
6.000 to 6.249	99	7,867,697	1.05
6.250 to 6.499	77	6,315,378	0.84
6.500 to 6.749	237	21,150,516	2.83
6.750 to 6.999	544	50,611,926	6.76
7.000 to 7.249	420	35,844,240	4.79
7.250 to 7.499	784	71,260,408	9.52
7.500 to 7.749	1,094	96,618,644	12.91
7.750 to 7.999	1,010	91,555,986	12.23
8.000 to 8.249	702	58,926,538	7.87
8.250 to 8.499	949	78,014,249	10.42
8.500 to 8.749	700	56,567,002	7.56
8.750 to 8.999	587	46,418,015	6.20
9.000 to 9.249	682	51,060,137	6.82
9.250 to 9.499	451	32,871,787	4.39
9.500 to 9.749	287	20,368,797	2.72
9.750 to 9.999	267	20,001,955	2.67
10.000 to 10.249	10	769,984	0.10
Totals	8,922	$748,532,503	100.00%

The weighted average mortgage interest rate of the Mortgage Loans is expected to be approximately 8.007% per annum.

Remaining Terms to Stated Maturity

Remaining Terms to Stated Maturity (Months)	Number of Mortgage Loans	Aggregate Loan Balances	% of Aggregate Loan Balances
78 to 180	45	$ 2,604,885	0.35%
181 to 300	431	31,633,250	4.23
301 to 310	949	76,673,895	10.24
311 to 320	1,840	139,020,226	18.57
321 to 330	2,558	215,495,101	28.79
331 to 340	1,536	133,228,332	17.80
341 to 350	922	84,244,051	11.25
351 to 358	641	65,632,763	8.77
Totals	8,922	$748,532,503	100.00%

The weighted average remaining term to stated maturity of the Mortgage Loans is expected to be approximately 326 months.

Original Loan-to-Value Ratios

Original Loan-to-Value Ratios (%)	Number of Mortgage Loans	Aggregate Loan Balances	% of Aggregate Loan Balances
70.00 or less	480	$ 27,040,665	3.61%
70.01-75.00	850	62,485,263	8.35
75.01-80.00	393	29,616,443	3.96
80.01-85.00	268	22,008,915	2.94
85.01-90.00	1,082	89,532,522	11.96
90.01-95.00	5,416	477,914,128	63.85
95.01-100.00	379	34,777,274	4.65
100.01-105.00	27	2,654,716	0.35
105.01-110.00	14	1,255,069	0.17
110.01-125.00	13	1,247,507	0.17
Totals	8,922	$748,532,503	100.00%

The weighted average original Loan-to-Value Ratio of the Mortgage Loans is expected to be approximately 90.27%.

Types of Mortgaged Properties

Property Type	Number of Mortgage Loans	Aggregate Loan Balances	% of Aggregate Loan Balances
One Family	5,519	$443,211,595	59.21%
Two-to-Four Family	2,321	240,267,797	32.10
Condominium	1,031	61,253,894	8.18
Cooperative	4	132,373	0.02
Planned Unit Development	47	3,666,845	0.49
Totals	8,922	$748,532,503	100.00%

Purpose of Mortgage Loans

Loan Purpose	Number of Mortgage Loans	Aggregate Loan Balances	% of Aggregate Loan Balances
Purchase	8,783	$736,366,025	98.37%
Rate and Term Refinance	139	12,166,479	1.63
Totals	8,922	$748,532,503	100.00%

Occupancy Types (1)

Occupancy Type	Number of Mortgage Loans	Aggregate Loan Balances	% of Aggregate Loan Balances
Primary Residence	8,605	$723,157,346	96.61%
Second Home	3	218,835	0.03
Investor Owned	314	25,156,323	3.36
Totals	8,922	$748,532,503	100.00%

(1) Based upon representations of related borrowers at the time of origination.

Geographic Distribution of Mortgaged Properties

State	Number of Mortgage Loans	Aggregate Loan Balances	% of Aggregate Loan Balances
Massachusetts	3,789	$346,301,079	46.26%
New York	2,349	174,920,393	23.37
Connecticut	1,230	109,755,225	14.66
New Jersey	784	64,096,475	8.56
New Hampshire	335	22,709,268	3.03
Rhode Island	300	22,647,022	3.03
Other (no more than 1% in any one of 8 states)	135	8,103,041	1.08
Totals	8,922	$748,532,503	100.00%

Zip Code Concentrations

Zip Code Concentrations Over 1%	Number of Mortgage Loans	Aggregate Loan Balances	% of Aggregate Loan Balances
02124	272	$26,356,256	3.52%
02131	140	15,476,089	2.07
02136	148	14,611,098	1.95
06606	167	13,536,848	1.81
02126	114	11,190,294	1.49
02130	77	8,408,990	1.12
06851	62	7,993,442	1.07
02125	91	7,749,850	1.04
02368	66	7,603,867	1.02

Origination / Underwriting Description

The following information was provided to Fannie Mae by the Seller.

The Master Servicer.

Except as provided herein under "The Agreements—Servicing of the Mortgage Loans," Fleet Mortgage Corp. ("Fleet Mortgage"), located in Columbia, South Carolina, will master service the mortgage loans. Fleet Mortgage is a subsidiary of Fleet Financial Group, a bank holding company whose other principal subsidiaries include Fleet National Bank, Fleet Bank, N.A., Fleet Bank of Maine and Fleet Bank—NH (collectively, "Fleet Bank"). As of December 31, 1997, Fleet Mortgage serviced approximately 1.5 million loans with an aggregate principal balance of approximately $122 billion. Fleet Mortgage is one of the top ten largest residential mortgage servicers in the nation. Collections on CRA loans are handled by Fleet Bank's Consumer Collections Operations Group in Buffalo, New York. The Group applies additional special collection procedures for CRA loans, which include aggressive collection calling and borrower counseling.

Community Reinvestment Act Loan Programs.

The Community Reinvestment Act of 1977 (the "CRA") applies to all federally insured commercial banks, savings banks, and savings and loan associations. It does not apply to credit unions. The four federal agencies that supervise the financial institutions covered by the CRA are the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Reserve Board and the Office of Thrift Supervision.

Pursuant to the CRA, such institutions have a continuing and affirmative obligation to help meet the credit needs of their entire communities, including low- and moderate-income neighborhoods, consistent with safe and sound operation. The federal agencies that regulate these institutions are responsible for evaluating how well each such institution meets this obligation, and are required to take that record into account when such institution applies to the government for expansion or restructuring, such as a new branch or a merger with or acquisition of another company.

As part of its ongoing efforts to help meet the needs of low and moderate income borrowers, Fleet Bank, the originator of a majority of the Mortgage Loans, offers a variety of mortgage programs specifically designed to assist borrowers who do not meet the standards of traditional secondary market (*i.e.*, FHLMC and Fannie Mae) loan programs. In general, Fleet Bank's CRA programs are comprised of fixed rate loans that provide the borrower with a level principal and interest payment over the term of the loan and that, depending on the program, enable the borrower to purchase a home with a down payment generally as low as 5%. CRA programs may not require primary mortgage insurance on the related mortgage loans, including the Mortgage Loans. Some of Fleet Bank's programs have been developed in partnership with local, state, or national community development and housing organizations. Fleet Bank also offers standard programs that are not associated with any particular community organization. Some of the programs pursuant to which certain of the Mortgage Loans were originated were those of banks Fleet Bank acquired, such as Shawmut and NatWest.

All of Fleet Bank's CRA loan origination activity is handled by the retail origination offices of Fleet Mortgage. The loans are not originated through any wholesale, broker, or correspondent origination activities. Fleet Bank's CRA loan programs are offered only in Fleet Bank retail territories. Applicants come to Fleet Bank from a variety of sources, including referrals from community groups. The particular sources for loans vary by state and by region.

In order to make a loan, Fleet Bank must be able to determine the borrower's ability and willingness to repay the mortgage debt by analyzing his or her credit history. The credit requirements vary by program. In general, however, Fleet looks for at least a 12-month history of good credit. Good credit means only minor delinquencies on trade lines. If the program allows more serious trade line delinquencies, such as one occurrence of a 60-day payment delinquency, then the program typically requires a perfect housing payment record. Generally, the maximum housing expense to income ratio is 35% and the maximum total obligations to income ratio is 40%. Some programs allow a total debt ratio of 45%. Other programs allow ratios in excess of the maximum if the borrower has demonstrated the ability to carry a higher debt load. Ratios are generally lower for loans on two- to four- or more family homes. For such homes, monthly rental income on the units is included in calculating the borrowers' debt-to-income ratios.

DESCRIPTION OF THE OFFERED CERTIFICATES

General

REMIC Pass-Through Certificates for Fannie Mae REMIC Trust 1998-W2 will consist of ten classes of guaranteed senior certificates designated as the A-1, A-2, A-3, A-4, A-5, A-6, A-7 and A-8 Classes (collectively, the "A Classes"), the PO Class and the X Class (together with the A Classes, the "Senior Classes"), three classes of mezzanine certificates designated as the B-1, B-2 and B-3 Classes (collectively, the "Offered Classes" or the "Mezzanine Classes"), three classes of subordinate certificates designated as the B-4, B-5 and B-6 Classes (collectively, the "Subordinate Classes" and, together with the Mezzanine Classes, the "B Classes"), and two residual classes designated as the R and RL Classes (the "Residual Classes" and, together with the Senior Classes and the Subordinate Classes, the "Non-Offered Classes"). Fannie Mae will not guarantee the B Classes. The Offered Classes and the Non-Offered Classes (other than the RL Class) in the aggregate evidence the entire beneficial ownership interest in the Trust. The assets of the Trust will consist of "regular interests" in the Lower Tier REMIC.

The Offered Certificates initially evidence an undivided ownership interest of approximately 9.9% in the Mortgage Loans. The initial aggregate principal balance of the Senior Certificates will be approximately $630,638,000, and will initially evidence an undivided ownership interest of approximately 84.25% in the Mortgage Loans. The initial aggregate principal balance of the Subordinate Certificates will be approximately $43,789,203, and will initially evidence an undivided ownership interest of approximately 5.85% in the Mortgage Loans. Only the Offered Certificates are offered hereby. The Non-Offered Classes, which are not being offered hereby, will be issued to the Dealer on the Settlement Date and may be sold at any time thereafter either publicly (in the case of the Senior Classes) or in limited private offerings (in the case of the Subordinate Classes).

Book-Entry Procedures

General. The DTC Certificates will be registered at all times in the name of the nominee of The Depository Trust Company, a New York-chartered limited purpose trust company, or any successor depository selected or approved by Fannie Mae (the "Depository"). In accordance with its normal procedures, the Depository will record the positions held by each Depository participating firm (each, a "Depository Participant") in the DTC Certificates, whether held for its own account or as a nominee for another person. State Street Bank and Trust Company ("State Street") will act as Paying Agent for, and perform certain administrative functions with respect to, the DTC Certificates.

No person acquiring a beneficial ownership interest in the DTC Certificates (a "beneficial owner" or an "investor") will be entitled to receive a physical certificate representing such ownership interest. An investor's interest in the DTC Certificates will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (a "financial intermediary") that maintains such investor's account for such purpose. In turn, the financial intermediary's record ownership of such interest will be recorded on the records of the Depository (or of a Depository Participant that acts as an agent for the financial intermediary if such intermediary is not a Depository Participant). Accordingly, an investor will not be recognized by the Trustee or the Depository as a Certificateholder and must rely on the foregoing arrangements to evidence its interest in the DTC Certificates. Beneficial ownership of an investor's interest in the DTC Certificates may be transferred only by compliance with the procedures of an investor's financial intermediary and of Depository Participants. In general, beneficial ownership of an investor's interest in the DTC Certificates will be subject to the rules, regulations and procedures governing the Depository and Depository Participants as in effect from time to time.

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

Distributions on the Offered Certificates

General. The aggregate amount available for distribution on any Distribution Date to the holders of any of the Series 1998-W2 Certificates (the "Available Funds") will generally be equal to (i) all scheduled payments on the Mortgage Loans due during the related Due Period and received by the Master Servicer, (ii) voluntary prepayments received during such Due Period, and net liquidation proceeds and other unscheduled collections received on the Mortgage Loans during the immediately preceding calendar month and (iii) to the extent scheduled payments are not received from the related borrowers and the Master Servicer deems such payments recoverable, any Delinquency Advances made by the Master Servicer for such Distribution Date, less (iv) certain amounts, including certain Servicing Advances and Delinquency Advances, reimbursable to the Master Servicer. Available Funds shall be distributed first, to make interest and principal distributions on the Senior Certificates and then, after reimbursement to Fannie Mae of any unreimbursed guaranty payments on the Senior Certificates and expenses incurred by Fannie Mae in connection with any legal action or proceeding relating to the Trust Agreement, to make distributions of interest and principal on the Mezzanine and Subordinate Certificates out of remaining funds (such remaining funds, the "Remaining Available Funds"). "Delinquency Advances" are amounts deposited by the Master Servicer with respect to the Mortgage Loans of its corporate funds into its custodial account to assure that the full monthly principal and interest remittance due Fannie Mae will be available to be wired on the related Remittance Date, without regard to whether or not the Master Servicer has collected actual funds for delinquent Mortgage Loans from the related mortgagors. The "Remittance Date" will be, with respect to any month, the 18th calendar day of such month or, if such day is not a business day, the immediately preceding business day. "Servicing Advances" are all out-of-pocket costs and expenses incurred by the Master Servicer in connection with the performance of its servicing obligations, including, but not limited to, the cost of real estate property taxes, hazard insurance premiums, property restoration or preservation, any legal and other expenses (but only to the extent provided in the Fannie Mae Servicing Guide as updated from time to time) in connection with enforcement or judicial proceedings, and any other costs or expenses in connection therewith.

Distribution Priorities. Distributions in respect of interest and principal will be made on each Distribution Date to the Holders of the Offered Certificates in the following order of priority, to the extent of Remaining Available Funds:

(i) to the B1 Class, the Interest Distribution Amount with respect to such Class;

(ii) to the B1 Class, the Principal Distribution Amount with respect to such Class;

(iii) to the B2 Class, the Interest Distribution Amount with respect to such Class;

(iv) to the B2 Class, the Principal Distribution Amount with respect to such Class;

(v) to the B3 Class, the Interest Distribution Amount with respect to such Class; and

(vi) to the B3 Class, the Principal Distribution Amount with respect to such Class.

Interest Calculations. The Offered Certificates will bear interest at the respective per annum interest rates set forth on the cover. Interest on the Offered Certificates is calculated on the basis of a 360-day year consisting of twelve 30-day months and is distributable monthly on each Distribution Date, commencing in the month after the Settlement Date. Interest to be distributed on each Class of Offered Certificates on each Distribution Date will consist of the sum of (i) one month's interest at the applicable interest rate on the outstanding principal balance of such Class, less the Uncovered Prepayment Interest Shortfalls allocated to such Class and (ii) any amount of interest remaining unpaid with respect to such Class from previous Distribution Dates (but without any additional interest thereon, and excluding any Realized Loss allocated as described under "—Allocation of Realized Losses") (with respect to each such Class, the "Interest Distribution Amount").

On any Distribution Date, the "Uncovered Prepayment Interest Shortfall" will be equal to the sum of (i) the excess, if any, of the aggregate Prepayment Interest Shortfalls on the Mortgage Loans

then serviced by the Master Servicer for the related Due Period over the servicing fee relating to such Mortgage Loans and (ii) the excess, if any, of the aggregate Prepayment Interest Shortfalls on the Mortgage Loans then serviced by the Special Servicer for the related Due Period over the servicing fee relating to such Mortgage Loans. The "Prepayment Interest Shortfall" for any Mortgage Loan and Distribution Date will equal the excess of one full month's interest on the principal balance thereof immediately prior to application of the prepayment thereof over the interest paid by the related borrower in connection with a prepayment of principal of such Mortgage Loan (*i.e.,* from the first day of the month in which the prepayment occurs to the date of the prepayment). Uncovered Prepayment Interest Shortfalls will be allocated pro rata among all Classes of Certificates based on the amount of interest allocable to such Classes notwithstanding any Prepayment Interest Shortfalls.

The outstanding principal balance of an Offered Certificate outstanding at any time represents the then maximum amount that the Holder thereof is thereafter entitled to receive as distributions allocable to principal from the cash flow on the Mortgage Loans. The outstanding principal balance of an Offered Certificate as of any date of determination is equal to the initial outstanding principal balance thereof, reduced by the aggregate of (a) all amounts allocable to principal previously distributed with respect to such Offered Certificate and (b) any reductions in the outstanding principal balance thereof deemed to have occurred in connection with allocations thereto of Realized Losses on the Mortgage Loans, as described below.

Interest Accrual Period. Interest to be distributed on a Distribution Date will accrue on the Offered Certificates during the one-month period set forth below (an "Interest Accrual Period").

Classes	Interest Accrual Period
All Offered Classes	Calendar month preceding the month in which the Distribution Date occurs

See "Yield Considerations" herein.

*Application of Interest to Senior Certificates**

Interest to be distributed on the Senior Classes on each Distribution Date (in the aggregate, the "Senior Interest Distribution Amount") will consist of one month's interest at the applicable rates on the outstanding principal balances of such Classes less the respective Uncovered Prepayment Interest Shortfalls allocated to such Classes. The A Classes will bear interest at the per annum rate of 6.50%. Holders of the X Class will be entitled to receive interest on each Distribution Date in an amount equal to the sum of (i) interest calculated at a per annum rate equal to the weighted average (weighted by the related Stated Principal Balances) of the excess of the Net Mortgage Rate of each Non-Discount Mortgage Loan over 6.50% for each Interest Accrual Period on its notional principal balance plus (ii) an amount equal to 0.06% per annum multiplied by the aggregate principal balance of the B Class Certificates immediately prior to the related Distribution Date. The notional principal balance of the X Class will be equal to 100% of the aggregate Stated Principal Balance of the Non-Discount Mortgage Loans. The PO Class will not bear interest.

Principal Calculations

On each Distribution Date, the Principal Distribution Amount with respect to each Class of Offered Certificates will be distributed thereon in accordance with the priorities set forth above under "*—Distribution Priorities.*"

* The Senior Classes are not offered hereby. Only the Offered Classes are offered hereby. The discussion of application of interest to the Senior Classes that follows is included herein only as a necessary component of the description of distributions to the Offered Classes.

The "Principal Distribution Amount" for any Class of Offered Certificates and each Distribution Date will equal the lesser of (a) such Class's pro rata portion (calculated on the basis of the principal balance of such Class immediately before such Distribution Date) of the B Class Principal Distribution Amount for such Distribution Date and (b) the portion of Remaining Available Funds available for distribution after giving effect all distribution clauses set forth under "*—Distribution Priorities*" that precede in priority the clause in which the Principal Distribution Amount for such Class is required to be distributed, less the portion, if any, of PO Deferred Amounts allocated to such Class as described below under "Allocation of Losses," and as further adjusted with respect to any Prepayment Reallocation Amount as specified below.

The "B Class Principal Distribution Amount" for any Distribution Date will equal the sum, for all Mortgage Loans, of (i) the Subordinate Percentage of the applicable Non-PO Percentage of (a) all monthly payments of principal due on each Mortgage Loan during the related Due Period, (b) the principal portion of the purchase price of each Mortgage Loan repurchased by Fannie Mae, the Seller, the Master Servicer or the Special Servicer as of such Distribution Date, (c) the Substitution Adjustment Amount in connection with any Mortgage Loan received with respect to such Distribution Date and (d) any insurance proceeds or net liquidation proceeds allocable to recoveries of principal of Mortgage Loans that are not yet Liquidated Loans received during the calendar month preceding the month of such Distribution Date, (ii) with respect to each Mortgage Loan that became a Liquidated Loan during the calendar month preceding the month of such Distribution Date, the applicable Non-PO Percentage of the net liquidation proceeds allocable to principal received with respect to such Mortgage Loan, after application of such amounts pursuant to clause (ii) of the definition of Senior Principal Distribution Amount up to the Subordinate Percentage of the applicable Non-PO Percentage of the Stated Principal Balance of such Mortgage Loan and (iii) the Subordinate Prepayment Percentage of the applicable Non-PO Percentage of all partial and full principal prepayments by borrowers on all such Mortgage Loans received during the related Due Period.

The "Subordinate Percentage" for any Distribution Date will be calculated as 100% minus the Senior Percentage on such Distribution Date. The "Subordinate Prepayment Percentage" for any Distribution Date will be calculated as 100% minus the Senior Prepayment Percentage.

The "Senior Percentage" for any Distribution Date is the lesser of (i) 100% and (ii) the percentage equivalent of a fraction the numerator of which is the aggregate principal balance of the A Classes immediately prior to such date and the denominator of which is the sum, for all Mortgage Loans, of the applicable Non-PO Percentage of the Stated Principal Balance of each Mortgage Loan as of the Due Date in the month of such Distribution Date.

With respect to each Distribution Date, the "Due Period" is the period beginning on the second day of the month immediately preceding the month in which the Distribution Date occurs and ending on the first day of the month in which the Distribution Date occurs. With respect to any Distribution Date, the "Due Date" is the first day of the calendar month in which such Distribution Date occurs.

The "PO Deferred Amount" for any Distribution Date will equal the PO Percentage of Realized Losses for each Discount Mortgage Loan that became a Liquidated Loan in the calendar month preceding such Distribution Date.

The "Non-PO Percentage" with respect to any Discount Mortgage Loan will be equal to the related Net Mortgage Rate ÷ 6.50%. The Non-PO Percentage with respect to any Non-Discount Mortgage Loan will be 100%. The PO Percentage with respect to any Discount Mortgage Loan will be equal to (6.50% − the related Net Mortgage Rate) ÷ 6.50%. The PO Percentage with respect to any Non-Discount Mortgage Loan will be 0%.

With respect to each Class of Offered and Subordinate Certificates, if on any Distribution Date the sum of the related Class Subordination Percentages of such Class and all Classes of Offered and Subordinate Certificates which have higher numerical Class designations than such Class (the "Applicable Credit Support Percentage") is less than the Applicable Credit Support Percentage for

such Class on the Issue Date (the "Original Applicable Credit Support Percentage"), no distribution of partial principal prepayments and principal prepayments in full will be made to any of such Classes (collectively, the "Restricted Classes") and the amount of partial principal prepayments and principal prepayments in full otherwise distributable to the Restricted Classes will be allocated among the remaining Classes of Offered and Subordinate Certificates, pro rata, based upon their respective outstanding principal balances, and distributed in the sequential order described above (the amount so reallocated for any Distribution Date, the "Prepayment Reallocation Amount").

The "Class Subordination Percentage" with respect to any Distribution Date and each Class of Offered or Subordinate Certificates, will equal the fraction (expressed as a percentage) the numerator of which is the principal balance of such Class of Offered or Subordinate Certificates immediately prior to such Distribution Date and the denominator of which is the aggregate of the outstanding principal balances of all Classes of Certificates immediately prior to such Distribution Date.

The approximate Original Applicable Credit Support Percentages for the Subordinate Certificates on the date of issuance of the Certificates are expected to be as follows:

Class B1	15.75%
Class B2	11.50%
Class B3	7.65%
Class B4	5.85%
Class B5	4.00%
Class B6	2.50%

For purposes of all principal distributions described above and for calculating the Subordinate Percentage, the applicable aggregate outstanding principal balance of the Offered Certificates and the Subordinate Certificates for any Distribution Date shall be determined before the allocation of Realized Losses on the Mortgage Loans to be made on such Distribution Date as described under "—Allocation of Losses" and "—Subordination" below.

The timing for the distributions of principal prepayments (including net liquidation proceeds) is subject to the receipt of information about such principal prepayments from the Master Servicer in sufficient time to allow the published monthly factors to reflect such payments. See "General—*REMIC Trust Factors*" herein. In the event that timely information is not available, Fannie Mae will distribute such prepayments on the next succeeding Distribution Date. For purposes of distributions, a Mortgage Loan will be considered to be a "Liquidated Loan" if, in the judgment of the Master Servicer, the full amount finally recoverable on account of such Mortgage Loan has been received, whether or not such full amount is equal to the principal balance of such Mortgage Loan.

Allocation of Losses

On each Distribution Date, the applicable Non-PO Percentage of any Realized Loss will be allocated first to the Offered and Subordinate Certificates, in the reverse order of their numerical Class designations (beginning with the Class of Offered or Subordinate Certificates then outstanding with the highest numerical Class designation), in each case until the principal balance of the respective Class of Certificates has been reduced to zero, and then to the Senior Classes.

The PO Percentage of any Realized Loss on a Discount Mortgage Loan allocated on or prior to the Mezzanine Termination Date will be treated as a PO Deferred Amount. To the extent funds are available on any Distribution Dates PO Deferred Amounts will be paid on the PO Class from amounts that would otherwise be distributable as principal of the Offered Certificates or Subordinate Certificates, with any such reduction to the Offered Certificates or Subordinate Certificates to be applied in the reverse order of their numerical Class designations (beginning with the Class of Offered or Subordinate Certificates then outstanding with the highest numerical Class designation). Distributions in respect of unpaid PO Deferred Amounts will not further reduce the principal balance of the PO Class. The PO Deferred Amounts will not bear interest. After the Mezzanine Termination Date, no new PO Deferred Amounts will be created.

Generally, "Realized Loss" will mean as to any Liquidated Loan, the Stated Principal Balance thereof as of the date of liquidation minus the principal portion of net liquidation proceeds realized thereon; *provided,* that, (i) with respect to each Mortgage Loan which has become the subject of a Deficient Valuation, the Realized Loss shall include the difference between the Stated Principal Balance of the Mortgage Loan outstanding immediately prior to such Deficient Valuation and the outstanding principal balance of the Mortgage Loan as reduced by the Deficient Valuation; (ii) with respect to each Mortgage Loan which has become the subject of a Debt Service Reduction, the Realized Loss shall include the aggregate of the portions, if any, of the reduction in all monthly payments attributable to a reduction in the mortgage payment imposed by a court of competent jurisdiction and (iii) with respect to each Mortgage Loan the mortgage interest rate charged the related borrower of which was modified by the Master Servicer where default thereon had occurred or was reasonably foreseeable, the Realized Loss shall include an amount equal to the corresponding reduction in the Stated Principal Balance of such Mortgage Loan effected to reflect such lower mortgage interest rate being charged such borrower. Each Realized Loss associated with a Debt Service Reduction shall be deemed to be incurred on each Distribution Date based upon the reduced payments on the related Mortgage Loan resulting therefrom received during the related Due Period.

Subordination

The subordination of the Offered Certificates is effected by the right of holders of the Senior Certificates to receive, prior to any distribution being made in respect of the Offered Certificates on a Distribution Date, the amounts to which they are then entitled out of funds available for distribution in respect of the Mortgage Loans on such Distribution Date. In addition, the rights of the holders of the B-2 and B-3 Classes to receive such distributions will be subordinate to such rights of the holders of the B-1 Class, and the rights of the holders of the B-3 Class to receive such distributions will be further subordinate to such rights of the holders of the B-2 Class, in each case to the extent described herein. See "Description of the Offered Certificates—Distributions on the Offered Certificates" and "—Principal Distributions on the Senior Certificates".

Principal Distributions on the Senior Certificates*

On each Distribution Date, principal of the Senior Certificates will be distributed in an amount equal to the sum of the Senior Principal Distribution Amount and the PO Principal Distribution Amount (such sum, the "Required Senior Principal Distribution Amount") as described below.

Senior Principal Distribution Amount

On each Distribution Date, the Senior Principal Distribution Amount will be applied, sequentially, as principal of the A-1, A-2, A-3, A-4, A-5, A-6, A-7 and A-8 Classes, in that order, until the respective principal balances thereof are reduced to zero.

PO Principal Distribution Amount

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

The "Senior Principal Distribution Amount" for any Distribution Date will equal the sum of (i) the Senior Percentage of the applicable Non-PO Percentage of (a) all monthly payments of principal due on each Mortgage Loan during the related Due Period, (b) the principal portion of the purchase price of each Mortgage Loan that was repurchased by Fannie Mae, the Seller, the Master Servicer or the Special Servicer as of such Distribution Date, (c) the Substitution Adjustment Amount in connection with any Mortgage Loan received with respect to such Distribution Date, (d) any insurance proceeds or liquidation proceeds allocable to recoveries of principal of Mortgage

* The Senior Certificates are not offered hereby. Only the Mezzanine Classes are offered hereby. The discussion of application of principal to the Senior Certificates that follows is included herein only as a necessary component of the description of distributions to the Mezzanine Classes.

Loans that are not yet Liquidated Loans received during the calendar month preceding the month of such Distribution Date, (ii) with respect to each Mortgage Loan that became a Liquidated Loan during the calendar month preceding the month of such Distribution Date, the lesser of (x) the Senior Percentage of the applicable Non-PO Percentage of the Stated Principal Balance of such Mortgage Loan and (y) the Senior Prepayment Percentage of the applicable Non-PO Percentage of the amount of the liquidation proceeds allocable to principal received with respect to such Mortgage Loan, (iii) the Senior Prepayment Percentage of the applicable Non-PO Percentage of all partial and full principal prepayments by borrowers on the Mortgage Loans received during the related Due Period and (iv) the amount of Realized Losses allocated to the A Classes for such Distribution Date.

The Senior Prepayment Percentage for any Distribution Date occurring during the five years beginning on the first Distribution Date will equal 100%. Thereafter, such Senior Prepayment Percentage will, except as described below, be subject to gradual reduction as described in the following paragraph.

The Senior Prepayment Percentage for any Distribution Date occurring on or after the fifth anniversary of the first Distribution Date will be as follows: for any Distribution Date in the first year thereafter, the Senior Percentage plus 70% of the Subordinated Percentage for such Distribution Date; for any Distribution Date in the second year thereafter, the Senior Percentage plus 60% of the Subordinated Percentage for such Distribution Date; for any Distribution Date in the third year thereafter, the Senior Percentage plus 40% of the Subordinated Percentage for such Distribution Date; for any Distribution Date in the fourth year thereafter, the Senior Percentage plus 20% of the Subordinated Percentage for such Distribution Date; and for any Distribution Date thereafter, the Senior Percentage for such Distribution Date (provided, however, that if on any Distribution Date the Senior Percentage exceeds the initial Senior Percentage, the related Senior Prepayment Percentage for such Distribution Date will once again equal 100%).

Notwithstanding the foregoing, no decrease in the Senior Prepayment Percentage will occur unless one of the following conditions (the "Step Down Conditions") is satisfied: either (A) (i) the outstanding principal balance of all Mortgage Loans delinquent 60 days or more (averaged over the preceding six-month period), is less than either (x) 50% of the six-month average of the aggregate principal balance of the Mezzanine Classes and the Subordinated Classes or (y) 2% of the six-month average of the aggregate principal balance of the Mortgage Loans and (ii) cumulative Realized Losses with respect to the Mortgage Loans do not exceed (a) with respect to the Distribution Date on and after the fifth anniversary of the first Distribution Date, 30% of the aggregate principal balance of the Mezzanine Classes and the Subordinated Classes as of the Issue Date (the "Original Subordinated Principal Balance"), (b) with respect to the Distribution Date on and after the sixth anniversary of the first Distribution Date, 35% of the Original Subordinated Principal Balance, (c) with respect to the Distribution Date on and after the seventh anniversary of the first Distribution Date, 40% of the Original Subordinated Principal Balance, (d) with respect to the Distribution Date on and after the eighth anniversary of the first Distribution Date, 45% of the Original Subordinated Principal Balance, and (e) with respect to the Distribution Date on and after the ninth anniversary of the first Distribution Date, 50% of the Original Subordinated Principal Balance or (B) (i) the outstanding principal balance of all Mortgage Loans delinquent 60 days or more (averaged over the preceding six-month period) is less than or equal to 4% of the principal balance of the Mortgage Loans and (ii) cumulative Realized Losses with respect to the Mortgage Loans are less than 10% of the Original Subordinated Principal Balance.

The "PO Principal Distribution Amount" for any Distribution Date will equal the sum of the applicable PO Percentage of (a) all scheduled monthly payments of principal due on each Discount Mortgage Loan during the related Due Period, (b) the principal portion of the purchase price of each Discount Mortgage Loan that was purchased by Fannie Mae, the Seller, the Master Servicer or the Special Servicer as of such Distribution Date, (c) the Substitution Adjustment Amount in connection with any Discount Mortgage Loan received with respect to such Distribution Date, (d) any insurance proceeds or liquidation proceeds allocable to recoveries of principal of Discount Mortgage Loans that

are not yet Liquidated Loans received during the month preceding the month of such Distribution Date, (e) with respect to each Discount Mortgage Loan that became a Liquidated Loan during the calendar month preceding the month of such Distribution Date, the amount of liquidation proceeds allocable to principal received with respect to such Mortgage Loan, (f) all partial and full principal prepayments by borrowers on each Discount Mortgage Loan received during the related Due Period, (g) and the PO Deferred Amount and (h) on each Distribution Date following the Mezzanine Termination Date, all PO Deferred Amounts not previously distributed to Holders of the PO Class and the amount of Realized Losses allocated to the PO Class on each such Distribution Date.

Principal received in respect of the Mortgage Loans in excess of the Required Senior Principal Distribution Amount will be allocated on each Distribution Date to the Mezzanine and Subordinate Classes. The Non-PO Percentage of Realized Losses will be allocated solely to the Mezzanine and Subordinate Classes, as described below, until the Distribution Date on which the aggregate principal balance of the Mezzanine Classes is reduced to zero (the "Mezzanine Termination Date").

Structuring Assumptions

Pricing Assumptions. Unless otherwise specified, the information in the table in this Prospectus has been prepared on the basis of (i) the assumed characteristics of the Mortgage Loans set forth herein under "The Mortgage Loans—General" and (ii) the following assumptions (the "Pricing Assumptions"):

- payments on all Mortgage Loans are due and received on the first day of each month;
- each year consists of twelve 30-day months;
- the Mortgage Loans prepay at the constant percentages of the Prepayment Assumption specified;
- the Settlement Date for the sale of the Offered Certificates is July 31, 1998;
- the first Distribution Date for the Offered Certificates occurs in the month following the Settlement Date; and
- there are no defaults, losses, Prepayment Interest Shortfalls or delinquencies on the Mortgage Loans.

Prepayment Assumption. Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used herein is The Bond Market Association's standard prepayment model ("PSA"), which represents an assumed rate of prepayment each month of the then outstanding principal balance of a pool of new mortgage loans. 100% PSA assumes a prepayment rate of 0.2% per annum of the then unpaid principal balance of such pool of mortgage loans in the first month of the life of such mortgage loans and an additional 0.2% per annum in each month thereafter (for example, 0.4% per annum in the second month) until the 30th month. Beginning in the 30th month and in each month thereafter during the life of such mortgage loans, 100% PSA assumes a constant prepayment rate of 6% per annum. Multiples may be calculated from this prepayment rate sequence. For example, 150% PSA assumes prepayment rates will be 0.3% per annum in month one, 0.6% per annum in month two, and increasing by 0.3% in each succeeding month until reaching a rate of 9.0% per annum in month 30 and remaining constant at 9.0% per annum thereafter. Similarly, 300% PSA assumes prepayment rates will be 0.6% per annum in month one, 1.2% per annum in month two, and increasing by 0.6% in each succeeding month until reaching a rate of 18.0% per annum in month 30 and remaining constant at 18.0% per annum thereafter. 0.0% PSA assumes no prepayments.

PSA does not purport to be an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans. It is highly unlikely that the Mortgage Loans will prepay at any constant percentage of PSA, or at any other constant rate.

YIELD CONSIDERATIONS

Effect of Mortgagor Defaults and Delinquencies

The yield to maturity on the Mezzanine Certificates is extremely sensitive to Realized Losses on the Mortgage Loans (and the timing thereof), because the entire amount of such Realized Losses will be allocated to the Subordinate Certificates and the Mezzanine Certificates, in that order. There can be no assurance as to the delinquency, foreclosure or Realized Loss experience with respect to the Mortgage Loans. Investors in the Mezzanine Certificates should fully consider the risk that Realized Losses on the Mortgage Loans could result in the failure of such investors to fully recover their investments.

The rate of principal payments, the aggregate amount of distributions and the yield to maturity of the Mezzanine Certificates will be affected by the rate of defaults resulting in Realized Losses, by the severity of those Realized Losses and by the timing thereof. See "Description of the Offered Certificates—Allocation of Losses" herein for a description of the manner in which such Realized Losses are borne by the holders of the Mezzanine Certificates. If a purchaser of the Mezzanine Certificates calculates its anticipated yield based on an assumed rate of default and amount of Realized Losses that is lower than the default rate and amount of Realized Losses actually incurred, its actual yield to maturity may be lower than that so calculated, and could in the event of substantial Realized Losses, be negative. The timing of Realized Losses will also affect an investor's actual yield to maturity, even if the rate of defaults and severity of Realized Losses are consistent with an investor's expectations. In general, the earlier a Realized Loss occurs, the greater is the effect on an investor's yield to maturity. The price paid by investors for the Mezzanine Certificates can have a significant effect on the yield to investors.

Delinquencies on Mortgage Loans that are not covered by a Delinquency Advance will also affect an investor's yield to maturity on the Mezzanine Certificates. As described above under "Description of the Offered Certificates—Subordination" and "The Agreements—Collection and Other Servicing Procedures", amounts otherwise distributable to holders of the Subordinate Certificates will be made available to protect the holders of the Senior Certificates and the Mezzanine Certificates against interruptions in distributions due to certain mortgagor delinquencies. Such delinquencies, even if subsequently cured, will affect the timing of the receipt of distributions by holders of the Mezzanine Certificates. In addition, if at any time the Senior Percentage decreases to below the original Senior Percentage, the rate of principal payments on the Mezzanine Certificates would be affected because the Senior Prepayment Percentage will be 100% on any Distribution Date thereafter.

Weighted Average Lives of the Offered Certificates

Weighted average life refers to the amount of time that will elapse from the date of issuance of a security until the principal amount of such security will be reduced to zero. The weighted average life of the Mezzanine Certificates will be influenced by the rate at which principal on the Mortgage Loans is paid, which may be in the form of scheduled payments or prepayments (including prepayments of principal by the borrower as well as amounts received by virtue of condemnation, insurance or foreclosure with respect to the Mortgage Loans), and the timing thereof.

Maturity Considerations and Last Scheduled Distribution Date

The original maturities of substantially all of the Mortgage Loans are expected to be between 10 and 30 years. Each Mortgage Loan will provide for amortization of principal according to a schedule that, in the absence of prepayments, would result in repayment of such Mortgage Loan by its maturity date.

The last scheduled Distribution Date for each Class of Offered Certificates is the Distribution Date in June 2028, which is the Distribution Date in the month following the month of the latest scheduled maturity date for any of the Mortgage Loans.

Decrement Tables

The following table indicates the percentages of original principal balances of the specified Classes of Offered Certificates that would be outstanding after each of the dates shown at various *constant* percentages of the Prepayment Assumption and the corresponding weighted average lives of such Classes. The table has been prepared on the basis of the Pricing Assumptions. However, it is not the case that all the Mortgage Loans will have the interest rates or remaining terms to maturity assumed or that the Mortgage Loans will prepay at a *constant* percentage of the related Prepayment Assumption. Moreover, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal distributions than indicated in the tables at the specified *constant* percentages of the Prepayment Assumption, even if the distributions of the weighted average maturities and ages of such Mortgage Loans are identical to the distributions of the weighted average maturities and ages specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding***

	B-1, B-2 and B-3 Classes				
	PSA Prepayment Assumption				
Date	**0%**	**75%**	**150%**	**300%**	**500%**
Initial Percent	100	100	100	100	100
July 1999	99	99	99	99	99
July 2000	98	98	98	98	98
July 2001	96	96	96	96	96
July 2002	95	95	95	95	95
July 2003	93	93	93	93	93
July 2004	91	90	89	86	71
July 2005	90	87	84	78	49
July 2006	88	83	78	68	33
July 2007	85	78	70	56	23
July 2008	83	72	62	45	16
July 2009	81	67	55	36	11
July 2010	78	62	48	28	7
July 2011	75	57	42	22	5
July 2012	72	52	37	18	3
July 2013	68	47	32	14	2
July 2014	65	43	27	11	1
July 2015	61	38	23	8	1
July 2016	56	34	20	6	1
July 2017	52	30	17	5	*
July 2018	47	26	14	3	*
July 2019	41	22	11	3	*
July 2020	35	18	9	2	*
July 2021	29	14	6	1	*
July 2022	23	10	5	1	*
July 2023	16	7	3	*	*
July 2024	9	4	1	*	*
July 2025	4	2	1	*	*
July 2026	2	1	*	*	*
July 2027	*	*	*	*	*
July 2028	0	0	0	0	0
Weighted Average Life (years)**	17.8	14.7	12.7	10.2	7.6

* Indicates an outstanding balance greater than 0% and less than 0.5% of the original principal balance.
** Determined as specified under "—Weighted Average Lives of the Offered Certificates" herein.
*** For a description of the Prepayment Assumption utilized in these tables, see the discussion above.

There is no assurance that prepayments of the Mortgage Loans will conform to any of the levels of PSA indicated in the table above, or to any other level, or that the actual weighted average life of the Mezzanine Certificates will conform to any of the weighted average lives set forth in the tables above. Furthermore, the information contained in the table with respect to the weighted average life of the Mezzanine Certificates is not necessarily indicative of the weighted average life that might be calculated or projected under different or varying prepayment assumptions.

The characteristics of the Mortgage Loans will differ from those assumed in preparing the table above. In addition, it is unlikely that any Mortgage Loan will prepay at any constant percentage of PSA until maturity or that all of the Mortgage Loans will prepay at the same rate.

The timing of changes in the rate of prepayments may significantly affect the actual yield to maturity to investors, even if the average rate of principal prepayments is consistent with the expectations of investors.

THE AGREEMENTS

The following summaries describe certain provisions of the Sale and Servicing Agreement and the Trust Agreement (together, the "Agreements") not otherwise summarized in this Prospectus. Certain capitalized terms in these summaries are used as defined in the Agreements. These summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the more complete provisions of the Agreements.

Transfer of Mortgage Loans to the Trust

The Mortgage Loans transferred to the Trust will be identified in a Mortgage Loan Schedule appearing as an exhibit to the Trust Agreement. In addition, Fannie Mae, in its capacity as Trustee of the Trust, will hold on behalf of Certificateholders the original Mortgage Notes, endorsed in blank, and assignments to Fannie Mae of the mortgage instruments in recordable form. The document custody requirements described above are subject to change at any time; provided that any such change will not, in Fannie Mae's determination, have a materially adverse effect on the interests of Certificateholders.

At its option, Fannie Mae may choose to maintain the documents described above with one or more custodian institutions supervised and regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the FDIC or the NCUA. Fannie Mae will review the Mortgage Loan Schedule prior to the issuance of the Certificates and will conduct random spot checks to confirm the sufficiency of the documents after issuance of the Certificates.

Although the above procedures are intended to protect the interests of the Holders of Certificates in the Mortgage Loans, the law applicable to a liquidation, reorganization, or similar proceeding involving the assets of the Seller or of Fannie Mae is unclear and as a result no opinion has been rendered as to the status of Certificateholders' interests in the event of any such proceeding.

Servicing of Mortgage Loans

Pursuant to the Sale and Servicing Agreement, the Master Servicer is responsible for servicing and administering the Mortgage Loans.

Except as otherwise specified herein, the Master Servicer will be obligated to perform diligently all services and duties customary to the servicing of mortgages, as well as those specifically prescribed in the Sale and Servicing Agreement. Fannie Mae will monitor the Master Servicer's performance and has the right to remove the Master Servicer, pursuant to the terms of the Sale and Servicing Agreement, for cause at any time it considers such removal to be in the best interest of Certificateholders. The duties performed by the Master Servicer include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts, collection of insurance claims, and, if necessary, foreclosure and administration and disposition of foreclosed properties.

An amount will be retained by the Master Servicer on a monthly basis as compensation for its servicing activities, which amount will be calculated at the rate of 0.25% per annum (the "Servicing Fee Rate") of the Stated Principal Balance of each Mortgage Loan. The Master Servicer is also

entitled to retain prepayment fees, late charges, assumption fees, and similar charges to the extent they are collected from borrowers. Any amounts by which the proceeds, net of expenses, of the liquidation of a Mortgage Loan exceed (i) the Stated Principal Balance of that Mortgage Loan and (ii) interest thereon at the mortgage interest rate from the month in which the Master Servicer determined that any amount advanced by it would no longer be recoverable through the end of the month of such liquidation will be returned by the Master Servicer as additional servicing compensation. The Master Servicer will pay all expenses incurred by it in connection with its servicing activities and is not entitled to reimbursement therefor (other than Delinquency Advances and Servicing Advances) out of the assets of the Trust.

An additional amount will be payable to the document custodian as compensation for its services, from amounts collected on the Mortgage Loans, which amount will be calculated at the rate of 0.004% per annum (the "Custodial Fee Rate") of the Stated Principal Balance of each Mortgage Loan.

In addition, Fannie Mae will be entitled to receive, from amounts collected on the Mortgage Loans, a fee in consideration of its guaranty obligations relating to the Senior Certificates.

Notwithstanding the foregoing, provided that certain conditions set forth in the Sale and Servicing Agreement are satisfied, the holder of the B-5 and B-6 Classes may designate certain delinquent Mortgage Loans to be serviced by a special servicer (the "Special Servicer") in lieu of the Master Servicer. Each Mortgage Loan so designated will be serviced by the Special Servicer until the earlier of the liquidation or maturity of such Mortgage Loan or the termination of the Sale and Servicing Agreement, in accordance with the same standards and requirements otherwise applicable to the servicing of the Mortgage Loans by the Master Servicer generally, including required advances in respect of delinquent principal and interest payments and activities relating to foreclosure and liquidation. In the case of any such designation, the Special Servicer will receive compensation for its services calculated at the Servicing Fee Rate on the Stated Principal Balance of each Mortgage Loan so serviced by it along with such other additional servicing compensation described above.

Distributions on Mortgage Loans; Deposits in the Certificate Account

On each Remittance Date, the Master Servicer or the Special Servicer, as applicable, will remit to one or more accounts (collectively, the "Certificate Account") an amount equal to (i) scheduled principal and interest and voluntary prepayments on the Mortgage Loans received during the related Due Period, (ii) unscheduled principal and interest on the Mortgage Loans (i.e., principal and interest on the Mortgage Loans in the form of net liquidation proceeds or similar proceeds) received during the preceding calendar month, and (iii) the amount of any advance required to be made by the Master Servicer with respect to the related Distribution Date in respect of delinquent payments of principal and interest on the Mortgage Loans. Such amounts will be available on each Distribution Date to be distributed to Holders on such date to the extent of interest accrued and distributable on the related Certificates (*i.e.*, excluding any Uncovered Prepayment Interest Shortfalls) and principal distributions reflected in the REMIC Trust Factors. Any reinvestment earnings on amounts so deposited will not be included in the calculation of amounts distributable to Certificateholders.

The Trust Agreement permits Fannie Mae as Trustee to maintain the Certificate Account either (i) as a trust account with an eligible depository institution (which account may contain other funds held by Fannie Mae in a trust capacity) or (ii) as part of Fannie Mae's general assets, with appropriate entries being made on its books and records designating the funds and investments credited to the Trust.

As noted above, Fannie Mae, as Trustee, has the option to maintain the Certificate Account as part of its general assets by making appropriate entries on its books and records designating the funds and investments credited to the Trust. Although Fannie Mae is required to hold all such funds (and, upon deposit in the Certificate Account, the investment of such funds) for the account of Certificateholders, the law applicable to a liquidation, reorganization or similar proceeding involving the assets of

Fannie Mae is unclear and as a result no opinion can be rendered as to the status of Certificateholders' interest in such funds and investments in the event of any such proceeding.

Reports to Certificateholders

As soon as practicable following the 12th calendar day of each month, Fannie Mae will publish or otherwise make available the REMIC Trust Factor (carried to eight decimal places) for each Class of Certificates after giving effect to the distribution of principal to be made on the following Distribution Date. The principal balance of a Certificate of any Class after giving effect to such principal distribution will be the product of the applicable REMIC Trust Factor and the applicable denomination or initial principal balance of such Certificate. With respect to each distribution on Certificates of each Class, Fannie Mae will cause to be forwarded to each Holder thereof a statement setting forth the total principal and interest distributions on such Distribution Date with respect to the Certificates in each Class held by such Holder. Fannie Mae also will furnish to each person who was a Certificateholder at any time during a calendar year such statements and information as shall be required to be furnished pursuant to the Code.

Calculations with respect to amounts due to Certificateholders will be made by Fannie Mae or on its behalf by another entity retained specifically for that purpose.

Collection and Other Servicing Procedures

Each of the Master Servicer and, to the extent applicable, the Special Servicer will be responsible for servicing the related Mortgage Loans and, in connection with its servicing activities, has full power and authority to take or cause to be taken such action as it may deem necessary or appropriate in its discretion, including the foreclosure or comparable conversion of a defaulted Mortgage Loan. The Special Servicer, while any B-5 Class Certificates are outstanding, and the Master Servicer, at any time, each shall have the option, but not the obligation, to purchase for its own account any Mortgage Loan that becomes more than 90 days delinquent. If any such option is exercised, the purchase price thereof will be equal to the Stated Principal Balance of the delinquent Mortgage Loan together with accrued interest at the mortgage interest rate less the Servicing Fee Rate, and will be distributed to Certificateholders in the manner described herein. See "Description of the Offered Certificates."

Each of the Master Servicer and, to the extent applicable, the Special Servicer will be required to make advances to the Trust in respect of delinquent payments of principal and interest on the Mortgage Loans unless and until it determines that any such advances would no longer be recoverable from late collections, insurance proceeds and/or liquidation proceeds on the related Mortgage Loans. All such advances will be reimbursable to the Master Servicer or the Special Servicer, as applicable, from late collections, insurance proceeds and liquidation proceeds from the related Mortgage Loans or, if not ultimately recoverable therefrom, from amounts on deposit in the Certificate Account prior to any distributions being made with respect to the Certificates.

Each of the Master Servicer and, to the extent applicable, the Special Servicer will be required to pay all "out of pocket" costs and expenses incurred in the performance of its servicing obligations, to the extent deemed by it to be recoverable, including, but not limited to, (i) expenditures in connection with a foreclosed Mortgage Loan prior to the liquidation thereof, including, without limitation, expenditures for real estate property taxes, hazard insurance premiums, property restoration or preservation, (ii) the cost of enforcement or judicial proceedings, including foreclosures and (iii) the cost of the management and liquidation of a Mortgaged Property acquired in satisfaction of the related Mortgage Loan. Such costs will constitute "Servicing Advances." Each of the Master Servicer and the Special Servicer, as applicable, may recover a Servicing Advance to the extent permitted by the related Mortgage Loan or, if not theretofore recovered from the borrower on whose behalf such Servicing Advance was made, from liquidation proceeds realized upon the liquidation of such Mortgage Loan, or, if not ultimately recoverable therefrom, from amounts on deposit in the Certificate Account.

With respect to each Mortgage Loan, the Seller will make certain warranties to Fannie Mae concerning such matters as the recordation of the original Mortgage, the validity of the Mortgage Loan as a first lien on the Mortgaged Property, and compliance by such Mortgage Loans with applicable state and federal laws. In the event of a material breach of any such warranty or a material defect in the Mortgage Loan documentation, Fannie Mae may cause the Seller to repurchase such Mortgage Loan from the Trust at a price equal to its outstanding principal balance together with interest thereon at the mortgage interest rate for such Mortgage Loan. Alternatively, the Seller may, at its option, substitute a new Mortgage Loan for a defective Mortgage Loan; provided, however, that no such substitution may take place more than two years subsequent to the date of the original issue of the Certificates, and any such substitute Mortgage Loan must satisfy certain eligibility criteria designed to assure that the nature of the Mortgage Loans generally will not be altered by any such substitution. Any "Substitution Adjustment Amount" (*i.e.*, the amount by which the Stated Principal Balance of the defective Mortgage Loan exceeds the principal balance of the substitute Mortgage Loan) will be passed through to Certificateholders.

Subject to the following paragraphs, as set forth in the Sale and Servicing Agreement, each of the Master Servicer and the Special Servicer, as applicable, in its discretion may enforce or waive enforcement of any of the terms of any Mortgage Loan or enter into an agreement for the modification of any of the terms of any Mortgage Loan, or take any action or refrain from taking any action in servicing any Mortgage Loan if such Mortgage Loan is in default or such default is reasonably foreseeable. However, any modification that would (i) cause the Trust to fail to qualify as a REMIC under the Code, (ii) cause any Mortgage Loan to cease to be a "qualified mortgage" within the meaning of section 860G(a)(3) of the Code, or (iii) result in the imposition of any tax on "prohibited transactions" or "contributions" as discussed under "Certain Federal Income Tax Consequences—Taxes on the Trust" herein is prohibited by the Trust Agreement. In such connection, the Master Servicer or, if applicable, the Special Servicer may waive any prepayment charge, assumption fee, or late payment charge or may exercise or refrain from exercising any "call option rider." Notwithstanding the foregoing, the decision by the Master Servicer or the Special Servicer to take or refrain from taking any such action must be consistent with then-current policies or practices employed by the Master Servicer or the Special Servicer respecting comparable mortgage loans held in its own portfolio and must be without consideration of the ownership status of the related Mortgage Loan.

In connection with the transfer or prospective transfer of title to a Mortgaged Property securing any Mortgage Loan, the Master Servicer or, if applicable, the Special Servicer will be obligated to accelerate the maturity of the related Mortgage Loan where that Mortgage Loan contains a "due-on sale" clause permitting acceleration under those conditions unless the Master Servicer or Special Servicer is restricted by law from enforcing the "due-on-sale" clause.

In the event that, for any reason, the Master Servicer or, if applicable, the Special Servicer is not obligated to accelerate the maturity of a Mortgage Loan upon the transfer, or prospective transfer, of title to the underlying Mortgaged Property, the Master Servicer or Special Servicer, as applicable, may enter into a transaction by which the obligor is released from liability on the related Mortgage Loan and the transferee assumes such liability; provided, however, that, as required by the Fannie Mae Servicing Guide, no such transaction shall, except under certain limited circumstances set forth in such Servicing Guide, provide for reduction of the mortgage interest rate.

Certain Matters Regarding Fannie Mae

The Trust Agreement provides that Fannie Mae may not resign from its obligations and duties thereunder, except upon determination that those duties are no longer permissible under applicable law. No such resignation will become effective until a successor has assumed Fannie Mae's obligations and duties under the Trust Agreement; provided, however, that no successor will succeed to Fannie Mae's guaranty obligations with respect to the Senior Certificates. Fannie Mae will continue to be responsible under such guaranty notwithstanding any termination of its other duties and responsibilities under the Trust Agreement. See "Rights Upon Event of Default" below.

The Trust Agreement also provides that neither Fannie Mae nor any director, officer, employee or agent of Fannie Mae will be under any liability to the Trust or to Certificateholders for any action taken, or for refraining from the taking of any action, in good faith pursuant to the Trust Agreement of for errors in judgment; provided, however, that neither Fannie Mae nor any such person will be protected against any liability that would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of willful disregard of obligations and duties.

In addition, the Trust Agreement provides that Fannie Mae is not under any obligation to appear in, prosecute, or defend any legal action that is not incidental to its responsibilities under the Trust Agreement and that in its opinion may involve it in any expense or liability. Fannie Mae may, however, in its discretion undertake any such legal action that it may deem necessary or desirable in the interests of the Certificateholders. In such event, the legal expenses and costs of such action will be expenses and costs of Fannie Mae.

Any corporation into which Fannie Mae may be merged or consolidated, or any corporation resulting from any merger, conversion or consolidation to which Fannie Mae is a party, or any corporation succeeding to the business of Fannie Mae, will be the successor of Fannie Mae under the terms of the Trust Agreement.

Events of Default

Events of Default under the Trust Agreement will consist of (i) any failure by Fannie Mae to distribute to Holders of Certificates of any Class any required distribution that continues unremedied for 15 days after the giving of written notice of such failure to Fannie Mae by the Holders of Certificates representing principal balances aggregating not less than five percent of the aggregate principal balances of all Certificates of such Class; (ii) any failure by Fannie Mae duly to observe or perform in any material respect any other of its covenants or agreements in the Trust Agreement, which failure continues unremedied for 60 days after the giving of written notice of such failure to Fannie Mae by the Holders of Certificates of any Class representing principal balances aggregating not less than 25 percent of the aggregate principal balances of all of the Certificates of such Class; and (iii) certain events of insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings and certain actions by or against Fannie Mae indicating its insolvency, reorganization or inability to pay its obligations.

Rights Upon Event of Default

As long as an Event of Default under the Trust Agreement remains unremedied, the Holders of Certificates of any Class representing principal balances aggregating not less than 25 percent of the aggregate of the principal balances of all Certificates of such Class may, in writing, terminate all the obligations and duties of Fannie Mae as Trustee and in its corporate capacity under the Trust Agreement in respect of such Trust (other than its guaranty obligations with respect to the Senior Certificates, which continue notwithstanding any such termination) and name and appoint, in writing, a successor to succeed to all such responsibilities, duties and obligations of Fannie Mae thereunder (other than Fannie Mae's guaranty obligations with respect to the Senior Certificates) and to the legal title of the Mortgage Loans and other assets held in the Trust. The holders of the Offered Certificates will have no rights to terminate the obligations and duties of Fannie Mae unless and until the Senior Certificates have been paid in full.

Amendment

The Trust Agreement may be amended by Fannie Mae and the Trustee without the consent of or notice to any of the Certificateholders, for one or more of the following purposes: (i) to add to the covenants of Fannie Mae; (ii) to evidence the succession of another party or parties to Fannie Mae and the assumption by such successor or successors of the obligations of Fannie Mae thereunder in its corporate capacity or in its capacity as Trustee or in both such capacities; (iii) to eliminate any right

reserved to or conferred upon Fannie Mae in its corporate capacity; (iv) to make provisions for the purpose of curing any ambiguity or correcting or supplementing any provision in the Trust Agreement, provided, in the case of any such supplementation, that such provisions do not adversely affect the interest of any Certificateholder; or (v) to modify the Trust Agreement to maintain the qualification of the Trust as a REMIC.

The Trust Agreement also may be amended by Fannie Mae with the consent of the Holders of Certificates of each Class representing principal balances aggregating not less than 66 percent of the aggregate principal balances of all Certificates of such Class so as to waive compliance by Fannie Mae with any terms of the Trust Agreement, or to allow Fannie Mae to eliminate, change, add to or modify the terms of the Trust Agreement. However, no such waiver or amendment may, without the consent of the Holders of all Senior Certificates, terminate or modify the guaranty obligations of Fannie Mae with respect to the Senior Certificates or, without the consent of all Certificateholders, reduce the percentages of the Certificates the Holders of which are required to consent to any waiver or amendments. In addition, no waiver or amendment shall, without the consent of each Certificateholder affected thereby, reduce in any manner the amount of, or delay the timing of, payments received on Mortgage Loans or other assets in the Trust that are required to be distributed on any Certificate, or without the consent of all Holders of any residual interest in the Trust, adversely affect the rights of the Holders of such residual interest.

Termination

The Trust Agreement terminates upon the final payment or liquidation of the last Mortgage Loans remaining in the Trust and distribution of all proceeds thereof. The Trust Agreement will terminate also upon purchase by Fannie Mae, at its option, of all remaining Mortgage Loans in the Trust at a price equal to the Stated Principal Balance of such Mortgage Loans, together with one month's interest thereon, provided that Fannie Mae will not exercise such option unless the aggregate Stated Principal Balance of the remaining Mortgage Loans at the time of repurchase is less than one percent of the aggregate Stated Principal Balance of all the Mortgage Loans as of the Issue Date. The exercise of such option will effect retirement of all Certificates. In addition, Fannie Mae does not intend to exercise such option in respect of the Trust if (i) it has knowledge that any Certificate has been pledged to secure an issue of cash flow obligations or is included in assets underlying an issue of cash flow obligations and (ii) the exercise of such option would take place prior to the earliest date upon which the issuer of such cash flow obligations can exercise an option to redeem such obligations or purchase such Certificates without premium. 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. Fannie Mae will give written notice of termination of the Trust Agreement as it relates to each affected Certificateholder, and the final distribution will be made to the person entitled thereto.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

The following is a discussion of the material anticipated federal income tax consequences to beneficial owners of the purchase, ownership and disposition of the Offered Certificates. The discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. The discussion below does not purport to deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the Offered Certificates.

REMIC Elections

Elections will be made to treat the Trust and the Lower Tier REMIC as REMICs under the Code. Qualification as a REMIC requires ongoing compliance with certain conditions. Arnold & Porter, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that, assuming compliance with the Trust Agreement, the Trust and the Lower Tier REMIC will be treated as REMICs for federal income tax purposes. The Offered Certificates will be designated as "regular interests" and the R Class will be designated as the "residual interest" in 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.

Taxation of Beneficial Owners of the Offered Certificates

The Offered Certificates will be treated for federal income tax purposes as debt instruments issued by a REMIC on the date such Certificates are first sold to the public (the "Settlement Date") and not as ownership interests in a REMIC or its assets. Beneficial owners of Offered Certificates ("Regular Owners") that otherwise report income under a cash method of accounting will be required to report interest and other income with respect to such Certificates under an accrual method.

In addition, each beneficial owner of an Offered Certificate will be required to accrue interest and original issue discount (as discussed below) with respect to such Certificate without giving effect to any reductions in distributions attributable to defaults or delinquencies on the Mortgage Loans until it can be established that any such reduction ultimately will not be recoverable. As a result, the amount of taxable income reported in any period by such owner of an Offered Certificate could exceed the amount of economic income actually realized by such owner in such period. Although the owner of an Offered Certificate eventually will recognize a Realized Loss or a reduction in income attributable to defaults on Mortgage Loans, the law is unclear with respect to the timing and character of such Realized Loss or reduction in income. Beneficial owners of Offered Certificates should consult their own tax advisors concerning the treatment of such Realized Losses or reductions in income in their specific circumstances.

Original Issue Discount

One or more of the Offered Classes may be issued with "original issue discount" within the meaning of section 1273(a) of the Code. A Regular Owner must include in gross income the sum of the "daily portions" of original issue discount on its Offered Certificate for each day during its taxable year on which it held such Certificate, generally in advance of receipt of the cash attributable to such income. Fannie Mae will supply, at the time and in the manner required by the IRS, to Holders of Offered Certificates, brokers and middlemen information with respect to the original issue discount accruing on the Offered Certificates.

In general, an Offered Certificate 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 an Offered Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Offered Certificates was sold. The issue price also includes any accrued interest attributable to the period between the beginning of the first Interest Accrual Period and the Settlement Date. The stated redemption price at maturity of any Offered Certificate 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.

Notwithstanding the general definition, original issue discount will be treated as zero in the case of an Offered Certificate if such discount is less than 0.25 percent of the stated redemption price at maturity of such Certificate multiplied by its weighted average life. The weighted average life of an Offered 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 Mortgage Loans prepay at a specified rate, by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the Offered Certificate's stated redemption price at maturity. If original issue discount is treated as zero under this rule, the actual amount of original issue discount must be allocated to the principal distributions on the Offered Certificate and, when each such distribution is received, gain equal to the discount allocated to such distribution will be recognized. The prepayment assumption applicable to the Mortgage Loans is 150 percent of the PSA model (the "Prepayment Assumption"). See "Description of the Offered Certificates—Structuring Assumptions—*Prepayment Assumption*" herein.

For Offered Certificates considered to be issued with original issue discount, the daily portions of original issue discount will be determined as follows. A calculation will first be made of the portion of the original issue discount that accrued during each "accrual period." 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, each Regular Owner may use an accrual period of any length, up to one year, as long as each Distribution Date falls on either the final day or the first day of an accrual period. Fannie Mae will report original issue discount 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 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 Offered Certificate, if any, as of the end of the accrual period and (B) the distribution made on such Certificate during the accrual period of amounts included in the stated redemption price at maturity, over (ii) the adjusted issue price of such Certificate at the beginning of the accrual period. The present value of the remaining distributions referred to in the preceding sentence will be calculated based on (i) the yield to maturity of the Offered Certificate, calculated as of the Settlement Date, giving effect to the Prepayment Assumption, (ii) events (including actual prepayments) that have occurred prior to the end of the accrual period and (iii) the Prepayment Assumption. The adjusted issue price of an Offered Certificate at any time will equal the issue price of such Certificate, increased by the aggregate amount of previously accrued original issue discount with respect to such Certificate, and reduced by the amount of any distributions made on such Certificate as of that time of amounts included in the stated redemption price at maturity. The original issue discount accruing during any accrual period will then be allocated ratably to each day during the period to determine the daily portion of original issue discount.

The Code requires that the prepayment assumption used to calculate original issue discount 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. Fannie Mae believes that the Prepayment Assumption is consistent with this standard. Fannie Mae makes no representation, however, that the Mortgage Loans will prepay at the rate reflected in the Prepayment Assumption or at any other rate. Each investor must make its own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the Certificates. See "Yield Considerations—Maturity Considerations and Last Scheduled Distribution Date" and "—Decrement Tables" herein.

A subsequent purchaser of an Offered Certificate that purchases such Certificate at a cost less than its remaining stated redemption price at maturity also will be required to include in gross income for each day on which it holds such Certificate, the daily portion of original issue discount with respect to such Certificate (but reduced, if the cost of such Certificate to such purchaser exceeds its adjusted issue price, by an amount equal to the product of (i) such daily portion and (ii) a constant fraction, the numerator of which is such excess and the denominator of which is the sum of the daily portions of original issue discount on such Certificate for all days on or after the day of purchase).

Certificates Purchased at a Premium

A purchaser of an Offered Certificate that purchases such Certificate at a cost (net of accrued interest) greater than its remaining stated redemption price at maturity will be considered to have purchased such Certificate (a "Premium Certificate") at a premium. Such a purchaser need not include in income any remaining original issue discount and may elect, under section 171(c)(2) of the Code, to treat such premium as "amortizable bond premium." If a Regular Owner makes such an election, the amount of any interest payment that must be included in such Regular Owner's income for each period ending on a Distribution Date will be reduced by the portion of the premium allocable to such period based on the Premium Certificate's yield to maturity. In addition, the legislative history of the Tax Reform Act of 1986 states that such premium amortization should be made under principles analogous to those governing the accrual of market discount (as discussed below under "*Market Discount*"). If such election is made by the Regular Owner, 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 such Fully Taxable Bonds thereafter acquired by it, and is irrevocable without the consent of the IRS. If such an election is not made, (i) such 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 such distribution is received, a loss equal to the premium allocated to such 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.

Market Discount

A Regular Owner that purchases an Offered Certificate at a price less than the remaining stated redemption price at maturity of such Certificate, or in the case of an Offered Certificate issued with original issue discount, less than the adjusted issue price of such Certificate, has market discount with respect to such Certificate in the amount of such difference. An owner that purchases an Offered Certificate at a market discount is required to treat any principal payments on such certificate as ordinary income to the extent of the market discount that accrued while such owner held such certificate, unless the owner elects to include such market discount in income on a current basis. An owner may also be required to 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 Certificates—*In General*."

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 original issue discount, if any, or if none, in proportion to the remaining distributions of interest on the regular certificate. An owner may instead elect to determine the accrual of market discount under a constant yield method. Fannie Mae will make available to Holders of Offered Certificates information necessary to compute the accrual of market discount, in the manner and form as required by the IRS.

A Regular Owner that incurs or continues indebtedness to acquire an Offered Certificate at a market discount may be required to defer the deduction of all or a portion of the interest on such indebtedness until the corresponding amount of market discount is included in income.

Notwithstanding the above rules, market discount on an Offered Certificate will be considered to be zero if such discount is less than 0.25 percent of the remaining stated redemption price at maturity of such 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 Offered Certificate by the subsequent purchaser. If market discount on an Offered Certificate is treated as zero under this rule, the actual amount of market discount must be allocated to the remaining principal distributions on

the Offered Certificate and, when each such distribution is received, gain equal to the discount allocated to such distribution will be recognized.

Special Election

For any Offered Certificate, the OID Regulations permit a Regular Owner to elect to include in gross income all "interest" that accrues on such Certificate 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. A Regular Owner should consult its own tax advisor regarding the time and manner of making and the scope of the election and the implementation of the constant yield method.

Special Tax Attributes

As a consequence of the qualification of the Trust and the Lower Tier REMIC as REMICs, the Offered Certificates generally will be treated as "regular or residual interests in a REMIC" (within the meaning of section 7701(a)(19)(C)(xi) of the Code) for domestic building and loan associations and "real estate assets" (within the meaning of section 856(c)(5)(B) of the Code) for real estate investment trusts. If at any time during a calendar year less than 95 percent of the assets of the Trust (or the Lower Tier REMIC) consist of qualified mortgages, then the portion of the Offered Certificates that are qualifying assets under these Code sections during such calendar year may be limited to the portion of the assets of the Trust (or the Lower Tier REMIC) that are qualified mortgages.

Similarly, income on the Offered 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 Trust (or the Lower Tier REMIC) should be treated as owning the assets represented by the qualified mortgages. The assets of the Trust (or the Lower Tier REMIC) will include, in addition to the Lower Tier Regular Interests and the Mortgage Loans, respectively, payments on such assets held pending distribution on the Offered Certificates and any reinvestment income thereon.

Offered Certificates 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. Offered 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.

Taxes on the Trust (or the Lower Tier REMIC)

A REMIC is not subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below.

Prohibited Transactions

The Code imposes a tax on a REMIC equal to 100 percent of the net income derived from "prohibited transactions." In general, a 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 an asset purchased with the payments on the qualified mortgages for temporary investment pending distribution on the regular and residual interests.

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 (i) during the three month period beginning on the startup day, (ii) made to a qualified reserve fund by a Holder of a residual interest, (iii) in the nature of a guarantee, (iv) made to facilitate a qualified liquidation or clean-up call, and (v) as otherwise permitted by Treasury regulations.

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.

Application to the Trust and the Lower Tier REMIC

It is not anticipated that the Trust (or the Lower Tier REMIC) will engage in any transactions that will give rise to a tax on the Trust (or the Lower Tier REMIC). In any event, pursuant to its guaranty obligations, Fannie Mae will make distributions on the Offered Certificates without offset or deduction for any tax imposed on the Trust or the Lower Tier REMIC.

Sales and Other Dispositions of Certificates

Upon the sale, exchange, retirement or other disposition of an Offered Certificate, an 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. The adjusted basis of an Offered Certificate generally will equal the cost of such Certificate to the owner, increased by any original issue discount or market discount included in the owner's gross income with respect to such Certificate and reduced by distributions on such Certificate previously received by the owner of amounts included in the stated redemption price at maturity and by any premium that has reduced the owner's interest income with respect to such Certificate. Except as provided in the following paragraph or under section 582(c) of the Code, any such gain or loss will be capital gain or loss, provided such Certificate is held as a "capital asset" (generally, property held for investment) within the meaning of section 1221 of the Code.

Gain from the sale or other disposition of an Offered Certificate that might otherwise be capital gain will be treated as ordinary income to the extent that such 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 such Regular Owner's income. In addition, gain recognized on such a sale or other disposition by a Regular Owner who purchased an Offered Certificate at a market discount would also be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period such Certificate was held by such Regular Owner, reduced by any market discount includible in income under the rules described above under "Taxation of Beneficial Owners of the Offered Certificates—*Market Discount*."

Termination

In general, no special tax consequences will apply to a Regular Owner upon the termination of the Trust (or the Lower Tier REMIC) by virtue of the final payment or liquidation of the last Mortgage Loan remaining in the Lower Tier REMIC.

Reporting and Other Administrative Matters

For purposes of the administrative provisions of the Code, the Trust (or the Lower Tier REMIC) will be treated as a partnership and the Residual Owner will be treated as a partner. Fannie Mae will prepare, sign and file federal income tax returns for the Trust (or the Lower Tier REMIC), which returns are subject to audit by the IRS. Moreover, within a reasonable time after the end of each calendar year, Fannie Mae will furnish to each Holder that received a distribution during such year a statement setting forth the portions of any such distributions that constitute interest distributions, original issue discount, and such other information as is required by Treasury regulations. Fannie Mae will also act as the tax matters partner for the Trust (or the Lower Tier REMIC), either in its capacity as an Owner of the Residual Certificate or in a fiduciary capacity.

Backup Withholding

Distributions of interest and principal, as well as distributions of proceeds from the sale of Offered 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

Distributions made on an Offered Certificate to, or on behalf of, a Regular Owner that is not a U.S. Person (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 such Regular Owner is a Non-U.S. Person, and provides the name and address of such Regular Owner, and (c) the last U.S. Person in the chain of payment to the Regular Owner receives such statement from such Regular Owner or a financial institution holding on its behalf and does not have actual knowledge that such statement is false. Regular Owners 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. 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 political subdivision thereof, 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 U.S. Persons have the authority to control all substantial decisions of the trust.

LEGAL INVESTMENT CONSIDERATIONS

The appropriate characterization of the Mezzanine Certificates under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase Mezzanine Certificates, is subject to significant interpretive uncertainties. Fannie Mae makes no representations as to the proper characterization of the Mezzanine Certificates for legal investment or other purposes,

as to the ability of particular investors to purchase the Mezzanine Certificates under any applicable legal investment restrictions or as to the regulatory capital requirements applicable to such Certificates. These uncertainties may adversely affect the liquidity of the Mezzanine Certificates. Accordingly, all institutions whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult with their own legal advisors in determining whether and to what extent the Mezzanine Certificates constitute legal investments or are subject to investment, capital or other restrictions. See "Legal Investment Considerations" in the Senior Prospectus and "Ratings" below.

Investors should consult their own legal advisors in determining whether and to what extent the Offered Certificates constitute legal investments or are subject to restrictions on investment and whether and to what extent the Offered Certificates can be used as collateral for various types of borrowings.

LEGAL OPINION

Any purchaser of Offered Certificates will be furnished upon request an opinion by the General Counsel or Deputy General Counsel of Fannie Mae as to the validity of such 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 and on certain other retirement plans and arrangements, including individual retirement accounts and annuities, KEOGH plans and collective investment funds and separate accounts in which such plans, accounts or arrangements are invested (each of which is hereinafter referred to as a "Plan") and on persons who are fiduciaries with respect to such Plans. Any Plan fiduciary which proposed to cause a Plan to acquire any Mezzanine Certificates would be required to determine whether such an investment is permitted under the governing Plan instruments and is prudent and appropriate for the Plan in view of its overall investment policy and the composition and diversification of its portfolio.

In addition, ERISA and the Code prohibit certain transactions involving the assets of a Plan and "disqualified persons" (within the meaning of the Code) and "parties in interest" (within the meaning of ERISA) who have certain specified relationships to the Plan. Therefore, a Plan fiduciary considering an investment in the Mezzanine Certificates should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or the Code.

Under current law the purchase and holding of the Mezzanine Certificates by or on behalf of any Plan subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of the Code may result in a prohibited transaction under ERISA and the Code and, further, may cause the assets of the Trust to be treated as assets of such Plan, so that transactions involving Trust assets are also subject to the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of the Code. Prohibited Transaction Exemption 90-30, (55 Fed. Reg. 21461 (1990)), as amended, granted to Bear, Stearns & Co. Inc. (the "Exemption") provides an exemption for certain transactions involving the creation, maintenance and termination of certain residential mortgage pools and the acquisition and holding of certain residential mortgage pool pass-through certificates by Plans, whether or not such transactions would otherwise be prohibited under ERISA and the Code. However, because the Mezzanine Certificates evidence interests to which Realized Losses are allocated prior to any such allocation to the Senior Certificates, the Mezzanine Certificates would be considered subordinated certificates for purposes of the Exemption, and would not be entitled to exemption under the Exemption. Because the acquisition and disposition of the Mezzanine Certificates do not qualify for the foregoing exemption (or any similar exemption that might be available), the Trust Agreement provides that no transfer of a Mezzanine Certificate or any interest

therein shall be made to (i) any Plan, or (ii) any Person who is directly or indirectly purchasing the Mezzanine Certificate or an interest therein on behalf of, as named fiduciary of, as trustee of, or with assets of, a Plan (including any insurance company using funds in its general or separate account that may constitute "plan assets"), unless the Trustee and the Transfer Agent are provided with a certification of facts or an opinion of counsel which establishes to the satisfaction of each that such transfer will not result in a violation of Section 406 of ERISA or Section 4975 of the Code or cause any of the Trustee, the Transfer Agent or the Master Servicer to be deemed a fiduciary of such Plan or result in the imposition of an excise tax under Section 4975 of the Code. In the absence of its having received the certification of facts or opinion of counsel contemplated by the preceding sentence, the Trustee and the Transfer Agent shall require the prospective transferee of any Mezzanine Certificate to certify either that (a) (i) it is not a Plan and (ii) it is not a Person who is directly or indirectly purchasing the Mezzanine Certificate on behalf of, as named fiduciary of, as trustee of, or with assets of a Plan (including any insurance company using funds in its general or separate account that may constitute "plan assets"), or (b) (i) it is an insurance company, and (ii) either (x) all of the funds to be used by it to purchase the Mezzanine Certificates to be purchased by it are held in its general account and each of the policies held by Plans and supported by assets in such general account is a "guaranteed benefit policy," within the meaning of section 401(b)(2) of ERISA, and its purchase of such Mezzanine Certificates will not result in a violation of Section 406 of ERISA or Section 4975 of the Code, or (y) it is purchasing such Mezzanine Certificates with funds contained in an "insurance company general account" (as such term is defined in Section V(e) of the Prohibited Transaction Class Exemption 95-60 ("PTE 95-60")) and the purchase and holding of such Certificates are covered under Sections I and III of PTE 95-60. Such representation as described above shall be deemed to have been made to the Trustee by the transferee's acceptance of an interest in a Mezzanine Class. In the event that such representation is violated, or any attempt to transfer to a Plan or person acting on behalf of a Plan or using such Plan's assets is attempted without such opinion of counsel, such attempted transfer or acquisition shall be void and of no effect.

Any Plan fiduciary that proposes to cause a Plan to purchase a Mezzanine Certificate should consult with its counsel with respect to the potential applicability to such investment of the fiduciary responsibility and prohibited transaction provisions (with respect to the Subordinate Certificates) of ERISA and the Code.

RATINGS

It is a condition to the issuance of the B-1, B-2 and B-3 Classes that they be rated at least AA, A and BBB, respectively, by Fitch IBCA, Inc. (the "Rating Agency").

The ratings assigned by the Rating Agency to mortgage pass-through certificates address the likelihood of the receipt by certificateholders of all distributions to which they are entitled under the transaction structure. The Rating Agency's ratings reflect its analysis of the riskiness of the mortgage loans and its analysis of the structure of the transaction as set forth in the operative documents. The Rating Agency's ratings do not address the effect on the certificates' yield attributable to prepayments or recoveries on the underlying mortgage loans.

The ratings of the Rating Agency do not address the possibility that, as a result of principal prepayments, Offered Certificateholders may receive a lower than anticipated yield.

The security ratings assigned to the Offered Certificates should be evaluated independently from similar ratings on other types of securities. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the Rating Agency.

Fannie Mae has not requested ratings of the Offered Certificates by any rating agency other than the Rating Agency; there can be no assurance, however, as to whether any other rating agency will rate the Offered Certificates or, if it does, what ratings would be assigned by such other rating agency. The

ratings assigned by such other rating agency to the Offered Certificates could be lower than the ratings assigned by the Rating Agency.

PLAN OF DISTRIBUTION

Fannie Mae will acquire the Mortgage Loans from the Seller in exchange for the Certificates pursuant to the Sale and Servicing Agreement. The Dealer, who has been retained by the Seller, proposes to offer the Offered Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect such transactions to or through dealers.

LEGAL MATTERS

Certain legal matters will be passed upon for the Dealer by Thacher, Proffitt & Wood, Two World Trade Center, New York, New York 10048.

AVAILABLE INFORMATION

Certain information may be available to Offered Certificateholders on an ongoing basis on State Street's Web Site located at http://corporatetrust.statestreet.com.

No dealer, salesman or other person has been authorized to give any information or to make any representation in connection with this offering other than those contained in this Prospectus and the Information Statement and, if given or made, such information or representation must not be relied upon as having been authorized. This Prospectus and the aforementioned document do not constitute an offer to sell, or a solicitation of an offer to buy any of the Certificates offered hereby in any state to any person to whom it is unlawful to make such offer in such state. The delivery of this Prospectus and the aforementioned document at any time does not imply that the information contained herein or therein is correct as of any time subsequent to the date hereof or thereof.

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$74,104,700

(Approximate)

WISCONSIN AVENUE SECURITIES

Mezzanine REMIC
Pass-Through Certificates
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PROSPECTUS

Bear, Stearns & Co. Inc.

Dated May 29, 1998