

PROSPECTUS

\$10,842,557 (Approximate)

**WISCONSIN AVENUE SECURITIES
MEZZANINE REMIC PASS-THROUGH CERTIFICATES
Fannie Mae REMIC Trust 1998-W4**

The Mezzanine REMIC Pass-Through Certificates offered hereby (collectively, the “Offered Certificates” or the “Mezzanine Certificates”) will represent beneficial ownership interests in Fannie Mae REMIC Trust 1998-W4 (the “Trust”). The assets of the Trust will consist of a pool (the “Mortgage Pool”) of first lien, single-family, fixed-rate, fully amortizing residential mortgage loans (the “Mortgage Loans”) having the characteristics described herein.

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 Classes of Subordinate Certificates (as defined herein and collectively, the “Non-Offered Certificates”) to receive distributions thereon, as described herein. **The Mezzanine 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
M	\$5,421,279	7.085%	31359UQG3
B-1	3,097,873	7.085	31359UQH1
B-2	2,323,405	7.085	31359UQJ7

- (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 variance of plus or minus 5%, provided that the proportion that the original principal balance of each Class of Offered Certificates bears to the aggregate original principal balance of all the B Classes (as defined herein) will remain the same.

The Offered Certificates will be offered by Countrywide Securities Corporation (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 30, 1998 (the “Settlement Date”).

COUNTRYWIDE SECURITIES CORPORATION

June 26, 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 on the Offered Certificates—Interest Calculation.”
- 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, will remain in the Trust until the completion of foreclosure or similar proceedings and the final disposition of the related Mortgaged Properties. Any Realized Losses thereon (other than Excess 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. For purposes of allocating losses or payments to the Mezzanine Certificates, the Class M Certificates will be deemed to have a lower numerical class designation, and to be of a higher payment priority, than each other Class of Mezzanine Certificates and Subordinate Certificates. See “Risk Factors—Prepayment Considerations and Risks” herein.

See “Risk Factors—Yield Considerations” 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—Yield Considerations” 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.

An election will be made to treat the Trust as a “real estate mortgage investment conduit” (“REMIC”) pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). 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 Countrywide Securities Corporation by writing or calling its Prospectus Department, 4500 Park Granada Avenue, Calabasas, California 91302 (telephone 818-225-3288).

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-W4 will consist of four classes of guaranteed senior certificates designated as the R Class (the “Residual Class”), the A Class, the PO Class and the X Class (collectively, the “Senior Classes”), three classes of mezzanine certificates designated as the M, B-1 and B-2 Classes (collectively, the “Offered Classes” or the “Mezzanine Classes”), and three classes of subordinate certificates designated as the B-3, B-4 and B-5 Classes (collectively, the “Subordinate Classes”, together with the Mezzanine Classes, the “B Classes” and together with the Senior Classes, the “Non-Offered Classes”). Fannie Mae will not guarantee the Offered Classes or the Subordinate Classes. The Offered Classes and the Non-Offered Classes in the aggregate represent the entire beneficial ownership interest in the Trust.

It is expected that the Trust will consist of Mortgage Loans having an initial aggregate Stated Principal Balance of approximately \$309,787,394 (subject to a variance of plus or minus 5% in the aggregate). The Offered Certificates initially evidence an undivided ownership interest of approximately 3.5% in the Mortgage Loans. The initial aggregate principal balance of the Senior Classes will be approximately \$294,298,024 and will initially evidence an undivided ownership interest of approximately 95% in the Mortgage Loans. The initial aggregate principal balance of the Subordinate Classes will be approximately \$4,646,813 and will initially evidence an undivided ownership interest of approximately 1.5% 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 Certificates) or in limited private offerings (in the case of the Subordinate Classes).

Any information contained herein with respect to the Senior Certificates and the Subordinate Certificates is provided only to permit a better understanding of the Offered Certificates.

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 “Description of the Offered Certificates—Distributions on the Offered Certificates—General” and “—Interest Calculation” herein.

Principal Distributions

On each Distribution Date, each Class of Offered Certificates will be entitled to receive its Principal Distribution Amount, to the extent funds are available therefor, 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 Calculation” herein.

Weighted Average Lives (years) *

<u>Class</u>	<u>% of Prepayment Assumption**</u>				
	<u>0%</u>	<u>50%</u>	<u>100%</u>	<u>200%</u>	<u>300%</u>
M, B-1 and B-2	20.2	13.9	11.0	8.6	6.3

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

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

Ratings

It is a condition to the issuance of the Class M, Class B-1 and Class B-2 Certificates that they be rated at least “AA”, “A” and “BBB”, respectively, by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (the “Rating Agency”).

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 such 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 should also consider any legal restrictions that may apply to their investments in Offered Certificates. See "Legal Investment Considerations" herein.

Yield Considerations. In the event the aggregate principal balance 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-1 and B-2 Classes to receive such distributions will be subordinate to such rights of the holders of the M Class, and the rights of the holders of the B-2 Class to receive such distributions will be further subordinate to such rights of the holders of the B-1 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, first, to the Subordinate Classes and, thereafter, to the Offered Classes in the reverse order of their numerical class designations until the respective outstanding principal balances thereof have been reduced to zero. If a purchaser of the Offered 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.

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 yields on the Offered Certificates, see "*Prepayment Considerations and Risks*" below.

The effective yields to Holders of Offered Certificates will also depend upon the purchase price of such Offered Certificates, the rate of principal payments, including prepayments, on the Mortgage Loans and the actual characteristics of the Mortgage Loans. Generally, if the actual rate of payments on the Mortgage Loans is slower than the rate anticipated by an investor who purchased an Offered Certificate at a discount, the actual yield to such investor will be lower than such investor's anticipated yield. Likewise, if the actual rate of payments on the Mortgage Loans is faster than the rate anticipated by an investor who purchased an Offered Certificate at a premium, the actual yield to such

investor will be lower than such investor's anticipated yield. An investor should purchase Offered Certificates only after performing an analysis of such Offered Certificates based upon the investor's own assumptions as to future rates of prepayment on the Mortgage Loans.

The timing of changes in the rate of principal payments (including prepayments) may significantly affect the yield to an investor, even if the average rate of principal prepayments is consistent with such investor's expectations. In general, the earlier the payment of principal, the greater the effect on an investor's yield to maturity. As a result, the effect on an investor's yield of principal payments (including prepayments) occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the Settlement Date will not be offset by any subsequent equivalent reduction (or increase) in the rate of principal payments (including prepayments). In addition, 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 on the Offered Certificates."

The yield to maturity of the Offered Certificates will also be affected by the application of principal payments to reduce the outstanding principal balances of the Offered Certificates. As described herein under "Description of the Offered Certificates—Principal Distributions on the Senior Certificates", 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—Distributions on the Offered Certificates" 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 which will cause the 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 lives 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 below under "Description of the Offered Certificates—Allocation of Losses", "—Subordination" and "The Agreement—Collection and Other Servicing Procedures", 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 Subordinated Principal Balance during the 12 months beginning in August 2003 to 50% of the Original Subordinated Principal Balance during or after August 2007), then the rate of principal payments on the 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. See the discussion under "Description of the Offered Certificates—Distributions on the Senior Certificates" herein.

The effective yields on the Offered Certificates will be reduced below the yields otherwise produced thereon because principal and interest payable on a Distribution Date will not be distributed until the 25th day following the end of the related Interest Accrual Period and will not bear interest during such delay. No interest at all will be paid on any Class of Offered Certificates after the principal

balance of such Class has been reduced to zero. As a result of the foregoing, the market values of the Offered Certificates will be lower than would be the case if there were no such delay. Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the Offered Certificates.

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 of the Master Servicer or Fannie Mae, as applicable, to purchase certain delinquent Mortgage Loans from the Trust). 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, or elects not to, substitute for the repurchased Mortgage Loan 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 and Fannie Mae, as applicable, such as the option under certain circumstances 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 thereto 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. 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, all principal prepayments (including but not limited to voluntary prepayments made by the borrowers, and liquidation proceeds) received in the one-month period ending on the 15th of each month (each, a “Prepayment Period”) and allocable to the Offered Certificates will be passed through to Certificateholders on the Distribution Date following the end of such Prepayment Period. In the event that timely information is not available, such principal prepayments will be distributed on the second Distribution Date following such Prepayment Period.

Geographic Concentration. A table under “The Mortgage Loans—Statistical Information” herein illustrates the geographic diversity of the Mortgage Loans. As of the Issue Date, the states of California and Colorado comprise the largest concentration of Mortgage Loans in the Trust, with 18.95% and 7.41% 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 of principal prior to the Subordinate Certificates; and second, by the allocation of Realized Losses allocated to the Subordinate Certificates. None of the Seller, the Trustee, the Master Servicer or any of their respective affiliates will have any obligation to replace or supplement such credit enhancement. The sole source of funds from which such credit enhancement is provided is collections on the Mortgage Loans otherwise payable to the Holders of the Subordinate Certificates. Accordingly, if the 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. Furthermore, the Subordinated Certificates (and Offered Certificates with higher numerical designations) will provide only limited protection against certain categories of losses. If Excess Losses (as defined herein) occur they will be allocated pro rata to each Class, including the Offered Classes, even if the principal balance of each Class with a higher numerical Class designation has not been reduced to zero.

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 of the Mortgage Loans payable to Holders of the Offered Certificates and thereby reduce the security of the related Mortgage Loans.

Nature of Collateral. The Mortgage Loans were underwritten substantially in accordance with the Seller's Expanded Underwriting Guidelines (as described herein). The Expanded Underwriting Guidelines are generally more flexible than those for mortgage lending programs following the Fannie Mae Selling Guide, and permit, for example, higher Loan-to-Value Ratios and higher debt to income ratios. It is possible that mortgage loans originated in accordance with these standards would be more likely than mortgage loans underwritten pursuant to mortgage lending programs following the Fannie Mae Selling Guide to experience delinquencies or defaults in the event of negative economic forces affecting the related borrowers and properties. See "The Mortgage Loans—Underwriting Standards."

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%, provided that the proportion that the original principal balance of each Class of Offered Certificates bears to the aggregate original principal balance of all the B Classes will remain the same. 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 Master Servicer has the option to purchase Mortgage Loans that are more than 90 days delinquent, at a price equal to the unpaid 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.

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 balances of the related Mortgage Loans equal or exceed the value of such Mortgaged Properties. Residential real estate markets in many states have softened in recent years. Fannie Mae cannot quantify the impact of such declines in property values nor predict how long any such decline may continue or when such declines would end. During a period of such declines, the rates of delinquencies, foreclosures and losses on the Mortgage Loans may be expected to 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."

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 amount of the related Mortgage Loan to the value of such Mortgaged Property at such time may increase relative to such ratio over what it was 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 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 Loans that, at the time of origination, did not comply with applicable federal and state laws and regulations. Depending on the provisions of the 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 borrower to a refund of amounts previously paid and, in addition, could subject the Trust to damages and administrative enforcement.

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

(a) the Federal Truth in Lending Act and Regulation Z promulgated thereunder, which require certain disclosures to the 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 the borrower's 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 the loan documents without the 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 to collect all or part of the principal of or interest on the 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 to collect full amounts of interest on certain Mortgage Loans and could interfere with the ability of the Master Servicer 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 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 and Countrywide Home Loans, Inc. (“Countrywide”), as seller and as master servicer (in such capacities, the “Seller” and “Master Servicer” respectively), 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 assets of the Trust 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. The Certificates (other than the R Class) will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust.

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 Holders of record on the last day of the preceding month.

REMIC Trust Factors. As soon as practicable following the 21st 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 Offered Certificate after giving effect to the distribution of principal to be made on the following Distribution Date.

Optional Termination. Fannie Mae or the Master Servicer, may effect an early termination of the Trust as described herein under “The Agreements—Termination.”

THE MORTGAGE LOANS

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.

General

It is expected that the Trust will consist of approximately 2,728 mortgage loans (collectively, the “Mortgage Loans”) having an aggregate Stated Principal Balance of approximately \$309,787,394.33 (subject to a permitted variance of plus or minus 5%) as of July 1, 1998 (the “Issue Date”). For a description of the underwriting standards governing the origination of the Mortgage Loans, see “—Underwriting Standards” below.

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 each 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 by a borrower either earlier or later than the scheduled due date therefor will not affect the amortization schedule or the relative application of such payment to principal and interest.

None of the Mortgage Loans are FHA-insured or VA-guaranteed.

Set forth in the tables immediately following the next paragraph 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 and Mortgage Loan Group is the weighted average of the Net Mortgage Rates in effect with respect to the Mortgage Loans in such Mortgage Loan Group during the preceding calendar month, weighted on the basis of the respective Stated Principal Balances of such 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 therefor less 0.25%. The “Discount Mortgage Loans” are all Mortgage Loans having Net Mortgage Rates lower than 7.085%. The “Non-Discount Mortgage Loans” are all Mortgage Loans having Net Mortgage Rates equal to or greater than 7.085%.

Discount Mortgage Loans

<u>Principal Balance</u>	<u>Weighted Average Net Mortgage Rate</u>	<u>Weighted Average Mortgage Rate</u>	<u>Weighted Average Age (in months)</u>	<u>WAM (in months)</u>
\$49,182,267.11	6.868689161%	7.180953058%	0	358

Non-Discount Mortgage Loans

<u>Principal Balance</u>	<u>Weighted Average Net Mortgage Rate</u>	<u>Weighted Average Mortgage Rate</u>	<u>Weighted Average Age (in months)</u>	<u>WAM (in months)</u>
\$260,605,127.22	7.526309467%	7.787534339%	0	358

Statistical Information

Certain information with respect to the Mortgage Loans expected to be included in the Mortgage Pool is set forth below under “Statistical Information.” Until three Business Days prior to the Settlement Date, Mortgage Loans may be removed from the Mortgage Pool and other Mortgage Loans may be substituted therefor. The Seller believes that the information set forth herein with respect to the Mortgage Pool as presently constituted is representative of the characteristics of the Mortgage Pool as it will be constituted at the Settlement Date, although certain characteristics of the Mortgage Loans in the Mortgage Pool may vary. Unless otherwise indicated, information presented herein 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.

Each Mortgage Loan was originated after December 22, 1994.

The latest stated maturity date of any Mortgage Loan is August 1, 2028. The earliest stated maturity date of any Mortgage Loan is July 1, 2008.

As of the Issue Date, none of the Mortgage Loans were delinquent more than 30 days.

Four Mortgage Loans (comprising less than 1% of the aggregate Stated Principal Balance of the Mortgage Loans as of the Issue Date) are subject to buydown agreements. No Mortgage Loan provides for deferred interest or negative amortization.

No Mortgage Loan had a Loan-to-Value ratio at origination of more than 97%. Generally, each Mortgage Loan with a Loan-to-Value Ratio at origination of greater than 80% is covered by a primary mortgage guaranty insurance policy issued by a mortgage insurance company acceptable to Fannie Mae or the Federal Home Loan Mortgage Corporation (“FHLMC”). Such policy provides coverage in an amount equal to a specified percentage times the sum of the remaining principal balance of the related Mortgaged Loan, the accrued interest thereon and the related foreclosure expenses. The specified percentage is either 12% for Loan-to-Value Ratios between 80.01% and 85.00%, 25% for Loan-to-Value Ratios between 85.01% and 90.00% or 30% for Loan-to-Value Ratios between 90.01% and 95.00%. With respect to 84 Mortgage Loans (which comprise approximately 2.5% of the aggregate Stated Principal Balance as of the Issue Date) with Loan-to-Value Ratios at origination of greater than 80%, the lender (rather than the borrower) acquired the primary mortgage guaranty insurance and charged the related borrower an interest premium which is retained by the lender and will not be included in the Trust (such Mortgage Loans, the “Lender PMI Mortgage Loans”). Except with respect to the Lender PMI Mortgage Loans, no such primary mortgage guaranty insurance policy will be required with respect to any such Mortgage Loan (i) after the date on which the related Loan-to-Value Ratio is 80% or less or, based on a new appraisal, the principal balance of such Mortgage Loan represents 80% or less of the new appraised value or (ii) if maintaining such policy is prohibited by applicable law. With respect to the Lender PMI Mortgage Loans, the primary mortgage guaranty insurance policy will be maintained for the life of such Mortgage Loans.

The “Loan-to-Value Ratio” of a Mortgage Loan at any given time is a fraction, expressed as a percentage, the numerator of which is the principal balance of the related Mortgage Loan at the date of determination and the denominator of which is (a) in the case of a purchase, the lesser of the selling price of the Mortgaged Property or its appraised value at the time of sale, or (b) in the case of a refinance, the appraised value of the Mortgaged Property at the time of such refinance, except in the case of a Mortgage Loan underwritten pursuant to Countrywide’s Streamlined Documentation Program as described herein under “—Underwriting Standards.” With respect to Mortgage Loans originated pursuant to the Streamlined Documentation Program (a) if the loan-to-value ratio at the time of the origination of the mortgage loan being refinanced was 75% or less (or 70% or less in the case of mortgage loans relating to properties located in California), the “Loan-to-Value Ratio” will be the ratio of the principal amount of the Mortgage Loan outstanding at the date of determination divided by the appraised value of the related Mortgaged Property at the time of the origination of the mortgage loan being refinanced or (b) if the loan-to-value ratio at the time of the origination of the mortgage loan being refinanced was greater than 75% (or greater than 70% in the case of mortgage loans relating to properties located in California), then the “Loan-to-Value Ratio” will be the ratio of the principal amount of the Mortgage Loan outstanding at the date of determination divided by the appraised value as determined by a limited appraisal report at the time of the origination of such Mortgage Loan. See “—Underwriting Standards” herein. No assurance can be given that the value of any Mortgaged Property has remained or will remain at the level that existed on the appraisal or sales date. If residential real estate values generally or in a particular geographic area decline, the Loan-to-Value Ratios might not be a reliable indicator of the rates of delinquencies, foreclosures and losses that could occur with respect to such Mortgage Loans.

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 Losses 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.

The following information sets forth in tabular format certain information, as of the Issue Date, as to the Mortgage Loans. References to “Aggregate Principal Balance Outstanding” represent the aggregate of the Stated Principal Balances of the related Mortgage Loans as of the Issue Date. The sum of the percentage columns in the following tables may not equal 100% due to rounding.

Current Mortgage Loan Principal Balances (1)

Current Mortgage Loan Principal Balances	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Mortgage Pool
\$ 0-\$ 50,000	239	\$ 9,252,886.89	2.99%
\$ 50,001-\$100,000	1,016	78,460,232.58	25.33
\$100,001-\$150,000	840	104,018,934.16	33.58
\$150,001-\$200,000	447	77,355,748.76	24.97
\$200,001-\$250,000	182	39,242,359.02	12.67
\$250,001-\$300,000	2	540,353.57	0.17
\$300,001-\$400,000	1	375,815.29	0.12
\$400,001-\$550,000	1	541,064.06	0.17
Total	<u>2,728</u>	<u>\$309,787,394.33</u>	<u>100.00%</u>

(1) As of the Issue Date, the average current principal balance for the Mortgage Loans is expected to be approximately \$113,558.43.

Mortgage Rates (1)

Mortgage Rates (%)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Mortgage Pool
6.000	1	\$ 129,740.51	0.04%
6.125	1	132,341.58	0.04
6.375	1	104,449.48	0.03
6.500	3	357,462.21	0.12
6.625	2	306,517.60	0.10
6.750	8	1,466,255.38	0.47
6.875	28	3,275,196.50	1.06
7.000	78	10,265,758.15	3.31
7.125	74	8,546,203.70	2.76
7.250	190	24,598,342.00	7.94
7.375	239	30,356,637.38	9.80
7.500	436	52,018,540.63	16.79
7.625	275	33,425,343.05	10.79
7.715	1	162,101.76	0.05
7.750	397	45,142,634.18	14.57
7.875	280	31,591,548.27	10.20
8.000	222	21,965,603.88	7.09
8.125	110	11,277,337.98	3.64
8.250	201	19,555,583.88	6.31
8.375	73	6,336,446.07	2.05
8.500	56	4,618,647.69	1.49
8.625	14	1,051,159.44	0.34
8.750	18	1,456,369.33	0.47
8.875	9	645,105.07	0.21
9.000	8	775,393.09	0.25
9.125	1	18,358.60	0.01
9.875	1	63,037.03	0.02
10.000	1	145,279.89	0.05
Total	<u>2,728</u>	<u>\$309,787,394.33</u>	<u>100.00%</u>

(1) The Lender PMI Mortgage Loans are shown at the mortgage rates net of the interest premium charged by the related lenders. As of the Issue Date, the weighted average mortgage rate of the Mortgage Loans (as so adjusted) is expected to be approximately 7.672%. Without such adjustment, the weighted average mortgage rate of the Mortgage Loans is expected to be approximately 7.691% per annum.

Remaining Terms to Stated Maturity (1)

Remaining Term to Stated Maturity (Months)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Mortgage Pool
360	1,705	\$197,096,249.90	63.62%
359	692	76,927,927.35	24.83
358	153	17,239,857.46	5.57
357	54	5,774,886.56	1.86
356	29	3,102,387.30	1.00
355	8	963,658.34	0.31
354	10	677,203.17	0.22
353	5	456,022.47	0.15
352	9	911,641.69	0.29
351	5	631,970.33	0.20
350	5	347,715.44	0.11
349	3	336,893.39	0.11
348	1	61,963.04	0.02
337	1	145,279.89	0.05
335	1	121,937.36	0.04
319	1	63,037.03	0.02
305	1	162,101.76	0.05
300	5	594,722.95	0.19
299	9	895,724.36	0.29
240	20	2,280,392.15	0.74
239	6	666,054.75	0.22
236	3	227,271.56	0.07
234	1	44,046.03	0.01
120	1	58,450.00	0.02
Total	<u>2,728</u>	<u>\$309,787,394.33</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Mortgage Loans is expected to be approximately 358 months.

Original Loan-to-Value Ratios (1)

Original Loan-to-Value Ratios (%)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Mortgage Pool
50.00 and below	147	\$ 14,381,107.53	4.64%
50.01 to 55.00	52	5,812,021.07	1.88
55.01 to 60.00	76	9,514,006.81	3.07
60.01 to 65.00	103	13,244,365.95	4.28
65.01 to 70.00	188	21,676,783.49	7.00
70.01 to 75.00	462	53,700,575.27	17.33
75.01 to 80.00	1,107	136,709,771.68	44.13
80.01 to 85.00	95	10,205,171.49	3.29
85.01 to 90.00	394	33,792,776.59	10.91
90.01 to 95.00	73	8,297,164.72	2.68
95.01 to 97.00	31	2,453,649.73	0.79
Total	<u>2,728</u>	<u>\$309,787,394.33</u>	<u>100.00%</u>

(1) The weighted average original Loan-to-Value Ratio of the Mortgage Loans is expected to be approximately 76%.

Documentation Program for Mortgage Loans

<u>Type of Program</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Mortgage Pool</u>
Full	714	\$ 74,454,216.52	24.04%
Alternative	452	45,823,273.93	14.79
Reduced	1,353	165,054,047.49	53.28
No Income/No Asset	156	17,291,994.71	5.58
Streamlined	53	7,163,861.68	2.31
Total	<u>2,728</u>	<u>\$309,787,394.33</u>	<u>100.00%</u>

Types of Mortgaged Properties

<u>Property Type</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Mortgage Pool</u>
One Family	1,885	\$213,543,021.87	68.93%
Condominium	185	17,701,191.55	5.71
High Rise Condo	5	506,478.71	0.16
2-4 Family	311	33,905,740.07	10.94
Planned Unit Development	342	44,130,962.13	14.25
Total	<u>2,728</u>	<u>\$309,787,394.33</u>	<u>100.00%</u>

Purpose of Mortgage Loans

<u>Loan Purpose</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Mortgage Pool</u>
Purchase	1,449	\$158,092,538.61	51.03%
Refinance (rate/term)	491	61,673,808.80	19.91
Refinance (cash out)	788	90,021,046.92	29.06
Total	<u>2,728</u>	<u>\$309,787,394.33</u>	<u>100.00%</u>

Occupancy Types (1)

<u>Occupancy Type</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Mortgage Pool</u>
Primary Residence	2,053	\$248,245,940.16	80.14%
Investor Property	627	55,680,273.63	17.98
Second Residence	48	5,861,180.54	1.89
Total	<u>2,728</u>	<u>\$309,787,394.33</u>	<u>100.00%</u>

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

State Distribution of Mortgaged Properties

<u>State</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Principal Balance Outstanding</u>	<u>Percent of Mortgage Pool</u>
Alaska	5	634,258.53	0.20
Alabama	23	2,197,783.74	0.71
Arkansas	7	699,691.69	0.23
Arizona	80	8,394,321.65	2.71
California	400	58,715,068.66	18.95
Colorado	196	22,956,908.53	7.41
Connecticut	17	1,825,978.95	0.59
District of Columbia	3	324,744.28	0.10
Delaware	6	614,961.76	0.20
Florida	205	19,328,621.26	6.24
Georgia	63	6,741,073.34	2.18
Hawaii	15	3,223,114.51	1.04
Iowa	7	419,915.87	0.14
Idaho	39	3,778,472.90	1.22
Illinois	108	12,544,730.22	4.05
Indiana	50	4,217,390.88	1.36
Kansas	16	1,386,423.67	0.45
Kentucky	18	1,919,481.31	0.62
Louisiana	43	4,278,272.81	1.38
Massachusetts	63	7,945,011.36	2.56
Maryland	29	3,521,564.48	1.14
Maine	7	648,791.89	0.21
Michigan	111	11,820,973.55	3.82
Minnesota	36	3,498,551.33	1.13
Missouri	38	4,034,143.92	1.30
Mississippi	7	528,696.57	0.17
Montana	16	1,746,500.57	0.56
North Carolina	55	5,602,576.95	1.81
Nebraska	11	1,065,666.78	0.34
New Hampshire	15	1,340,085.35	0.43
New Jersey	103	12,996,568.27	4.20
New Mexico	36	4,276,550.56	1.38
Nevada	47	5,864,508.54	1.89
New York	34	4,874,012.43	1.57
Ohio	113	10,119,998.23	3.27
Oklahoma	24	1,837,687.52	0.59
Oregon	64	7,648,440.02	2.47
Pennsylvania	81	6,858,690.91	2.21
Rhode Island	8	887,768.12	0.29
South Carolina	35	3,730,936.78	1.20
South Dakota	1	29,787.84	0.01
Tennessee	47	4,920,969.65	1.59
Texas	220	22,344,454.29	7.21
Utah	66	8,302,524.62	2.68
Virginia	23	2,776,732.83	0.90
Vermont	5	542,517.21	0.18
Washington	100	12,700,333.15	4.10
Wisconsin	27	2,398,399.89	0.77
West Virginia	1	160,000.00	0.05
Wyoming	4	562,736.16	0.18
Total	<u>2,728</u>	<u>\$309,787,394.33</u>	<u>100.00%</u>

Underwriting Standards

The following information (other than the last sentence under “—General”) was provided to Fannie Mae by the Seller.

General

All mortgage loans must meet credit, appraisal and underwriting standards acceptable to Countrywide. Countrywide's underwriting standards are applied in accordance with applicable federal and state laws and regulations.

In certain cases, including with respect to mortgage loans originated through a loan correspondent or mortgage broker, the data used by Countrywide to complete the underwriting analysis may be obtained by a third party. In such instances, the initial determination as to whether a mortgage loan complies with Countrywide's underwriting guidelines may be made by an independent company hired to perform underwriting services on behalf of Countrywide, the loan correspondent or mortgage broker. In addition, under certain circumstances, Countrywide may acquire mortgage loans from approved correspondent lenders under a program pursuant to which Countrywide delegates to the correspondent the obligation to underwrite the mortgage loans to Countrywide's standards. Under these circumstances, the underwriting of a mortgage loan may not have been reviewed by Countrywide prior to acquisition of the mortgage loan and the correspondent represents that Countrywide's underwriting standards have been met. After purchasing mortgage loans under such circumstances, Countrywide conducts a quality control review of a sample of such mortgage loans.

Countrywide's underwriting standards are applied by or on behalf of Countrywide to evaluate the prospective borrower's credit standing and repayment ability and the value and adequacy of the mortgaged property as collateral. Under such standards, a prospective borrower must generally demonstrate that the ratio of the borrower's monthly housing expenses (including principal and interest on the proposed mortgage loan and, as applicable, the related monthly portion of property taxes, hazard insurance and mortgage insurance) to the borrower's monthly gross income and the ratio of total monthly debt to the monthly gross income (the "debt-to-income" ratios) are within certain limits. If the prospective borrower has applied for an adjustable rate loan and the Loan-to-Value Ratio is less than or equal to 75%, the interest component of the monthly housing expense is calculated based on the initial loan interest rate; if the Loan-to-Value Ratio exceeds 75%, the interest component of the monthly housing expense calculation is based on the maximum possible interest rate payable in the second year of the mortgage loan. The maximum acceptable debt-to-income ratio, which is determined on a loan-by-loan basis, varies depending on a number of underwriting criteria, including the Loan-to-Value Ratio, loan purpose, loan amount and credit history of the borrower. In addition to meeting the debt-to-income ratio guidelines, each prospective borrower is required to have sufficient cash resources to pay the down payment and closing costs. Certain exceptions to Countrywide's underwriting guidelines are made in the event that compensating factors are demonstrated by a prospective borrower.

The nature of the information which a borrower is required to disclose and whether such information is verified depends, in part, on the documentation program used in the origination process. In general under the Full Documentation Loan Program (the "Full Documentation Program"), each prospective borrower is required to complete an application which includes information with respect to the applicant's assets, liabilities, income, credit history, employment history and other personal information. Self-employed individuals are generally required to submit their two most recent federal income tax returns. The underwriter generally verifies the information contained in the application relating to employment, income, assets or mortgages.

Under certain circumstances, a prospective borrower may be eligible for a loan approval process which limits or eliminates Countrywide's standard disclosure and/or verification requirements. Countrywide offers the following documentation programs as alternatives to its Full Documentation Program: an Alternative Documentation Loan Program (the "Alternative Documentation Program"), a Reduced Documentation Loan Program (the "Reduced Documentation Program"), a No Income/No Asset Documentation Loan Program (the "No Income/No Asset Documentation Program") and a Streamlined Documentation Loan Program (the "Streamlined Documentation Program").

Countrywide obtains a credit report relating to the applicant from a credit reporting company. The credit report typically contains information relating to such matters as credit history with local and national merchants and lenders, installment debt payments and any record of defaults, bankruptcy, dispossession, suits or judgments. All adverse information in the credit report is required to be explained by the prospective borrower to the satisfaction of the lending officer.

Except with respect to its Streamlined Documentation Program (as further described below), Countrywide obtains appraisals from independent appraisers or appraisal services for properties that are to secure mortgage loans. Such appraisers inspect and appraise the proposed mortgaged property and verify that such property is in acceptable condition. Following each appraisal, the appraiser prepares a report which includes a market data analysis based on recent sales of comparable homes in the area and, when deemed appropriate, a replacement cost analysis based on the current cost of constructing a similar home. All appraisals are required to conform to Fannie Mae or FHLMC appraisal standards then in effect. Every independent appraisal is reviewed by a Countrywide underwriter before the loan is approved.

Countrywide requires title insurance on all of its mortgage loans secured by first liens on real property. Countrywide also requires that fire and extended coverage casualty insurance be maintained on the mortgaged property in an amount at least equal to the principal balance of the related single-family mortgage loan or the replacement cost of the mortgaged property, whichever is less.

In addition to Countrywide's standard underwriting guidelines (the "Standard Underwriting Guidelines"), which are consistent in many respects with the guidelines applied to mortgage loans purchased by Fannie Mae and FHLMC, Countrywide uses underwriting guidelines featuring expanded criteria (the "Expanded Underwriting Guidelines"). The Standard Underwriting Guidelines and the Expanded Underwriting Guidelines are described further below. All of the Mortgage Loans were underwritten pursuant to the Expanded Underwriting Guidelines; none of the Mortgage Loans were underwritten pursuant to the Standard Underwriting Guidelines. Any information contained herein with respect to the Standard Underwriting Guidelines is provided only to permit a better understanding of the Expanded Underwriting Guidelines. Notwithstanding anything in the descriptions of the Standard Underwriting Guidelines and the Expanded Underwriting Guidelines, the principal balances of the Mortgage Loans do not exceed those permitted under Fannie Mae's charter.

Standard Underwriting Guidelines

Countrywide's Standard Underwriting Guidelines generally allows Loan-to-Value Ratios at origination of up to 95% for purchase money or rate and term refinance mortgage loans with original principal balances of up to \$300,000, up to 90% for mortgage loans with original principal balances of up to \$400,000, up to 85% for mortgage loans with original principal balances of up to \$500,000, up to 80% for mortgage loans with original principal balances of up to \$650,000, up to 75% for mortgage loans with original principal balances of up to \$750,000 and up to 70% for mortgage loans with original principal balances of up to \$1,000,000.

For cash-out refinance mortgage loans with original principal balances of up to \$650,000, Countrywide's Standard Underwriting Guidelines generally allow Loan-to-Value Ratios at origination of up to 75%. The maximum "cash-out" amount permitted is \$150,000 and is based in part on the original Loan-to-Value Ratio of the related mortgage loan. As used herein, a refinance mortgage loan is classified as a cash-out refinance mortgage loan by Countrywide if the borrower retains greater than 1.0% of the entire amount of the proceeds from the refinancing of the existing loan.

Under its Standard Underwriting Guidelines, Countrywide generally permits a debt-to-income ratio based on the borrower's monthly housing expenses of up to 33% and a debt-to-income ratio based on the borrower's total monthly debt of up to 38%.

In connection with the Standard Underwriting Guidelines, Countrywide originates or acquires mortgage loans under the Full Documentation Program, the Alternative Documentation Program, the Reduced Documentation Program or the Streamlined Documentation Program.

The Alternative Documentation Program permits a borrower to provide W-2 forms instead of tax returns covering the most recent two years, permits bank statements in lieu of verification of deposits and permits alternative methods of employment verification. Mortgage loans which have been originated under the Alternative Documentation Program may be eligible for sale to Fannie Mae or FHLMC.

Under the Reduced Documentation Program, certain underwriting documentation concerning income and employment verification is waived. Countrywide obtains from a prospective borrower either a verification of deposit or bank statements for the two-month period immediately prior to the date of the mortgage loan application. Since information relating to a prospective borrower's income and employment is not verified, such borrower's debt-to-income ratios are calculated based on the information provided by the borrower in the mortgage loan application. The maximum Loan-to-Value Ratio (including secondary financing) ranges up to 70% maximum.

The Streamlined Documentation Program is available for borrowers who are refinancing an existing Countrywide mortgage loan provided that, among other things, such mortgage loan has not been more than 30 days delinquent in payment during the previous twelve-month period. Under the Streamlined Documentation Program, appraisals are obtained only if the loan being refinanced had a Loan-to-Value Ratio at the time of origination in excess of 75% (or 70% in the case of mortgaged properties located in California). In addition, under the Streamlined Documentation Program, a credit report is obtained but only a limited credit review is conducted, no income or asset verification is required, and telephone verification of employment is permitted. The maximum Loan-to-Value Ratio under the Streamlined Documentation Program ranges up to 90%.

Expanded Underwriting Guidelines

Mortgage loans which are underwritten pursuant to the Expanded Underwriting Guidelines may have higher Loan-to-Value Ratios, higher loan amounts and different documentation requirements than those associated with the Standard Underwriting Guidelines. The Expanded Underwriting Guidelines also permit higher debt-to-income ratios than mortgage loans underwritten pursuant to the Standard Underwriting Guidelines.

Countrywide's Expanded Underwriting Guidelines generally allow Loan-to-Value Ratios at origination of up to 95% for purchase money or rate and term refinance mortgage loans with original principal balances of up to \$300,000, up to 90% for mortgage loans with original principal balances of up to \$400,000, up to 85% for mortgage loans with original principal balances of up to \$500,000, up to 80% for mortgage loans with original principal balances of up to \$650,000, up to 70% for mortgage loans with original principal balances of up to \$750,000, up to 65% for mortgage loans with original principal balances of up to \$1,000,000 and up to 70% for mortgage loans with original principal balances of up to \$3,000,000.

For cash-out refinance mortgage loans with original principal balances of up to \$3,000,000, Countrywide's Expanded Underwriting Guidelines generally allow Loan-to-Value Ratios at origination of up to 90%. The maximum "cash-out" amount permitted is \$600,000 and is based in part on the original Loan-to-Value Ratio of the related mortgage loan.

Under its Expanded Underwriting Guidelines, Countrywide generally permits a debt-to-income ratio based on the borrower's monthly housing expenses of up to 36% and a debt-to-income ratio based on the borrower's total monthly debt of up to 40%; provided, however, that if the Loan-to-Value Ratio exceeds 80%, such maximum permitted debt-to-income ratios are 33% and 38%, respectively.

In connection with the Expanded Underwriting Guidelines, Countrywide originates or acquires mortgage loans under the Full Documentation Program, the Alternative Documentation Program, the

Reduced Documentation Program and the No Income/No Asset Documentation Program. The No Income/No Asset Documentation Program is not available under the Standard Underwriting Guidelines.

The same documentation and verification requirements apply to mortgage loans documented under the Alternative Documentation Program regardless of whether the loan has been underwritten under the Expanded Underwriting Guidelines or the Standard Underwriting Guidelines. However, under the Alternative Documentation Program, mortgage loans that have been underwritten pursuant to the Expanded Underwriting Guidelines may have higher loan balances and Loan-to-Value Ratios than those permitted under the Standard Underwriting Guidelines.

Similarly, the same documentation and verification requirements apply to mortgage loans documented under the Reduced Documentation Program regardless of whether the loan has been underwritten under the Expanded Underwriting Guidelines or the Standard Underwriting Guidelines. However, under the Reduced Documentation Program, higher loan balances and Loan-to-Value Ratios are permitted for mortgage loans underwritten pursuant to the Expanded Underwriting Guidelines than those permitted under the Standard Underwriting Guidelines. The maximum Loan-to-Value Ratio (including secondary financing) ranges up to 90%. With respect to certain mortgage loans originated under the Reduced Documentation Program, the borrower is not required to disclose any income information, and accordingly debt-to-income ratios are not calculated or included in the underwriting analysis. With respect to such mortgage loans, the maximum Loan-to-Value Ratio (including secondary financing) ranges up to 80%.

Under the No Income/No Asset Documentation Program, no documentation relating to a prospective borrower's income, employment or assets is required and therefore debt-to-income ratios are not calculated or included in the underwriting analysis. This program is limited to borrowers with excellent credit histories. Under the No Income/No Asset Documentation Program, the maximum Loan-to-Value Ratio (including secondary financing) ranges up to 75%.

Mortgage Loans originated under either the No Income/No Asset Documentation Program or the Reduced Documentation Program pursuant to which debt-to-income ratios are not calculated as described above are expected to comprise approximately 59% of the Mortgage Pool.

Under the Expanded Underwriting Guidelines, Countrywide may also provide mortgage loans to borrowers who are not U.S. citizens, including permanent and non-permanent residents. The borrower is required to have a valid U.S. social security number or a certificate of foreign status (IRS form W-8). The borrower's income and assets must be verified under the Full Documentation Program or the Alternative Documentation Program. The maximum Loan-to-Value Ratio (including secondary financing) is 80%.

DESCRIPTION OF THE OFFERED CERTIFICATES

General

The REMIC Pass-Through Certificates for Fannie Mae REMIC Trust 1998-W4 will consist of four classes of guaranteed senior certificates designated as the R Class (the "Residual Class"), the A Class, the PO Class and the X Class (collectively, the "Senior Classes"), three classes of mezzanine certificates designated as the M, B-1 and B-2 Classes (collectively, the "Offered Classes" or the "Mezzanine Classes"), and three classes of subordinate certificates designated as the B-3, B-4 and B-5 Classes (collectively, the "Subordinate Classes", together with the Mezzanine Classes, the "B Classes" and together with the Senior Classes, the "Non-Offered Classes"). Fannie Mae will not guarantee the Offered Classes or the Subordinate Certificates. The Offered Classes and the Non-Offered Classes in the aggregate represent the entire beneficial ownership interest in the Trust.

The Offered Certificates initially evidence an undivided ownership interest of approximately 3.5% in the Mortgage Loans. The initial aggregate principal balance of the Senior Classes will be

approximately \$294,298,024 and will initially evidence an undivided ownership interest of approximately 95% in the Mortgage Loans. The initial aggregate principal balance of the Subordinate Classes will be approximately \$4,646,813 and will initially evidence an undivided ownership interest of approximately 1.5% 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 Certificates) 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 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 the Certificates (the “Available Funds”) is equal to (i) all scheduled payments on the Mortgage Loans due during the related Due Period and received by the last day of the related Prepayment Period, (ii) prepayments, net liquidation proceeds and other unscheduled collections received on the Mortgage Loans during the immediately preceding Prepayment Period, (iii) to the extent scheduled payments are not received from the related Mortgagors and the Master Servicer deems such payments recoverable, any Delinquency Advances made by Master Servicer for such Distribution Date and (iv) guaranty payments made by Fannie Mae in respect of Excess Losses allocated to the Senior Classes less (v) certain amounts, including 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 certain

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 Offered and Subordinate Certificates out of remaining funds (such remaining funds, the “Remaining Available Funds”).

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 M Class, the Interest Distribution Amount with respect to such Class;
- (ii) to the M Class, the Principal Distribution Amount with respect to such Class;
- (iii) to the B-1 Class, the Interest Distribution Amount with respect to such Class;
- (iv) to the B-1 Class, the Principal Distribution Amount with respect to such Class;
- (v) to the B-2 Class, the Interest Distribution Amount with respect to such Class; and
- (vi) to the B-2 Class, the Principal Distribution Amount with respect to such Class.

Interest Calculation. The Offered Certificates will bear interest at the respective per annum interest rates set forth on the cover. Interest on the 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 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 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 excess, if any, of the aggregate Prepayment Interest Shortfalls on the Mortgage Loans that prepaid during the portion of the related Prepayment Period occurring in the month preceding the month in which such Distribution Date falls over the servicing fee for such Distribution Date. The “Prepayment Interest Shortfall” for any such Mortgage Loans and any Distribution Date will equal the excess of one full month’s interest on the principal balance 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 interest-bearing Classes of Certificates, based on the amount of interest accrued on such Classes.

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”).

<u>Classes</u>	<u>Interest Accrual Period</u>
All Offered Classes	Calendar month preceding the month in which the Distribution Date occurs

See “Risk Factors—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 Class and the R Class will bear interest at the per annum rates of 7.00% and 7.085%, respectively. The X Class will bear interest calculated at a rate per annum equal to the weighted average of the Net Mortgage Rate of each Non-Discount Mortgage Loan minus 7.085% for each Interest Accrual Period. The X Class will bear interest during the initial Interest Accrual Period at a per annum rate equal to approximately 0.44131%. 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 Calculation

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 “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 (relative to the aggregate principal balance of all the B Classes) 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 to 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 the 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 or the Seller with respect to 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 related Prepayment Period, (ii) with respect to each Mortgage Loan that became a Liquidated Loan during the related Prepayment Period, 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

* 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.

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 Prepayment 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 R and 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 “Prepayment Period” with respect to any Distribution Date is the period from and including the 16th day of the month immediately preceding such Distribution Date to and including the 15th day of the month of such Distribution Date.

The “PO Deferred Amount” for any Distribution Date will equal the PO Percentage of Realized Losses (other than Excess Losses) for each Discount Mortgage Loan that became a Liquidated Loan in the related Prepayment Period.

The “Non-PO Percentage” with respect to any Discount Mortgage Loan will be equal to the related Net Mortgage Rate \div 7.085%. 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 $(7.085\% - \text{the related Net Mortgage Rate}) \div 7.085\%$. 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 Offered and Subordinate Certificates on the date of issuance of the Certificates are expected to be as follows:

Class M.....	5.00%
Class B-1	3.25%
Class B-2	2.25%
Class B-3	1.50%
Class B-4	0.80%
Class B-5	0.40%

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, other than any Excess 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 A Class.

On each Distribution Date, the applicable PO Percentage of any Realized Loss, including any Excess Loss, on a Discount Mortgage Loan will be allocated to the PO Class until the principal balance thereof is reduced to zero. The PO Percentage of any Realized Loss on a Discount Mortgage Loan (other than an Excess Loss) allocated to the PO Class 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 Date, PO Deferred Amounts will be paid to the PO Class from amounts that would otherwise be distributable as principal of the Offered Certificates or Subordinate Certificates. The principal balance of the Class of Subordinate Certificates or Offered Certificates then outstanding with the highest numerical Class designation will be reduced by the amount of any payments in respect of PO Deferred Amounts. 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.

On each Distribution Date, the applicable Non-PO Percentage of Excess Losses will be allocated pro rata among the A Class and the Offered Classes and Subordinate Classes based upon their respective principal balances.

In general, “Realized Loss” shall mean (i) 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, (ii) with respect to each Mortgage Loan which has become the subject of a Deficient Valuation, 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 and (iii) with respect to each Mortgage Loan which has become the subject of a Debt Service Reduction, 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. “Excess Losses” are (i) Special Hazard Losses in excess of the Special Hazard Loss Coverage Amount, (ii) Bankruptcy Losses in excess of the Bankruptcy Loss Coverage Amount and (iii) Fraud Losses in excess of the Fraud Loss Coverage Amount. “Bankruptcy Losses” are losses that are incurred as a result of Debt Service Reductions and Deficient Valuations. “Special Hazard Losses” are Realized Losses in respect of Special Hazard Mortgage Loans. “Fraud Losses” are losses sustained on a Liquidated Loan by reason of a default arising from fraud, dishonesty or misrepresentation.

A “Special Hazard Mortgage Loan” is a Liquidated Loan as to which the ability to recover the full amount due thereunder was substantially impaired by a hazard not insured against under a standard hazard insurance policy.

“Debt Service Reduction” will mean, with respect to any Mortgage Loan, a reduction in the scheduled monthly payment for such Mortgage Loan by a court of competent jurisdiction in a proceeding under the Bankruptcy Code. Following such court’s final non-appealable decision, 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.

“Deficient Valuation” will mean, with respect to any Mortgage Loan, a valuation of the related Mortgaged Property by a court of competent jurisdiction in an amount less than the then outstanding principal balance of such Mortgage Loan, which valuation results from a proceeding initiated under the Bankruptcy Code. The determination of the Deficient Valuation and the application thereof as a Realized Loss shall not be made until a final non-appealable decision is rendered with respect thereto under the Bankruptcy Code by such court.

“Bankruptcy Code” means the federal bankruptcy code, Title 11 of the United States Code, Section 101 et seq., and the related rules and regulations promulgated thereunder.

The Mezzanine Certificates and the Subordinated Certificates will be subject to limited allocations of certain specified losses: (i) Special Hazard Losses in an initial amount expected to be up to approximately \$3,097,873 (the “Special Hazard Loss Coverage Amount”), (ii) Bankruptcy Losses in an initial amount expected to be up to approximately \$114,920 (the “Bankruptcy Loss Coverage Amount”) and (iii) Fraud Losses in an initial amount expected to be up to approximately \$6,195,747 (the “Fraud Loss Coverage Amount”).

The Special Hazard Loss Coverage Amount will be reduced, from time to time, to be an amount equal on any Distribution Date to the lesser of (a) the greatest of (i) 1% of the aggregate of the principal balances of the Mortgage Loans, (ii) twice the principal balance of the largest Mortgage Loan and (iii) the aggregate principal balances of the Mortgage Loans secured by Mortgaged Properties located in the single California postal zip code area having the highest aggregate principal balance of any such zip code area and (b) the Special Hazard Loss Amount as of the Settlement Date less the amount, if any, of losses attributable to Special Hazard Mortgage Loans incurred since the Settlement Date. All principal balances for the purpose of this definition will be calculated as of the first day of the month preceding such Distribution Date after giving effect to scheduled installments of principal and interest on the Mortgage Loans then due, whether or not paid.

The Bankruptcy Loss Coverage Amount will be reduced, from time to time, by the amount of Bankruptcy Losses allocated to the Certificates.

The Fraud Loss Coverage Amount will be reduced, from time to time, by the amount of Fraud Losses allocated to the Certificates. In addition, on each anniversary of the Issue Date, the Fraud Loss Coverage Amount will be reduced as follows: (a) on the first anniversary of the Issue Date, to an amount equal to the lesser of (i) 2% of the then aggregate Stated Principal Balance of the Mortgage Loans and (ii) the excess of the Fraud Loss Coverage Amount as of the preceding anniversary of the Issue Date over the cumulative amount of Fraud Losses allocated to the Certificates since such

preceding anniversary, (b) on the second, third and fourth anniversaries of the Issue Date, to an amount equal to the lesser of (i) 1% of the then aggregate Stated Principal Balance of the Mortgage Loans and (ii) the excess of the Fraud Loss Coverage Amount as of the preceding anniversary of the Issue Date over the cumulative amount of Fraud Losses allocated to the Certificates since such preceding anniversary and (b) on the fifth anniversary of the Issue Date, to zero.

Subordination

The subordination of the Mezzanine Certificates is effected by the right of holders of the Senior Certificates to receive, prior to any distribution being made in respect of the Mezzanine 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-1 and B-2 Classes to receive such distributions will be subordinate to such rights of the holders of the M Class, and the rights of the holders of the B-2 Class to receive such distributions will be further subordinate to such rights of the holders of the B-1 Class, in each case to the extent described herein. See “Description of the Offered Certificates—Distributions on the Offered Certificates” and “—Allocation of Losses” above.

Principal Distributions on the Senior Certificates*

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

Senior Principal Distribution Amount

On each Distribution Date, the Senior Principal Distribution Amount will be applied, sequentially, to the distribution of principal of the R and A Classes, in that order, until the respective principal balances thereof are reduced to zero.

PO Class Principal Distribution Amount

On each Distribution Date, the PO Class 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, for all Mortgage Loans, of (i) the Senior Percentage of the sum of the Non-PO Percentage of all amounts described in clauses (a) through (d) of the definition of “B Class Principal Distribution Amount” for such Distribution Date, (ii) with respect to each Mortgage Loan that became a Liquidated Loan during the related Prepayment Period, the lesser of (x) the Senior Percentage of the Non-PO Percentage of the Stated Principal Balance of such Mortgage Loan and (y) either (A) the Senior Prepayment Percentage or (B) if an Excess Loss was sustained with respect to such Liquidated Loan during such Prepayment Period, the Senior Percentage, of the applicable Non-PO Percentage of the amount of the net liquidation proceeds allocable to principal received with respect to such Loan, (iii) the Senior Prepayment Percentage of the applicable Non-PO Percentage of the amounts described in clause (iii) of the definition of B Class Principal Distribution Amount for such Distribution Date and (iv) the amount of Realized Losses allocated to the A Class for such Distribution Date.

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

Except as described below, the “Senior Prepayment Percentage” for any Distribution Date will be determined as follows:

<u>Distribution Date</u>	<u>Senior Prepayment Percentage</u>
August 1998 through July 2003	100%
August 2003 through July 2004	the Senior Percentage plus 70% of the Subordinate Percentage
August 2004 through July 2005	the Senior Percentage plus 60% of the Subordinate Percentage
August 2005 through July 2006	the Senior Percentage plus 40% of the Subordinate Percentage
August 2006 through July 2007	the Senior Percentage plus 20% of the Subordinate Percentage
August 2007 and thereafter	the Senior Percentage

Notwithstanding the foregoing, if on any Distribution Date the Senior Percentage exceeds the initial Senior Percentage, the Senior Prepayment Percentage for such Distribution Date will equal 100%.

In addition, no decrease in the Senior Prepayment Percentage will occur unless both of the following conditions (the “Step Down Conditions”) are satisfied: (i) the outstanding principal balance of all Mortgage Loans delinquent 60 days or more (averaged over the preceding six-month period), as a percentage of the aggregate outstanding principal balance of the B Classes, does not equal or exceed 50% and (ii) cumulative Realized Losses with respect to the Mortgage Loans do not exceed (a) with respect to the Distribution Date falling on the fifth anniversary of the first Distribution Date, 30% of the aggregate principal balance of the B Classes as of the Issue Date (the “Original Subordinated Principal Balance”), (b) with respect to the Distribution Date falling on the sixth anniversary of the first Distribution Date, 35% of the Original Subordinated Principal Balance, (c) with respect to the Distribution Date falling on the seventh anniversary of the first Distribution Date, 40% of the Original Subordinated Principal Balance, (d) with respect to the Distribution Date falling on the eighth anniversary of the first Distribution Date, 45% of the Original Subordinated Principal Balance, and (e) with respect to the Distribution Date falling on the ninth anniversary of the first Distribution Date, 50% of the Original Subordinated Principal Balance.

The “PO Class Principal Distribution Amount” for any Distribution Date will equal the sum, for all Discount Mortgage Loans, of (i) the applicable PO Percentage of (a) all 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 repurchased by the Seller with respect to 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 net liquidation proceeds allocable to recoveries of principal of Discount Mortgage Loans that are not yet Liquidated Loans received during the related Prepayment Period, (e) with respect to each Discount Mortgage Loan that became a Liquidated Loan during the related Prepayment Period, the amount of net liquidation proceeds allocable to principal received with respect to such Mortgage Loan, (f) all partial and full principal prepayments by borrowers on Discount Mortgage Loans received during the related Prepayment Period and (g) all Excess Losses in respect of Discount Mortgage Loans, (ii) on the Mezzanine Termination Date, all PO Deferred Amounts not previously distributed to Holders of the PO Class and (iii) on each Distribution Date following the Mezzanine Termination Date, all Realized Losses (other than Excess Losses) allocated to the PO Class on such Distribution Date.

Structuring Assumptions

Pricing Assumptions. Unless otherwise specified, the information in the tables 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 in the related table;
- there are no Uncovered Prepayment Interest Shortfalls;
- the Settlement Date for the sale of the Certificates is July 30, 1998; and
- there are no defaults, losses 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 in this Prospectus Supplement (the “Prepayment Assumption”) represents an assumed rate of prepayment each month relative to the then outstanding principal balance of a pool of mortgage loans. A 100% Prepayment Assumption assumes a Constant Prepayment Rate (“CPR”) of 4.0% per annum of the then outstanding principal balance of such mortgage loans in the first month of the life of the mortgage loans and an additional 1.09090909% (precisely $\frac{12}{11}$) per annum in each month thereafter until the eleventh month. Beginning in the twelfth month and in each month thereafter during the life of the mortgage loans, a 100% Prepayment Assumption assumes a CPR of 16% per annum each month. As used herein, a 50% Prepayment Assumption assumes prepayment rates equal to 50% of the Prepayment Assumption. Correspondingly, a 200% Prepayment Assumption assumes prepayment rates equal to 200% of the Prepayment Assumption, and so forth. *The Prepayment Assumption does not purport to be a historical description of prepayment experience or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans.*

Weighted Average Life

The weighted average life of a security refers to the average length of time, weighted by principal, that will elapse from the date of issuance to the date each dollar of principal is repaid to the investor. The weighted average life of a Certificate is determined by (a) multiplying the amount of the reduction, if any, of the principal balance of such Certificate from one Distribution Date to the next Distribution Date by the number of years from the Settlement Date to the second such Distribution Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the reductions in principal balance of such Certificate referred to in clause (a).

The weighted average life of each Class of Offered Certificates will be influenced by, among other factors, the rate at which principal payments (including scheduled payments, principal prepayments, liquidations due to default, casualty and condemnation and payments made pursuant to any option to repurchase of the Master Servicer) are made on the Mortgage Loans. Prepayments on the Mortgage Loans will be applied to principal distributions on the Certificates, as described herein. The interaction of the foregoing factors may have different effects on various Classes of Offered Certificates and the effects on any such Class may vary at different times during the life of such Class. Accordingly, no assurance can be given as to the weighted average life of any Class.

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 August 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 tables indicate the percentages of original principal balances or notional principal balances of the specified Classes of 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 tables have 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 of such Mortgage Loans are identical to the distributions of the weighted average maturities specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

Date	M, B1, B2, B3 (1), B4 (1) and B5 (1) Classes					A Class (1)				
	% of Prepayment Assumption					% of Prepayment Assumption				
	0%	50%	100%	200%	300%	0%	50%	100%	200%	300%
Initial Percent	100	100	100	100	100	100	100	100	100	100
July 1999	99	99	99	99	99	99	94	89	78	67
July 2000	98	98	98	98	98	98	85	73	51	32
July 2001	97	97	97	97	97	97	77	60	33	14
July 2002	96	96	96	96	96	96	70	49	20	5
July 2003	95	95	95	95	95	95	63	40	12	*
July 2004	93	91	89	83	49	93	57	32	7	0
July 2005	92	87	81	70	25	92	51	26	4	0
July 2006	90	81	72	55	13	90	46	21	2	0
July 2007	89	75	62	40	7	89	42	18	1	0
July 2008	87	67	51	26	3	87	38	14	1	0
July 2009	85	60	42	18	2	85	34	12	1	0
July 2010	83	54	34	12	1	83	30	10	*	0
July 2011	81	49	28	8	*	81	27	8	*	0
July 2012	78	43	23	5	*	78	24	6	*	0
July 2013	76	38	18	3	*	76	21	5	*	0
July 2014	73	34	15	2	*	73	19	4	*	0
July 2015	70	30	12	1	*	70	17	3	*	0
July 2016	66	26	10	1	*	66	15	3	*	0
July 2017	63	23	8	1	*	63	13	2	*	0
July 2018	59	20	6	*	*	59	11	2	*	0
July 2019	55	17	5	*	*	55	9	1	*	0
July 2020	50	14	4	*	*	50	8	1	*	0
July 2021	45	12	3	*	*	45	7	1	*	0
July 2022	40	10	2	*	*	40	5	1	*	0
July 2023	34	8	1	*	*	34	4	*	*	0
July 2024	28	6	1	*	*	28	3	*	*	0
July 2025	22	4	1	*	*	22	2	*	*	0
July 2026	15	3	*	*	0	15	1	*	*	0
July 2027	7	1	*	*	0	7	1	*	*	0
July 2028	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	20.2	13.9	11.0	8.6	6.3	20.2	9.3	5.3	2.6	1.7

Date	PO† Class (1)					X***†† Class (1)					R Class (1)				
	% of Prepayment Assumption					% of Prepayment Assumption					% of Prepayment Assumption				
	0%	50%	100%	200%	300%	0%	50%	100%	200%	300%	0%	50%	100%	200%	300%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 1999	99	94	89	79	68	99	94	89	79	68	0	0	0	0	0
July 2000	98	86	74	53	35	98	86	74	53	35	0	0	0	0	0
July 2001	97	78	61	36	18	97	78	62	36	18	0	0	0	0	0
July 2002	96	71	51	24	9	96	71	51	24	9	0	0	0	0	0
July 2003	94	64	42	16	5	95	65	42	16	5	0	0	0	0	0
July 2004	93	58	35	11	2	94	59	35	11	2	0	0	0	0	0
July 2005	91	53	29	7	1	92	53	29	7	1	0	0	0	0	0
July 2006	90	47	24	5	1	91	48	24	5	1	0	0	0	0	0
July 2007	88	43	20	3	*	89	43	20	3	*	0	0	0	0	0
July 2008	86	39	16	2	*	87	39	16	2	*	0	0	0	0	0
July 2009	84	35	13	1	*	85	35	13	1	*	0	0	0	0	0
July 2010	82	31	11	1	*	83	32	11	1	*	0	0	0	0	0
July 2011	79	28	9	1	*	81	28	9	1	*	0	0	0	0	0
July 2012	77	25	7	*	*	78	25	7	*	*	0	0	0	0	0
July 2013	74	22	6	*	*	76	22	6	*	*	0	0	0	0	0
July 2014	71	19	5	*	*	73	20	5	*	*	0	0	0	0	0
July 2015	68	17	4	*	*	70	18	4	*	*	0	0	0	0	0
July 2016	65	15	3	*	*	67	15	3	*	*	0	0	0	0	0
July 2017	61	13	2	*	*	63	13	2	*	*	0	0	0	0	0
July 2018	57	11	2	*	*	59	12	2	*	*	0	0	0	0	0
July 2019	53	10	1	*	*	55	10	1	*	*	0	0	0	0	0
July 2020	49	8	1	*	*	51	8	1	*	*	0	0	0	0	0
July 2021	44	7	1	*	*	46	7	1	*	*	0	0	0	0	0
July 2022	39	5	1	*	*	40	6	*	*	*	0	0	0	0	0
July 2023	33	4	*	*	*	35	4	*	*	*	0	0	0	0	0
July 2024	27	3	*	*	*	29	3	*	*	*	0	0	0	0	0
July 2025	21	2	*	*	*	22	2	*	*	*	0	0	0	0	0
July 2026	14	1	*	*	*	15	1	*	*	*	0	0	0	0	0
July 2027	7	1	*	*	*	7	1	*	*	*	0	0	0	0	0
July 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	19.9	9.4	5.6	2.9	1.9	20.2	9.5	5.6	2.9	1.9	0.1	0.1	0.1	0.1	0.1

(1) These Classes are Non-Offered Classes.

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

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

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

† Applies only to Discount Mortgage Loans.

†† Applies only to Non-Discount Mortgage Loans.

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 affect 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 for cause, pursuant to the terms of the Sale and Servicing Agreement 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. In addition, the Master Servicer is entitled to retain any amounts by which the proceeds 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, but only to the extent such amounts are not otherwise distributable to the holders of the Non-Offered Certificates to offset previously allocated Realized Losses. 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.

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

Distributions on Mortgage Loans; Deposits in the Certificate Account

On each Remittance Date, the Master Servicer will remit to one or more accounts (collectively, the “Certificate Account”) an amount equal to the sum of (i) scheduled principal and interest on the Mortgage Loans received during the related Due Period, (ii) unscheduled principal and interest on the Mortgage Loans (*i.e.*, voluntary prepayments, as well as principal and interest on the Mortgage Loans in the form of net liquidation proceeds or similar proceeds) received during the related Prepayment Period, 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.

Amounts credited to the Certificate Account as of a Distribution Date will be available 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 21st 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

The Master Servicer is responsible for servicing the Mortgage Loans and, in connection with its servicing activities, has full power and authority to do or cause to be done any and all things as it may deem necessary or appropriate in its discretion, including the foreclosure or comparable conversion of a defaulted Mortgage Loan. The Master Servicer may, at any time, in its discretion and without obligation, purchase from the Trust any Mortgage Loan that has become more than 90 days delinquent. If the Master Servicer exercises such option, the purchase price will be equal to the Stated Principal Balance of the delinquent Mortgage Loan together with accrued interest at the Net Mortgage Rate and will be distributed to Certificateholders in the manner described herein. See “Description of the Offered Certificates—Distributions on the Offered Certificates.”

The Master Servicer is required to make advances to the Trust in respect of delinquent payments of principal of and interest on the Mortgage Loans until it determines that any such advances would no longer be recoverable from late collections, insurance proceeds or liquidation proceeds on the related Mortgage Loans. All such advances will be reimbursable to the Master Servicer from late collections, insurance proceeds and liquidation proceeds from the related Mortgage Loans prior to any distributions being made with respect to the Offered Certificates. Such advances will constitute “Delinquency Advances.” In addition, any such advances previously made in respect of any Mortgage Loan that are deemed by the Master Servicer to be nonrecoverable from the related late collections, insurance proceeds or liquidation proceeds may be reimbursed to the Master Servicer out of funds allocable to any of the Mortgage Loans.

The Master 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.” The Master Servicer may recover a Servicing Advance to the extent permitted by the related Mortgage Loans or, if not theretofore recovered from the borrower on whose behalf such Servicing Advance was made, from net liquidation proceeds realized upon the liquidation of the related Mortgage Loan or from funds otherwise distributable on the Mezzanine and Subordinate Certificates.

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 net mortgage rate. 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, the Master Servicer 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. 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. Certain other modifications, such as reducing the mortgage interest rate or principal amount or extending the term of a Mortgage Loan are prohibited by the Sale and Servicing Agreement. In such connection, the Master 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 to take or refrain from taking any such action must be consistent with then-current policies or practices employed by the Master 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 is 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 is restricted by law from enforcing the “due-on-sale” clause.

In the event that, for any reason, the Master 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 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 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 or 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 described above, 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 all Holders of the 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 Loan remaining in the Trust and distribution of all proceeds thereof. The Trust Agreement will terminate also upon repurchase by Fannie Mae or the Master Servicer, at its respective option, of all remaining Mortgage Loans (other than Mortgage Loans that have been converted to REO Property (as defined below)) and REO Property in the Trust at a price equal to the outstanding principal balance of each such Mortgage Loan together with one month's interest thereon at the Net Mortgage Rate plus the fair market value of REO Property; provided, however, that (i) Fannie Mae will not exercise its 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, and (ii) the Master Servicer will not exercise its option unless the aggregate Stated Principal Balance of the remaining Mortgage Loans at the time of repurchase is less than ten percent of the aggregate Stated Principal Balance of all the Mortgage Loans as of the Issue Date, and provided further that in the event the Master Servicer wishes to exercise its option and such exercise would result in any payment in respect of the Senior Certificates pursuant to Fannie Mae's guaranty, the Master Servicer will not exercise its option without obtaining the prior written consent of Fannie Mae. An "REO Property" is a Mortgaged Property acquired by the Master Servicer through foreclosure or deed-in-lieu-of-foreclosure in connection with a defaulted Mortgage Loan. The exercise of either such option will effect retirement of all Certificates. 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 Election

An election will be made to treat the Trust as a REMIC 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 will be treated as a REMIC for federal income tax purposes. The Offered Certificates will be designated as "regular interests" in the Trust and the R Class will be designated as the "residual interest" in the Trust (the "Residual Certificate").

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 100% of 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 “Description of the Offered Certificates—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 as a REMIC, 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 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 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 should be treated as owning the assets represented by the qualified mortgages. The assets of the Trust will include, in addition to the Mortgage Loans, payments on the Mortgage Loans 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

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 Mortgage Loan 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

It is not anticipated that the Trust will engage in any transactions that will give rise to a tax on the Trust. If in certain circumstances a tax is imposed on the Trust, distributions on the Offered Certificates may be reduced by the amount of such tax.

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 by virtue of the final payment or liquidation of the last Mortgage Loan remaining in the Trust.

Reporting and Other Administrative Matters

For purposes of the administrative provisions of the Code, the Trust 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, 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, 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 “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 Class Exemption 83-1 (“PTCE 83-1”) 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 PTCE 83-1, and would not be entitled to exemption under PTCE 83-1. 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 all of the policies held by Plans and supported by assets in such general account are “guaranteed benefit policies,” 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 Mezzanine Certificates are covered under Sections I and III of PTE 95-60 48A. 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.

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 Cleary, Gottlieb, Steen & Hamilton.

RATINGS

It is a condition to the issuance of the Class M, Class B-1 and Class B-2 Certificates that they be rated at least AA, A and BBB, respectively, by Standard & Poor's, a division of The McGraw-Hill Companies, 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 Certificateholders may receive a lower than anticipated yield.

The security ratings assigned to the Offered Classes 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 Classes 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 Classes 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 Classes could be lower than the ratings assigned by the Rating Agency.

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>.

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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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\$10,842,557
(Approximate)

WISCONSIN AVENUE SECURITIES

REMIC
Pass-Through
Mezzanine Certificates
REMIC Trust 1998-W4

PROSPECTUS

June 26, 1998
