

\$784,957,126



**FannieMae®**

**Guaranteed REMIC Pass-Through Certificates  
Fannie Mae REMIC Trust 2000-35**

**The Certificates**

We, the Federal National Mortgage Association (“Fannie Mae”), will issue the classes of certificates listed in the chart on this page.

**Payments to Certificateholders**

We will make monthly payments on the certificates. You, the investor, will receive

- interest accrued on the balance of your certificate, and
- principal to the extent available for payment on your class.

We may pay principal at rates that vary from time to time. We may not pay principal to certain classes for long periods of time.

**The Fannie Mae Guaranty**

We will guarantee that required payments of principal and interest on the certificates are distributed to investors on time.

**The Trust and its Assets**

The trust will own

- Fannie Mae MBS, and
- underlying REMIC certificates backed directly or indirectly by Fannie Mae MBS.

The mortgage loans underlying the Fannie Mae MBS are first lien, single-family, fixed-rate loans.

Class	Group	Original Class Balance	Principal Type	Interest Rate	Interest Type	CUSIP Number	Final Distribution Date
PA(1) .....	1	\$101,581,063	PAC	7.5%	FIX	31358SRJ2	March 2016
BC .....	1	470,555,556	SEQ	7.5	FIX	31358SRK9	October 2030
HA(1) .....	1	127,863,381	SUP	7.5	FIX	31358SRL7	August 2020
LA .....	2	84,957,126	SC/PT	7.5	FIX	31358SRM5	September 2030
R .....		0	NPR	0	NPR	31358SRN3	October 2030

(1) Exchangeable classes.

If you own certificates of certain classes, you can exchange them for the corresponding RCR certificates to be issued at the time of the exchange. The A, AJ, AK, AL, AB, AC and IA Classes are the RCR classes, as further described in this prospectus supplement.

The dealer will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be September 29, 2000.

**Carefully consider the risk factors starting on page S-7 of this prospectus supplement and on page 10 of the REMIC prospectus. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.**

You should read the REMIC prospectus as well as this prospectus supplement.

The certificates, together with interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than Fannie Mae.

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

**Merrill Lynch & Co.**

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## AVAILABLE INFORMATION

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

- our Prospectus for Guaranteed REMIC Pass-Through Certificates dated September 18, 1998 (the “REMIC Prospectus”);
- our Prospectus for Guaranteed Mortgage Pass-Through Certificates dated October 1, 1999 (the “MBS Prospectus”);
- our Information Statement dated March 30, 2000 and its supplements (the “Information Statement”); and
- the disclosure document relating to the underlying REMIC certificates (the “Underlying REMIC Disclosure Document”).

You can obtain the Disclosure Documents by writing or calling us at:

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

Most of the Disclosure Documents, together with the class factors, are available on our website located at <http://www.fanniemae.com>.

You also can obtain the Disclosure Documents, except the Underlying REMIC Disclosure Document, by writing or calling the dealer at:

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
Prospectus Department  
44B Colonial Drive  
Piscataway, New Jersey 08854  
(telephone 732-885-2760).

## REFERENCE SHEET

This reference sheet is not a summary of the transaction and does not contain complete information about the certificates. You should purchase the certificates only after reading this prospectus supplement and each of the additional disclosure documents listed on page S-3.

### Assets Underlying each Group of Classes

<u>Group</u>	<u>Assets</u>
1	Group 1 MBS
2	Class 2000-28-IB REMIC Certificate Class 2000-28-BA REMIC Certificate Class 2000-28-ZA REMIC Certificate

### Assumed Characteristics of the Mortgage Loans Underlying the Group 1 MBS (as of September 1, 2000)

<u>Approximate Principal Balance</u>	<u>Original Term to Maturity (in months)</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Approximate Calculated Loan Age (in months)</u>	<u>Approximate Weighted Average Coupon</u>
\$700,000,000	360	356	4	8.12%

The actual remaining terms to maturity, calculated loan ages and interest rates of most of the mortgage loans will differ from the weighted averages shown above, perhaps significantly.

### Characteristics of the Underlying REMIC Certificates

Exhibit A describes the underlying REMIC certificates, including certain information about the related mortgage loans. To learn more about the underlying REMIC certificates, you should obtain the current class factors and disclosure document for the underlying REMIC certificates from us as described on page S-3.

### Class Factors

The class factors are numbers that, when multiplied by the initial principal balance of a certificate, can be used to calculate the current principal balance of that certificate (after taking into account distributions in the same month). We publish the class factors on or shortly after the 11th day of each month.

### Settlement Date

We expect to issue the certificates on September 29, 2000.

### Distribution Dates

We will make payments on the classes of certificates on the 25th day of each calendar month, or on the next business day if the 25th day is not a business day.

### Book-Entry and Physical Certificates

We issue book-entry certificates through the U.S. Federal Reserve Banks, which will electronically track ownership of the certificates and payments on them. We will issue physical certificates in registered, certificated form.

We will issue the classes of certificates in the following forms:

<u>Fed Book-Entry</u>	<u>Physical</u>
All classes other than the R Class	R Class

**Exchanging Certificates Through Combination and Recombination**

If you own certain certificates, you will be able to exchange them for a proportionate interest in the related RCR certificates as shown on Schedule 1. We will issue the RCR certificates upon such exchange. You can exchange your certificates by notifying us and paying an exchange fee. We use the principal and interest of the certificates exchanged to pay principal and interest on the related RCR certificates. Schedule 1 lists all of the available combinations of the certificates eligible for exchange and the related RCR certificates.

**Interest Rates**

During each interest accrual period, the fixed rate classes will bear interest at the applicable annual interest rates listed on the cover.

We will apply interest payments from exchanged REMIC certificates to the corresponding RCR certificates, on a pro rata basis, following any exchange.

**Notional Class**

The notional class will not receive any principal. Its notional principal balance is the balance used to calculate accrued interest. The notional principal balance will equal the percentage of the outstanding balances specified below immediately before the related distribution date:

<u>Class</u>	
IA .....	6.666666667% of the PA and HA Classes (1)
	3.333332752% of the PA and HA Classes (2)

(1) When the related IA Certificate has been issued as part of Recombination 2, as described on Schedule 1.  
(2) When the related IA Certificate has been issued as part of Recombination 3, as described on Schedule 1.

**Distributions of Principal**

*Group 1 Principal Distribution Amount*

1. To the PA Class to its Planned Balance.
2. To the HA Class to zero.
3. To the PA Class to zero.
4. To the BC Class to zero.

*Group 2 Principal Distribution Amount*

To the LA Class to zero.

We will apply principal payments from exchanged REMIC certificates to the corresponding RCR certificates, on a pro rata basis, following any exchange.

**Weighted Average Lives (years) \***

<u>Group 1 Classes</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>160%</u>	<u>275%</u>	<u>500%</u>
PA .....	8.1	1.8	1.8	1.8	1.5
BC .....	25.8	15.6	12.0	8.0	4.8
HA .....	16.9	4.6	3.0	1.8	1.0
A, AJ, AK, AL, AB, AC and IA .....	13.0	3.4	2.5	1.8	1.2

  

<u>Group 2 Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>165%</u>	<u>250%</u>	<u>500%</u>
LA .....	21.5	9.0	6.9	5.2	2.7

\* Determined as specified under “Description of the Certificates—Weighted Average Lives of the Certificates” in this prospectus supplement.

## ADDITIONAL RISK FACTORS

*The rate of principal payments on the certificates will be affected by the rate of principal payments on the underlying mortgage loans.* The rate at which you receive principal payments on the certificates will be sensitive to the rate of principal payments on the mortgage loans underlying the related MBS, including prepayments. Because borrowers generally may prepay their mortgage loans at any time without penalty, the rate of principal payments on the mortgage loans is likely to vary over time. It is highly unlikely that the mortgage loans will prepay

- at any of the prepayment rates we assumed in this prospectus supplement, or
- at any constant prepayment rate until maturity.

*Yields may be lower than expected due to unexpected rate of principal payments.* The actual yield on your certificates probably will be lower than you expect:

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

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

**You must make your own decisions about the various applicable assumptions, including prepayment assumptions, when deciding whether to purchase the certificates.**

*Weighted average lives and yields on the certificates are affected by actual characteristics of the underlying mortgage loans.* We have as-

sumed that the mortgage loans underlying the Group 1 MBS have certain characteristics. However, the actual mortgage loans probably will have different characteristics from those we assumed. As a result, your yields could be lower than you expect, even if the mortgage loans prepay at the indicated constant prepayment rates. In addition, slight differences between the assumed mortgage loan characteristics and the actual mortgage loans could affect the weighted average lives of the classes of certificates.

*Delay classes have lower yields and market values.* Since the interest-bearing classes do not receive interest immediately following each interest accrual period, these classes have lower yields and lower market values than they would if there were no such delay.

*Reinvestment of certificate payments may not achieve same yields as certificates.* The rate of principal payments of the certificates is uncertain. You may be unable to reinvest the payments on the certificates at the same yields provided by the certificates.

*Unpredictable timing of last payment affects yields on certificates.* The actual final payment of your class is likely to occur earlier, and could occur much earlier, than the final distribution date listed on the cover page. If you assumed the actual final payment will occur on the final distribution date specified, your yield could be lower than you expect.

*Some investors may be unable to buy certain classes.* Investors whose investment activities are subject to legal investment laws and regulations, or to review by regulatory authorities, may be unable to buy certain certificates. You should get legal advice to determine whether you may purchase the certificates.

*Uncertain market for the certificates could make them difficult to sell and cause their values to fluctuate.* We cannot be sure that a market for resale of the certificates will develop. Further, if a market develops, it may not continue or be sufficiently liquid to allow you to sell your certificates. Even if you are able to sell your certificates, the sale price may not be comparable to

similar investments that have a developed market. Moreover, you may not be able to sell small or large amounts of certificates at prices comparable to those available to other investors. You should purchase certificates only if you understand and can tolerate the risk that the value of your certificates will vary over time and that your certificates may not be easily sold.

## DESCRIPTION OF THE CERTIFICATES

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

### General

*Structure.* We will create the Fannie Mae REMIC Trust specified on the cover (the “Trust”) pursuant to a trust agreement dated as of September 1, 2000. We will issue the Guaranteed REMIC Pass-Through Certificates (the “REMIC Certificates”) pursuant to that trust agreement. We will issue the Combinable and Recombinable REMIC Certificates (the “RCR Certificates” and, together with the REMIC Certificates, the “Certificates”) pursuant to a separate trust agreement dated as of September 1, 2000 (together with the trust agreement relating to the REMIC Certificates, the “Trust Agreement”). We will execute the Trust Agreement in our corporate capacity and as trustee (the “Trustee”). In general, the term “Classes” includes the Classes of REMIC Certificates and RCR Certificates.

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

- The REMIC Certificates (except the R Class) will be “regular interests” in the Trust.
- The R Class will be the “residual interest” in the Trust.

The assets of the Trust will consist of

- certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the “Group 1 MBS”), and
- certain previously issued REMIC certificates (the “Group 2 Underlying REMIC Certificates”) evidencing beneficial ownership interests in the related Fannie Mae REMIC trust (the “Underlying REMIC Trust”) as further described in Exhibit A.

The assets of the Underlying REMIC Trust evidence direct or indirect beneficial ownership interests in certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (together with the Group 1 MBS, the “MBS”).

Each MBS represents a beneficial ownership interest in a pool (each, a “Pool”) of first lien, single-family, fixed-rate residential mortgage loans (the “Mortgage Loans”) having the characteristics described herein.

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

- required installments of principal and interest on the Certificates on time, and
- the principal balance of each Class of Certificates no later than its Final Distribution Date, whether or not we have received sufficient payments on the MBS.

In addition, we guarantee that we will distribute to each holder of an MBS:

- scheduled installments of principal and interest on the underlying Mortgage Loans on time, whether or not the related borrowers pay us, and
- the full principal balance of any foreclosed Mortgage Loan, whether or not we recover it.

Our guaranty obligations with respect to the Group 2 Underlying REMIC Certificates are described in the Underlying REMIC Disclosure Document. Our guarantees are not backed by the full faith and credit of the United States. See “Description of Certificates—The Fannie Mae Guaranty” in the REMIC Prospectus, “Description of Certificates—The Fannie Mae Guaranty” in the MBS Prospectus and “Description of the Certificates—General—*Fannie Mae Guaranty*” in the related Underlying REMIC Disclosure Document.

*Characteristics of Certificates.* We will issue the Certificates (except the R Class) in book-entry form on the book-entry system of the U.S. Federal Reserve Banks. Entities whose names appear on the book-entry records of a Federal Reserve Bank as having had Certificates deposited in their accounts are “Holders” or “Certificateholders.” A Holder is not necessarily the beneficial owner of a Certificate. Beneficial owners ordinarily will hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See “Description of Certificates—Denominations and Form” in the REMIC Prospectus.

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

The Holder of the R Class will receive the proceeds of any remaining assets of the Trust only by presenting and surrendering the R Certificate at the office of the Paying Agent. State Street will be the initial Paying Agent.

*Authorized Denominations.* We will issue the Certificates, other than the R Certificate, in minimum denominations of \$1,000 and whole dollar increments. We will issue the R Class as a single Certificate with no principal balance.

*Distribution Dates.* We will make monthly payments on the 25th day of each month (or, if the 25th is not a business day, on the first business day after the 25th). We refer to such date as the “Distribution Date.” We will make the first payments to Certificateholders the month after we issue the Certificates.

*Record Date.* On each Distribution Date, we will make each monthly payment on the Certificates to Holders of record on the last day of the preceding month.

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

*Optional Termination.* We will not terminate the Trust by exercising our right to repurchase the Mortgage Loans underlying any MBS unless

- only one Mortgage Loan remains in the related Pool, or
- the principal balance of the Pool is less than one percent of its original level.

See “Description of Certificates—Termination” in the MBS Prospectus.

*Voting the Group 2 Underlying REMIC Certificates.* Holders of certificates of the Underlying REMIC Trust may be asked to vote on issues arising under the applicable trust agreement. If so, the Trustee will vote the related Group 2 Underlying REMIC Certificates as instructed by Holders of Certificates of the Classes backed by those Group 2 Underlying REMIC Certificates. The Trustee must receive instructions from Holders of Certificates having principal balances totaling at least 51% of the aggregate principal balance of all such Classes outstanding. In the absence of such instructions, the Trustee will vote in a manner consistent, in its sole judgment, with the best interests of Certificateholders.

### **Combination and Recombination**

*General.* You are permitted to exchange all or a portion of the PA and HA Classes of REMIC Certificates for a proportionate interest in the related Combinable and Recombinable REMIC Certificates (“RCR Certificates”) in the combinations shown on Schedule 1. You also may exchange all or a portion of the RCR Certificates for the related REMIC Certificates in the same manner. This process may occur repeatedly.

Holders of RCR Certificates will be the beneficial owners of a proportionate interest in the related REMIC Certificates and will receive a proportionate share of the distributions on the related REMIC Certificates.

The Classes of REMIC Certificates and RCR Certificates that are outstanding at any given time, and the outstanding principal balances (or notional principal balances) of these Classes, will depend upon any related distributions of principal, as well as any exchanges that occur. The principal balances and/or notional principal balances of the REMIC Certificates and RCR Certificates involved in any exchange will bear the same relationship as that borne by the original principal balances and/or original notional principal balances of the related Classes.

*Procedures.* If a Certificateholder wishes to exchange Certificates, the Certificateholder must notify our Structured Transactions Department through one of our “REMIC Dealer Group” dealers in writing or by telefax no later than two business days before the proposed exchange date. The exchange date can be any business day other than the first or last business day of the month subject to our approval. The notice must include the outstanding principal balance of both the Certificates to be exchanged and the Certificates to be received, and the proposed exchange date. After receiving the Holder’s notice, we will telephone the dealer with delivery and wire payment instructions. Notice becomes irrevocable on the second business day before the proposed exchange date.

In connection with each exchange, the Holder must pay us a fee equal to 1/32 of 1% of the outstanding principal balance (exclusive of any notional principal balance) of the Certificates to be exchanged. In no event, however, will our fee be less than \$2,000.

We will make the first distribution on a REMIC Certificate or an RCR Certificate received in an exchange transaction on the Distribution Date in the following month. We will make such distribution to the Holder of record as of the close of business on the last day of the month of the exchange.

*Additional Considerations.* The characteristics of RCR Certificates will reflect the characteristics of the REMIC Certificates used to form such RCR Certificates. You should also consider the

factors below, which will limit a Certificateholder’s ability to exchange REMIC Certificates for RCR Certificates or vice versa.

- At the time of the proposed exchange, a Certificateholder must own Certificates of the related Class or Classes in the proportions necessary to make the desired exchange.
- A Certificateholder that does not own the Certificates may be unable to obtain the necessary REMIC Certificates or RCR Certificates.
- The Certificateholder of needed Certificates may refuse to sell them at a reasonable price (or any price) or may be unable to sell them.
- Certain Certificates may have been purchased and placed into other financial structures and thus be unavailable.
- Principal distributions will decrease the amounts available for exchange over time.
- Only the combinations listed on Schedule 1 are permitted.

**The Group 1 MBS**

The following table contains certain information about the Group 1 MBS. The Group 1 MBS will have the aggregate unpaid principal balance and Pass-Through Rate shown below and the general characteristics described in the MBS Prospectus. The Group 1 MBS will provide that principal and interest on the related Mortgage Loans will be passed through monthly, beginning in the month after we issue the Group 1 MBS. The Mortgage Loans underlying the Group 1 MBS will be conventional Level Payment Mortgage Loans secured by first mortgages or deeds of trust on one- to four-family (“single-family”) residential properties. These Mortgage Loans will have original maturities of up to 30 years. See “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus. We expect the characteristics of the Group 1 MBS and the related Mortgage Loans as of September 1, 2000 (the “Issue Date”) to be as follows:

Aggregate Unpaid Principal Balance .....	\$700,000,000
MBS Pass-Through Rate .....	7.50%
<b>Related Mortgage Loans</b>	
Range of WACs (per annum percentages) .....	7.75% to 10.00%
Range of WAMs .....	241 months to 360 months
Approximate Weighted Average WAM .....	356 months
Approximate Weighted Average CAGE .....	4 months

**The Group 2 Underlying REMIC Certificates**

The Group 2 Underlying REMIC Certificates represent beneficial ownership interests in the related Underlying REMIC Trust. The assets of this trust evidence direct or indirect beneficial ownership interests in certain MBS having the general characteristics set forth in the MBS Prospectus. Each MBS evidences beneficial ownership interests in a Pool of conventional Level Payment Mortgage Loans secured by first mortgages or deeds of trust on single-family residential properties, as described under “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus. Distributions on the Group 2 Underlying REMIC Certificates will be passed through monthly, beginning in the month after we issue the Certificates. The general characteristics of the Group 2 Underlying REMIC Certificates are described in the related Underlying REMIC Disclosure Document.

See Exhibit A for additional information about the Group 2 Underlying REMIC Certificates.

For further information about the Group 2 Underlying REMIC Certificates, telephone us at 1-800-237-8627 or 202-752-6547. You also may obtain certain information in electronic form by

calling us at 1-800-752-6440 or 202-752-6000. There may have been material changes in facts and circumstances since the date we prepared the Underlying REMIC Disclosure Document. These may include changes in prepayment speeds, prevailing interest rates and other economic factors. As a result, the usefulness of the information set forth in that document may be limited.

## Final Data Statement

After issuing the Certificates, we will prepare a Final Data Statement containing certain information, including the principal balances of the Group 2 Underlying REMIC Certificates as of the Issue Date and, with respect to the Group 1 MBS, the Pool number, the current WAC (or original WAC, if the current WAC is not available) and the current WAM (or Adjusted WAM, if the current WAM is not available) of the Mortgage Loans underlying the Group 1 MBS. The Final Data Statement will also include the weighted averages of all the current or original WACs and the weighted averages of all the current or Adjusted WAMs, based on the current unpaid principal balances of the Mortgage Loans underlying the Group 1 MBS as of the Issue Date. You may obtain the Final Data Statement by telephoning us at 1-800-237-8627 or 202-752-6547. The contents of the Final Data Statement and other data specific to the Certificates are available in electronic form by calling us at 1-800-752-6440 or 202-752-6000.

## Distributions of Interest

### *Categories of Classes*

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

<u>Interest Type*</u>	<u>Classes</u>
<b>Group 1 Classes</b>	
Fixed Rate	PA, BC and HA
RCR**	A, AJ, AK, AL, AB, AC and IA
<b>Group 2 Class</b>	
Fixed Rate	LA
<b>No Payment Residual</b>	R

\* See "Description of Certificates—Class Definitions and Abbreviations" in the REMIC Prospectus.

\*\* See "Description of the Certificates—Combination and Recombination" herein and Schedule 1 for a further description of the RCR Classes.

*General.* We will pay interest on the interest-bearing Certificates at the applicable annual interest rates shown on the cover or described in this prospectus supplement. We calculate interest based on a 360-day year consisting of twelve 30-day months. We pay interest monthly on each Distribution Date, beginning in the month after the Settlement Date specified in the Reference Sheet.

Interest to be paid on each Certificate on a Distribution Date will consist of one month's interest on the outstanding balance of that Certificate immediately prior to such Distribution Date.

Interest payments on exchangeable REMIC Certificates will be applied to the corresponding RCR Certificates, on a pro rata basis, following any exchange.

*Interest Accrual Period.* Interest to be paid on each Distribution Date will accrue on the interest-bearing Certificates during the one-month period set forth below (the "Interest Accrual Period").

<u>Classes</u>	<u>Interest Accrual Period</u>
All interest-bearing Classes (collectively, the "Delay Classes")	Calendar month preceding the month in which the Distribution Date occurs

See “Additional Risk Factors — *Delay classes have lower yields and market values*” in this prospectus supplement.

*Notional Class.* The Notional Class will not have a principal balance. During each Interest Accrual Period, the Notional Class will bear interest on its notional principal balance at the applicable interest rate. The notional principal balance of the Notional Class will be calculated as indicated under “Reference Sheet—Notional Class” in this prospectus supplement.

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

## Distributions of Principal

### *Categories of Classes*

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

<u>Principal Type*</u>	<u>Classes</u>
<b>Group 1 Classes</b>	
PAC	PA
Support	HA
Sequential Pay	BC
RCR**	A, AJ, AK, AL, AB, AC and IA
<b>Group 2 Class</b>	
Structured Collateral/Pass-Through	LA
<b>No Payment Residual</b>	R

\* See “Description of Certificates—Class Definitions and Abbreviations” in the REMIC Prospectus.

\*\* See “Description of the Certificates—Combination and Recombination” herein and Schedule 1 for a further description of the RCR Classes.

### *Principal Distribution Amount*

On the Distribution Date in each month, we will pay principal on the Certificates in an aggregate amount (the “Principal Distribution Amount”) equal to the sum of

- the principal then paid on the Group 1 MBS (the “Group 1 Principal Distribution Amount”), and
- the principal then paid on the Group 2 Underlying REMIC Certificates (the “Group 2 Principal Distribution Amount”).

The portion of each class of Group 2 Underlying REMIC Certificates held by the Trust is set forth in Exhibit A.

### *Group 1 Principal Distribution Amount*

On each Distribution Date, we will pay the Group 1 Principal Distribution Amount as principal of the Group 1 Classes specified below in the following priority:

- (i) to the PA Class, until its principal balance is reduced to its Planned Balance for such Distribution Date; } PAC Class
- (ii) to the HA Class, until its principal balance is reduced to zero; } Support Class

(iii) to the PA Class, without regard to its Planned Balance and until its principal balance is reduced to zero; and } PAC Class

(iv) to the BC Class, until its principal balance is reduced to zero. } Sequential Pay Class

#### *Group 2 Principal Distribution Amount*

On each Distribution Date, we will pay the Group 2 Principal Distribution Amount as principal of the LA Class, until its principal balance is reduced to zero. } Structured Collateral/Pass-Through Class

Principal payments on exchangeable REMIC Certificates will be applied to the corresponding RCR Certificates, on a pro rata basis, following any exchange.

### **Structuring Assumptions**

*Pricing Assumptions.* Except where otherwise noted, the information in the tables in this prospectus supplement has been prepared based on the actual characteristics of each Pool of Mortgage Loans underlying the Group 2 Underlying REMIC Certificates, the priority sequence affecting the principal payments on the Group 2 Underlying REMIC Certificates and the following assumptions (such characteristics and assumptions, collectively, the “Pricing Assumptions”):

- the Mortgage Loans underlying the Group 1 MBS have the original term to maturity, remaining term to maturity, CAGE and interest rate specified under “Reference Sheet—Assumed Characteristics of the Mortgage Loans Underlying the Group 1 MBS”;
- the Mortgage Loans prepay at the constant percentages of PSA specified in the related table;
- the settlement date for the sale of the Certificates is September 29, 2000;
- each Distribution Date occurs on the 25th day of a month; and
- the Fannie Mae repurchase option is not exercised.

*Prepayment Assumptions.* Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used here is The Bond Market Association’s standard prepayment model (“PSA”). To assume a specified rate of PSA is to assume a specified rate of prepayment each month of the then-outstanding principal balance of a pool of new mortgage loans computed as described under “Description of Certificates—Prepayment Models” in the REMIC Prospectus. It is highly unlikely that prepayments will occur at any *constant* PSA rate or at any other constant rate.

*Structuring Range.* The Principal Balance Schedule is found beginning on page B-1. The Principal Balance Schedule has been prepared on the basis of the Pricing Assumptions and the assumption that the related Mortgage Loans will prepay at a constant PSA rate within the Structuring Range set forth below.

<u>Principal Balance Schedule Reference</u>	<u>Related Class</u>	<u>Structuring Range</u>
Planned Balances	PA	Between 100% and 275%

**We cannot assure you that the balance of the Class listed above will conform on any Distribution Date to the specified balance in the Principal Balance Schedule. As a result, we cannot assure you that payments of principal of the Class listed above will begin or end on the Distribution Dates specified in the Principal Balance Schedule.** We will distribute any excess of principal payments over the amount needed to reduce a Class to its scheduled balance on a Distribution Date. Accordingly, the ability to reduce a Class to its scheduled balance will not be improved by the averaging of high and low principal payments from month to month. In addition, even if the related Mortgage Loans prepay at rates falling within the Structuring Range, principal

distributions may be insufficient to reduce the applicable Class to its scheduled balance if such prepayments do not occur at a *constant* PSA rate. Moreover, because of the diverse remaining terms to maturity of the related Mortgage Loans, which may include recently originated Mortgage Loans, the Class specified above may not be reduced to its scheduled balance, even if prepayments occur at a *constant* rate within the Structuring Range specified above.

*Initial Effective Range.* The Effective Range for a Class is the range of prepayment rates (measured by *constant* PSA rates) that would reduce such Class to its scheduled balance on each Distribution Date. The Initial Effective Range shown in the table below is based upon the assumed characteristics of the related Mortgage Loans specified in the Pricing Assumptions.

<u>Class</u>	<u>Initial Effective Range</u>
PA	Between 100% and 279%

The actual Effective Range at any time will be based upon the actual characteristics of the related Mortgage Loans at that time, which are likely to vary (and may vary considerably) from the Pricing Assumptions. The actual Effective Range calculated on the basis of the actual characteristics is likely to differ from the Initial Effective Range. As a result, the applicable Class might not be reduced to its scheduled balance even if prepayments were to occur at a *constant* PSA rate within the Initial Effective Range. This is so particularly if such rate were at the lower or higher end of such range. In addition, even if prepayments occur at rates falling within the actual Effective Range, principal distributions may be insufficient to reduce the applicable Class to its scheduled balance if such prepayments do not occur at a *constant* PSA rate. It is highly unlikely that the related Mortgage Loans will prepay at any *constant* PSA rate. In general, the actual Effective Range may narrow, widen or shift upward or downward to reflect actual prepayment experience over time. The stability in principal payment of the PAC Class will be supported in part by the related Support Class. When the related Support Class is retired, the PAC Class, if still outstanding, may no longer have an Effective Range and will be more sensitive to prepayments.

## Yield Table

*General.* The table below illustrates the sensitivity of the pre-tax corporate bond equivalent yield to maturity of the applicable Class to various constant percentages of PSA. We calculated the yields set forth in the table by

- determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the applicable Class, would cause the discounted present values of such assumed streams of cash flows to equal the assumed aggregate purchase price of such Class, and
- converting such monthly rates to corporate bond equivalent rates.

These calculations do not take into account variations in the interest rates at which you could reinvest distributions on the Certificates. Accordingly, these calculations do not illustrate the return on any investment in the Certificates when such reinvestment rates are taken into account.

We cannot assure you that

- the pre-tax yields on the applicable Certificates will correspond to any of the pre-tax yields shown here or
- the aggregate purchase price of the applicable Certificates will be as assumed.

Furthermore, because some of the Mortgage Loans are likely to have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the principal payments on the Certificates are likely to differ from those assumed. This would be the case

even if all Mortgage Loans prepay at the indicated constant percentages of PSA. Moreover, it is unlikely that

- the Mortgage Loans will prepay at a constant PSA rate until maturity or
- all of such Mortgage Loans will prepay at the same rate.

**The IA Class.** The yield to investors in the IA Class will be very sensitive to the rate of principal payments (including prepayments) of the related Mortgage Loans. The Mortgage Loans generally can be prepaid at any time without penalty. On the basis of the assumptions described below, the yield to maturity on the IA Class would be 0% if prepayments of the related Mortgage Loans were to occur at a constant rate of 336%. If the actual prepayment rate of the related Mortgage Loans were to exceed the level specified for as little as one month while equaling such level for the remaining months, the investors in the IA Class would lose money on their initial investments.

The information shown in the following yield table has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase price of the IA Class (expressed as a percentage of the original principal balance) is as follows:

<u>Class</u>	<u>Price*</u>
IA .....	11.3125%

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

#### Sensitivity of the IA Class to Prepayments

	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>160%</u>	<u>275%</u>	<u>500%</u>
Pre-Tax Yields to Maturity .....	59.8%	49.2%	35.7%	11.4%	(26.8)%

#### Weighted Average Lives of the Certificates

The weighted average life of a Certificate is determined by

- 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,
- summing the results, and
- dividing the sum by the aggregate amount of the reductions in principal balance of such Certificate referred to in clause (a).

For a description of the factors which may influence the weighted average life of a Certificate, see “Description of Certificates—Weighted Average Life and Final Distribution Date” in the REMIC Prospectus.

In general, the weighted average lives of the Certificates will be shortened if the level of prepayments of principal of the related Mortgage Loans increases. However, the weighted average lives will depend upon a variety of other factors, including

- the timing of changes in such rate of principal payments,
- in the case of the Group 1 Classes, the priority sequence of payments of principal of those Classes, and
- in the case of the Group 1 Classes, the payment of principal of the PA Class in accordance with the Principal Balance Schedules.

See “—Distributions of Principal” in this prospectus supplement.

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

### Decrement Tables

The following tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each date shown at various constant PSA rates and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions. However, in the case of the information set forth for each Class under 0% PSA, we assumed that the underlying Mortgage Loans have the original and remaining terms to maturity and bear interest at the annual rates specified in the table below.

<u>Mortgage Loans Relating to Trust Assets Specified Below</u>	<u>Original Terms to Maturity</u>	<u>Remaining Terms to Maturity</u>	<u>Interest Rates</u>
Group 1 MBS	360 months	360 months	10.0%
Group 2 Underlying REMIC Certificates	360 months	359 months	10.0%

It is unlikely

- that all of the underlying Mortgage Loans will have the interest rates, CAGEs or remaining terms to maturity assumed, or
- that the underlying Mortgage Loans will prepay at any *constant* PSA level.

In addition, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal distributions than indicated in the tables at the specified constant PSA rates. This is the case even if the dispersion of weighted average remaining terms to maturity and the weighted average CAGEs of the Mortgage Loans are identical to the dispersion specified in the Pricing Assumptions.

## Percent of Original Principal Balances Outstanding

Date	PA Class					BC Class					HA Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	160%	275%	500%	0%	100%	160%	275%	500%	0%	100%	160%	275%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
September 2001	96	80	80	80	80	100	100	100	100	100	100	100	93	80	54
September 2002	92	44	44	44	6	100	100	100	100	100	100	100	79	41	0
September 2003	87	0	0	0	0	100	100	100	100	70	100	100	64	0	0
September 2004	82	0	0	0	0	100	100	100	82	49	100	67	18	0	0
September 2005	76	0	0	0	0	100	100	94	68	34	100	36	0	0	0
September 2006	70	0	0	0	0	100	100	84	56	23	100	7	0	0	0
September 2007	63	0	0	0	0	100	94	74	46	16	100	0	0	0	0
September 2008	55	0	0	0	0	100	87	66	38	11	100	0	0	0	0
September 2009	47	0	0	0	0	100	81	59	31	8	100	0	0	0	0
September 2010	38	0	0	0	0	100	74	52	25	5	100	0	0	0	0
September 2011	27	0	0	0	0	100	68	46	21	4	100	0	0	0	0
September 2012	16	0	0	0	0	100	63	41	17	2	100	0	0	0	0
September 2013	3	0	0	0	0	100	57	36	14	2	100	0	0	0	0
September 2014	0	0	0	0	0	100	52	31	11	1	91	0	0	0	0
September 2015	0	0	0	0	0	100	48	27	9	1	79	0	0	0	0
September 2016	0	0	0	0	0	100	43	24	7	1	66	0	0	0	0
September 2017	0	0	0	0	0	100	39	21	6	*	51	0	0	0	0
September 2018	0	0	0	0	0	100	35	18	5	*	34	0	0	0	0
September 2019	0	0	0	0	0	100	31	15	4	*	16	0	0	0	0
September 2020	0	0	0	0	0	99	27	13	3	*	0	0	0	0	0
September 2021	0	0	0	0	0	93	24	11	2	*	0	0	0	0	0
September 2022	0	0	0	0	0	86	21	9	2	*	0	0	0	0	0
September 2023	0	0	0	0	0	79	17	7	1	*	0	0	0	0	0
September 2024	0	0	0	0	0	70	14	6	1	*	0	0	0	0	0
September 2025	0	0	0	0	0	61	12	5	1	*	0	0	0	0	0
September 2026	0	0	0	0	0	51	9	3	*	*	0	0	0	0	0
September 2027	0	0	0	0	0	40	6	2	*	*	0	0	0	0	0
September 2028	0	0	0	0	0	28	4	1	*	*	0	0	0	0	0
September 2029	0	0	0	0	0	15	2	1	*	*	0	0	0	0	0
September 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	8.1	1.8	1.8	1.8	1.5	25.8	15.6	12.0	8.0	4.8	16.9	4.6	3.0	1.8	1.0

Date	LA Class					A, AJ, AK, AL, AB, AC and IA† Classes				
	PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	165%	250%	500%	0%	100%	160%	275%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100
September 2001	99	92	89	84	69	98	91	87	80	65
September 2002	99	85	78	70	47	96	75	64	42	2
September 2003	98	78	69	58	32	94	56	36	0	0
September 2004	97	72	61	48	22	92	37	10	0	0
September 2005	97	66	53	40	15	90	20	0	0	0
September 2006	96	60	47	33	10	87	4	0	0	0
September 2007	95	55	41	27	7	84	0	0	0	0
September 2008	93	50	35	22	5	80	0	0	0	0
September 2009	92	45	31	18	3	77	0	0	0	0
September 2010	91	40	26	15	2	72	0	0	0	0
September 2011	89	36	23	12	1	68	0	0	0	0
September 2012	88	32	19	9	1	63	0	0	0	0
September 2013	86	28	16	8	1	57	0	0	0	0
September 2014	84	24	13	6	*	51	0	0	0	0
September 2015	82	21	11	5	*	44	0	0	0	0
September 2016	79	17	9	3	*	37	0	0	0	0
September 2017	76	14	7	3	*	28	0	0	0	0
September 2018	73	11	5	2	*	19	0	0	0	0
September 2019	70	8	4	1	*	9	0	0	0	0
September 2020	66	5	2	1	*	0	0	0	0	0
September 2021	62	3	1	*	*	0	0	0	0	0
September 2022	57	2	1	*	*	0	0	0	0	0
September 2023	52	1	*	*	*	0	0	0	0	0
September 2024	47	*	*	*	*	0	0	0	0	0
September 2025	41	*	*	*	*	0	0	0	0	0
September 2026	34	*	*	*	*	0	0	0	0	0
September 2027	27	0	0	0	0	0	0	0	0	0
September 2028	18	0	0	0	0	0	0	0	0	0
September 2029	9	0	0	0	0	0	0	0	0	0
September 2030	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	21.5	9.0	6.9	5.2	2.7	13.0	3.4	2.5	1.8	1.2

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

\*\* Determined as specified under “Weighted Average Lives of the Certificates” in this prospectus supplement.

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

## **Characteristics of the R Class**

The R Class will not have a principal balance and will not bear interest. If any assets of the Trust remain after the principal balances of all Classes are reduced to zero, we will pay the Holder of the R Class the proceeds from those assets. Fannie Mae does not expect that any material assets will remain in that case.

The R Class will be subject to certain transfer restrictions. We will not permit transfer of record or beneficial ownership of an R Certificate to a “disqualified organization.” In addition, we will not permit transfer of record or beneficial ownership of an R Certificate to any person that is not a “U.S. Person” without our written consent. Any transferee of an R Certificate must execute and deliver an affidavit and an Internal Revenue Service Form W-9 on which the transferee provides its taxpayer identification number. See “Description of Certificates—Special Characteristics of Residual Certificates” and “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Residual Certificates*” in the REMIC Prospectus. Transferors of an R Certificate should consult with their own tax advisors for further information regarding such transfers.

Treasury Department regulations (the “Regulations”) provide that a transfer of a “noneconomic residual interest” to a U.S. Person will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. The R Class will constitute a noneconomic residual interest under the Regulations. Having a significant purpose to impede the assessment or collection of tax means that the transferor of a Residual Certificate knew or should have known that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the REMIC trust (that is, the transferor had “improper knowledge”). As discussed under the caption “Special Characteristics of Residual Certificates” in the REMIC Prospectus, the Regulations presume that a transferor does not have improper knowledge if two conditions are met. The Treasury Department has proposed an amendment to the Regulations that would add a third condition, effective February 4, 2000. According to the proposed amendment, a transferor of a Residual Certificate would be presumed not to have improper knowledge only if the present value of the anticipated tax liabilities associated with holding the Residual Certificate is less than or equal to the present value of the sum of (i) any consideration given to the transferee to acquire the Residual Certificate, (ii) expected future distributions on the Residual Certificate, and (iii) anticipated tax savings associated with holding the Residual Certificate as the related REMIC trust generates losses. The application of the proposed amendment to an actual transfer is uncertain, and you should consult your own tax advisor regarding its effect on the transfer of a Residual Certificate.

The Holder of the R Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Trust. See “Certain Federal Income Tax Consequences” in the REMIC Prospectus. Pursuant to the Trust Agreement, we will be obligated to provide to this Holder (i) information necessary to enable it to prepare its federal income tax returns and (ii) any reports regarding the R Class that may be required under the Code.

## **CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES**

The Certificates and payments on the Certificates are not generally exempt from taxation. Therefore, you should consider the tax consequences of holding a Certificate before you acquire one. The following tax discussion supplements the discussion under the caption “Certain Federal Income Tax Consequences” in the REMIC Prospectus. When read together, the two discussions describe the current federal income tax treatment of beneficial owners of Certificates. These two tax discussions do not purport to deal with all federal tax consequences applicable to all categories of beneficial owners, some of which may be subject to special rules. In addition, these discussions may not apply to your particular circumstances for one of the reasons explained in the REMIC Prospectus. You should consult your own tax advisors regarding the federal income tax consequences of holding and disposing

of Certificates as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

### **REMIC Election and Special Tax Attributes**

We will elect to treat the Trust as a REMIC for federal income tax purposes. The REMIC Certificates, other than the R Class, will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust.

Because the Trust will qualify as a REMIC, the REMIC Certificates and any related RCR Certificates generally will be treated as “regular or residual interests in a REMIC” for domestic building and loan associations, as “real estate assets” for real estate investment trusts, and, except for the R Class, as “qualified mortgages” for other REMICs. See “Certain Federal Income Tax Consequences—*REMIC Election and Special Tax Attributes*” in the REMIC Prospectus.

### **Taxation of Beneficial Owners of Regular Certificates**

Certain Classes of REMIC Certificates may be issued with original issue discount (“OID”). If a Class is issued with OID, a beneficial owner of a Certificate of that Class generally must recognize some taxable income in advance of the receipt on the cash attributable to that income. See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Regular Certificates—Treatment of Original Issue Discount*” in the REMIC Prospectus. In addition, certain Classes of REMIC Certificates may be treated as having been issued at a premium. See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Regular Certificates—Regular Certificates Purchased at a Premium*” in the REMIC Prospectus.

The Prepayment Assumptions that will be used in determining the rate of accrual of OID will be as follows:

<u>Certificate Group</u>	<u>PSA Prepayment Assumption</u>
1	160%
2	165%

See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Regular Certificates—Treatment of Original Issue Discount—Daily Portions of Original Issue Discount*” in the REMIC Prospectus. No representation is made as to whether the Mortgage Loans underlying the MBS will prepay at either of those rates or any other rate. See “Description of the Certificates—Weighted Average Lives of the Certificates” in this prospectus supplement and “Description of Certificates—Weighted Average Life and Final Distribution Date” in the REMIC Prospectus.

### **Taxation of Beneficial Owners of Residual Certificates**

For purposes of determining the portion of the taxable income of the Trust that generally will not be treated as excess inclusions, the rate to be used is 7.14% (which is 120% of the “federal long-term rate”). See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Residual Certificates—Treatment of Excess Inclusions*” and “—*Foreign Investors—Residual Certificates*” in the REMIC Prospectus.

### **Taxation of Beneficial Owners of RCR Certificates**

*General.* The RCR Classes will be created, sold and administered pursuant to an arrangement that will be classified as a grantor trust under subpart E, part I of subchapter J of the Code. The REMIC Certificates that are exchanged for RCR Certificates (including any exchanges effective on the Settlement Date) will be the assets of the trust, and the RCR Certificates will represent an ownership interest in those REMIC Certificates. For a general discussion of the federal income tax

treatment of beneficial owners of REMIC Certificates, see “Certain Federal Income Tax Consequences” in the REMIC Prospectus.

The RCR Classes will represent the beneficial ownership of the underlying REMIC Certificates set forth in Schedule 1. The ownership interest represented by RCR Class Certificates will be one of two types. A Certificate of a Strip RCR Class (a “Strip RCR Certificate”) will represent the right to receive a disproportionate part of the principal or interest payments on one or more underlying REMIC Certificates. A Certificate of a Combination RCR Class (a “Combination RCR Certificate”) will represent beneficial ownership of undivided interests in two or more underlying REMIC Certificates.

The A Class is a Combination RCR Class. The remaining RCR Classes are Strip RCR Classes.

*Strip RCR Classes.* The tax consequences to a beneficial owner of a Strip RCR Certificate will be determined under section 1286 of the Code, except as discussed below. Under section 1286, a beneficial owner of a Strip RCR Certificate will be treated as owning “stripped bonds” to the extent of its share of principal payments and “stripped coupons” to the extent of its share of interest payments on the underlying REMIC Certificates. If a Strip RCR Certificate entitles the holder to payments of principal and interest on an underlying REMIC Certificate, the IRS could contend that the Strip RCR Certificate should be treated (i) as an interest in the underlying REMIC Certificate to the extent that the Strip RCR Certificate represents an equal pro rata portion of principal and interest on the underlying REMIC Certificate, and (ii) with respect to the remainder, as an installment obligation consisting of “stripped bonds” to the extent of its share of principal payments or “stripped coupons” to the extent of its share of interest payments. For purposes of information reporting, however, Fannie Mae intends to treat each Strip RCR Certificate as a single debt instrument, regardless of whether it entitles the holder to payments of principal and interest. You should consult your own tax advisors as to the proper treatment of a Strip RCR Certificate in this regard.

Under section 1286, the beneficial owner of a Strip RCR Certificate must treat the Strip RCR Certificate as a debt instrument originally issued on the date the owner acquires it and as having OID equal to the excess, if any, of its “stated redemption price at maturity” over the price paid by the owner to acquire it. The stated redemption price at maturity for a Strip RCR Certificate is determined in the same manner as described with respect to Regular Certificates under “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Regular Certificates*—Treatment of Original Issue Discount” in the REMIC Prospectus.

If a Strip RCR Certificate has OID, the beneficial owner must include the OID in its ordinary income for federal income tax purposes as the OID accrues, which may be prior to the receipt of the cash attributable to that income. Although the matter is not entirely clear, a beneficial owner should accrue OID using a method similar to that described with respect to the accrual of OID on a Regular Certificate under “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Regular Certificates*—Treatment of Original Issue Discount” in the REMIC Prospectus. A beneficial owner, however, determines its yield to maturity based on its purchase price. For a particular beneficial owner, it is not clear whether the prepayment assumption used for calculating OID would be one determined at the time the Strip RCR Certificate is acquired or would be the original Prepayment Assumption for the underlying REMIC Certificates. For purposes of information reporting, Fannie Mae will use the original yield to maturity of the Strip RCR Certificate, calculated based on the original Prepayment Assumption. You should consult your own tax advisors regarding the proper method for accruing OID on a Strip RCR Certificate.

The rules of section 1286 of the Code also apply if (i) a beneficial owner of REMIC Certificates exchanges them for Strip RCR Certificates, (ii) the beneficial owner sells some, but not all, of the Strip RCR Certificates, and (iii) the combination of retained Strip RCR Certificates cannot be exchanged for the related REMIC Certificates. As of the date of such a sale, the beneficial owner must allocate its basis in the REMIC Certificates between the part of the REMIC Certificates underlying the Strip RCR Certificates sold and the part of the REMIC Certificates underlying the Strip RCR

Certificates retained in proportion to their relative fair market values. Section 1286 of the Code treats the beneficial owner as purchasing the Strip RCR Certificates retained for the amount of the basis allocated to the retained Certificates, and the beneficial owner must then accrue any OID with respect to the retained Certificates as described above. Section 1286 does not apply, however, if a beneficial owner exchanges REMIC Certificates for the related RCR Certificates and retains all the RCR Certificates. See “—Taxation of Beneficial Owners of RCR Certificates—*Exchanges*.”

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

Although the matter is not free from doubt, if a beneficial owner acquires in one transaction (other than an exchange described under “—Taxation of Beneficial Owners of RCR Certificates—*Exchanges*”) a combination of Strip RCR Certificates that may be exchanged for underlying REMIC Certificates, the owner should be treated as owning the underlying REMIC Certificates, in which case section 1286 would not apply. If a beneficial owner acquires such a combination in separate transactions, the law is unclear as to whether the combination should be aggregated or each Strip RCR Certificate should be treated as a separate debt instrument. You should consult your tax advisors regarding the proper treatment of Strip RCR Certificates in this regard. For the treatment of Strip RCR Certificates received in exchange for REMIC Certificates, see “—Taxation of Beneficial Owners of RCR Certificates—*Exchanges*.”

*Combination RCR Classes.* A beneficial owner of a Combination RCR Certificate will be treated as the beneficial owner of a proportionate interest in the REMIC Certificates underlying that Combination RCR Certificate. A beneficial owner of a Combination RCR Certificate must allocate its cost to acquire that Certificate among the underlying REMIC Certificates in proportion to their relative fair market values at the time of acquisition. The owner should account for its ownership interest in each underlying REMIC Certificate as described under “—Taxation of Beneficial Owners of Regular Certificates” in this prospectus supplement and “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Regular Certificates*” in the REMIC Prospectus. When a beneficial owner sells a Combination RCR Certificate, the owner must allocate the sale proceeds among the underlying REMIC Certificates in proportion to their relative fair market values at the time of sale.

*Exchanges.* If a beneficial owner exchanges one or more REMIC Certificates for the related RCR Certificate or Certificates in the manner described under “Description of the Certificates—Combination and Recombination” in this prospectus supplement, the exchange will not be taxable. Likewise, if a beneficial owner exchanges one or more RCR Certificates for the related REMIC Certificate or Certificates in the manner described in that discussion, the exchange will not be a taxable exchange. In each of these cases, the beneficial owner will be treated as continuing to own after the exchange the same combination of interests in the related REMIC Certificates (or the same interest in the related REMIC Certificate) that it owned immediately prior to the exchange.

## PLAN OF DISTRIBUTION

*General.* We are obligated to deliver the Certificates to Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Dealer”) in exchange for the Group 1 MBS and the Group 2 Underlying REMIC Certificates. The Dealer proposes to offer the Certificates directly to the public from time to time in

negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect these transactions to or through other dealers.

*Increase in Certificates.* Before the Settlement Date, we and the Dealer may agree to offer Group 1 Classes in addition to those contemplated as of the date of this prospectus supplement. In this event, we will increase the Group 1 MBS in principal balance, but we expect that all these additional Group 1 MBS will have the same characteristics as described under “Description of the Certificates—The Group 1 MBS.” The proportion that the original principal balance of each Group 1 Class bears to the aggregate original principal balance of all Group 1 Classes, will remain the same. In addition, the dollar amounts shown in the Principal Balance Schedule will be increased to correspond to the increase of the principal balance of the applicable Class.

## **LEGAL MATTERS**

Brown & Wood LLP will provide legal representation for Fannie Mae. Milbank, Tweed, Hadley & McCloy LLP will provide legal representation for the Dealer.

Group 2 Underlying REMIC Certificates

Underlying REMIC Trust	Class	Date of Issue	CUSIP Number	Interest Rate	Interest Type (1)	Final Distribution Date	Principal Type (1)	Original Principal or Notional Balance of Class	September 2000 Class Factor	Principal or Notional Balance in the Trust as of the Issue Date	Approximate Weighted Average WAC	Approximate Weighted Average WAM (in months)	Approximate Weighted Average CAGE (in months)	Underlying Security Type	Class Group
2000-28	ZA	August 2000	31358SHQ7	7.25%	FIX/Z	September 2030	SEQ	\$ 25,219,067	1.006041670	\$14,944,816.36	8.014%	266	87	MBS	2
2000-28	EA	August 2000	31358SHN4	7.25	FIX	December 2019	SEQ	120,780,933	0.984080050	70,012,309.39	8.014	266	87	MBS	2
2000-28	IB	August 2000	31358SHP9	7.50	FIX/IO	September 2030	NTL	4,866,666	0.987873690	2,831,904.53	8.014	266	87	MBS	2

(1) See "Description of Certificates—Class Definitions and Abbreviations" in the REMIC Prospectus.

Available Recombinations (1)

REMIC Certificates		RCR Certificates						
Classes	Original Principal Balance	RCR Class	Original Principal or Notional Principal Balance	Interest Rate	Interest Type (2)	Principal Type (2)	CUSIP Number	Final Distribution Date
<b>Recombination 1</b>								
PA	\$101,581,063	A	\$ 229,444,444	7.50%	FIX	SEQ	31358SRP8	August 2020
HA	127,863,381							
<b>Recombination 2</b>								
PA	101,581,063	AC	229,444,444	7.00%	FIX	SEQ	31358SRU7	August 2020
HA	127,863,381	IA	15,296,296 (3)	7.50%	FIX/IO	NIL	31358SRV5	
<b>Recombination 3</b>								
PA	101,581,063	AB	229,444,444	7.25%	FIX	SEQ	31358SRT0	August 2020
HA	127,863,381	IA	7,648,148 (3)	7.50%	FIX/IO	NIL	31358SRV5	
<b>Recombination 4</b>								
PA	101,581,063	AJ	152,962,962	7.75%	FIX	SEQ	31358SRQ6	August 2020
HA	127,863,381	AC	76,481,482	7.00%	FIX	SEQ	31358SRU7	
<b>Recombination 5</b>								
PA	101,581,063	AK	114,722,222	8.00%	FIX	SEQ	31358SRR4	August 2020
HA	127,863,381	AC	114,722,222	7.00%	FIX	SEQ	31358SRU7	
<b>Recombination 6</b>								
PA	101,581,063	AL	57,361,111	9.00%	FIX	SEQ	31358RS2	August 2020
HA	127,863,381	AC	172,083,333	7.00%	FIX	SEQ	31358SRU7	
<b>Recombination 7</b>								
PA	101,581,063	AJ	114,722,222	7.75%	FIX	SEQ	31358SRQ6	August 2020
HA	127,863,381	AB	114,722,222	7.25%	FIX	SEQ	31358SRT0	
<b>Recombination 8</b>								
PA	101,581,063	AK	76,481,482	8.00%	FIX	SEQ	31358SRR4	August 2020
HA	127,863,381	AB	152,962,962	7.25%	FIX	SEQ	31358SRT0	
<b>Recombination 9</b>								
PA	101,581,063	AL	32,777,778	9.00%	FIX	SEQ	31358RS2	August 2020
HA	127,863,381	AB	196,666,666	7.25%	FIX	SEQ	31358SRT0	

(1) The principal balances of the REMIC Certificates and RCR Certificates involved in any exchange will bear the same relationship as that borne by the original principal balances of the related Classes.  
(2) See "Description of Certificates—Class Definitions and Abbreviations" in the REMIC Prospectus and "Description of the Certificates—Distributions of Interest" and "—Distributions of Principal" in this prospectus supplement.  
(3) Notional principal balance.

## Principal Balance Schedules

### *PA Class Planned Balances*

<u>Distribution Date</u>	<u>Planned Balance</u>	<u>Distribution Date</u>	<u>Planned Balance</u>	<u>Distribution Date</u>	<u>Planned Balance</u>
Initial Balance .....	\$101,581,063.00	October 2001 .....	\$ 78,650,507.68	November 2002 .....	\$ 37,033,851.02
October 2000 .....	100,523,288.50	November 2001 .....	76,083,408.60	December 2002 .....	33,247,687.08
November 2000 .....	99,346,007.41	December 2001 .....	73,406,004.33	January 2003 .....	29,480,172.37
December 2000 .....	98,049,562.96	January 2002 .....	70,619,415.51	February 2003 .....	25,731,209.66
January 2001 .....	96,634,360.07	February 2002 .....	67,724,818.76	March 2003 .....	22,000,702.24
February 2001 .....	95,100,865.24	March 2002 .....	64,723,445.92	April 2003 .....	18,288,553.88
March 2001 .....	93,449,606.37	April 2002 .....	61,616,583.22	May 2003 .....	14,594,668.84
April 2001 .....	91,681,172.51	May 2002 .....	58,405,570.31	June 2003 .....	10,918,951.87
May 2001 .....	89,796,213.62	June 2002 .....	55,091,799.40	July 2003 .....	7,261,308.23
June 2001 .....	87,795,440.21	July 2002 .....	51,676,714.25	August 2003 .....	3,621,643.64
July 2001 .....	85,679,622.95	August 2002 .....	48,161,809.11	September 2003 and thereafter .....	0.00
August 2001 .....	83,449,592.23	September 2002 .....	44,548,627.66		
September 2001 .....	81,106,237.70	October 2002 .....	40,838,761.91		

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No one is authorized to give information or to make representations in connection with the Certificates other than the information and representations contained in this Prospectus Supplement and the additional Disclosure Documents. You must not rely on any unauthorized information or representation. This Prospectus Supplement and the additional Disclosure Documents do not constitute an offer or solicitation with regard to the Certificates if it is illegal to make such an offer or solicitation to you under state law. By delivering this Prospectus Supplement and the additional Disclosure Documents at any time, no one implies that the information contained herein or therein is correct after the date hereof or thereof.

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

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**\$784,957,126**



**Guaranteed REMIC  
Pass-Through Certificates  
Fannie Mae REMIC Trust 2000-35**

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**PROSPECTUS SUPPLEMENT**

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**Merrill Lynch & Co.**

**August 29, 2000**

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