

**\$236,952,330**



**Guaranteed REMIC Pass-Through Certificates  
Fannie Mae REMIC Trust 2001-38  
(Group 3 Classes Only)**

**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 (except in the case of the accrual class), 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 indirectly own 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
AC	3	\$50,000,000	SEQ	6.25%	FIX	313920JA9	August 2028
AI(1)	3	1,923,077 (2)	NTL	6.50	FIX/IO	313920JB7	August 2028
B	3	40,600,000	SEQ	5.50	FIX	313920JC5	November 2017
BA	3	30,000,000	SEQ	6.25	FIX	313920JD3	November 2022
BI(1)	3	7,400,000 (2)	NTL	6.50	FIX/IO	313920JE1	November 2022
CA	3	24,000,000	SEQ	6.50	FIX	313920JF8	September 2025
CB(1)	3	18,000,000	SEQ	6.50	FIX	313920JG6	June 2027
CD(1)	3	26,700,000	SEQ	6.50	FIX	313920JH4	May 2029
VB(1)	3	10,000,000	SEQ/AD	6.50	FIX	313920JJ0	February 2009
VC(1)	3	21,652,330	SEQ/AD	6.50	FIX	313920JK7	July 2018
ZA	3	16,000,000	SEQ	6.50	FIX/Z	313920JL5	August 2031

- (1) Exchangeable classes.  
(2) Notional balances. These classes are interest only 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 C, CF, CG, CH, PO, IO and VA Classes are the RCR classes, as further described in this prospectus supplement.

Only the classes listed in the chart above are offered by this prospectus supplement. Certain other classes representing interests in the REMIC Trust will be offered by one or more separate prospectus supplements.

The dealer will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date for the certificates offered by this prospectus supplement to be July 23, 2001.

**Carefully consider the risk factors starting on page S-6 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.

**Salomon Smith Barney**

The date of this Prospectus Supplement is June 27, 2001.

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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”); and
- our Information Statement dated March 30, 2001 and its supplements (the “Information Statement”).

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 by writing or calling the dealer at:

Salomon Smith Barney Inc.  
Prospectus Department  
Brooklyn Army Terminal  
140 58th Street, Suite 8-G  
Brooklyn, New York 11220  
(telephone 718-765-6732).

## 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.

### Assumed Characteristics of the Mortgage Loans Underlying the MBS (as of July 1, 2001)

	<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 Weighted Average Loan Age (in months)</u>	<u>Approximate Weighted Average Coupon</u>
Sub-Group A MBS ..	\$ 66,952,330	360	326	30	7.10%
Sub-Group B MBS ..	170,000,000	360	355	3	7.05%

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

### 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 July 23, 2001.

### Distribution Dates

We will make payments on the 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 Certificates

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

### 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 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 rate listed on the cover or on Schedule 1.

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

## Notional Classes

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

### Class

AI .....	3.8461538462% of the AC Class
BI .....	15.3846153846% of the B Class
	3.8461538462% of the BA Class
IO .....	3.8461538462% of the AC Class
	15.3846153846% of the B Class
	3.8461538462% of the BA Class

## Distributions of Principal

### *Group 3 Principal Distribution Amount*

#### *ZA Accrual Amount*

To the VB and VC Classes, in that order, to zero, and thereafter to the ZA Class.

#### *Group 3 Cash Flow Distribution Amount*

Principal from Sub-Group A MBS to the AC, CA, CB, CD, VB, VC and ZA Classes, in that order, to zero.

Principal from Sub-Group B MBS to the B, BA, CA, CB, CD, VB, VC and ZA Classes, in that order, 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 3 Classes</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>188%</u>	<u>250%</u>	<u>500%</u>
AC and AI .....	18.5	6.6	4.0	3.1	1.5
B .....	10.1	2.6	1.8	1.6	1.1
BA .....	18.9	6.2	4.0	3.3	2.1
BI .....	11.4	3.1	2.2	1.8	1.2
CA .....	22.7	9.5	6.0	4.8	2.9
CB .....	25.0	12.6	8.0	6.3	3.6
CD .....	26.9	16.3	10.6	8.4	4.5
VB .....	4.1	4.1	4.1	4.1	3.7
VC .....	12.7	12.7	11.7	10.2	6.1
ZA .....	28.9	23.2	18.7	16.1	9.5
C, CF, CG, CH and PO .....	26.1	14.8	9.6	7.6	4.1
IO .....	12.9	3.9	2.5	2.1	1.3
VA .....	10.0	10.0	9.3	8.3	5.3

\* 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 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 buy your certificates at a premium and principal payments are faster than you expect, or
- if you buy your certificates at a discount and principal payments are slower than you expect.

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 assumed that the mortgage loans underlying the 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 classes do not receive interest immediately following each interest accrual period, they 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 July 1, 2001 (the “Issue Date”). We will issue the Guaranteed REMIC Pass-Through Certificates offered by this prospectus supplement (“REMIC Certificates”) pursuant to that trust agreement. We will issue the related 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 the Issue Date (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 will be “regular interests” in the Trust.
- A single non-offered class will be the “residual interest” in the Trust.

The assets of the Trust underlying the Classes will consist of “regular interests” in a separate REMIC trust, the assets of which will consist of two sub-groups of Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the “Sub-Group A MBS” and “Sub-Group B MBS” and, together, the “MBS”).

Each MBS represents a beneficial ownership interest in a pool of first lien, one- to four-family (“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 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 and “Description of Certificates—The Fannie Mae Guaranty” in the MBS Prospectus.

*Characteristics of Certificates.* We will issue the Certificates 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.

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

*Distribution Dates.* We will make monthly payments on the Certificates 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 each of these dates as a “Distribution Date.” We will make the first payments to Certificateholders in 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 (as well as any addition to principal in the case of the Accrual Class).

*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.

## **Combination and Recombination**

*General.* You are permitted to exchange all or a portion of the CB, CD, AI, BI, VB and VC 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. REMIC Certificates and RCR Certificates in any combination may be exchanged only in the proportions shown in Schedule 1.

*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 a number of factors that 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 MBS**

The following table contains certain information about the MBS. The MBS included in each specified Sub-Group will have the aggregate unpaid principal balance and Pass-Through Rate shown below and the general characteristics described in the MBS Prospectus. The 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 MBS. The Mortgage Loans underlying the MBS will be conventional Level Payment Mortgage Loans secured by first mortgages or deeds of trust on 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 MBS and the related Mortgage Loans as of the Issue Date to be as follows:

<b>Sub-Group A MBS</b>	
Aggregate Unpaid Principal Balance . . . . .	\$66,952,330
MBS Pass-Through Rate . . . . .	6.50%
Range of WACs (per annum percentages) . . . . .	6.75% to 9.00%
Range of WAMs . . . . .	241 months to 360 months
Approximate Weighted Average WAM . . . . .	326 months
Approximate Weighted Average WALA (Weighted Average Loan Age) . . . . .	30 months
<b>Sub-Group B MBS</b>	
Aggregate Unpaid Principal Balance . . . . .	\$170,000,000
MBS Pass-Through Rate . . . . .	6.50%
Range of WACs (per annum percentages) . . . . .	6.75% to 9.00%
Range of WAMs . . . . .	241 months to 360 months
Approximate Weighted Average WAM . . . . .	355 months
Approximate Weighted Average WALA . . . . .	3 months

## Final Data Statement

After issuing the Certificates, we will prepare a Final Data Statement containing certain information, including, 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 MBS as of the Issue Date. 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 each of the 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>
Fixed Rate	AC, AI, B, BA, BI, CA, CB, CD, VB, VC and ZA
Interest Only	AI and BI
Accrual	ZA
RCR**	C, CF, CG, CH, PO, IO and VA

\* 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 on Schedule 1. We calculate interest based on a 360-day year consisting of twelve 30-day months. We pay interest monthly (except in the case of the Accrual Class) on each Distribution Date, beginning in the month after the Settlement Date specified in the Reference Sheet.

Interest to be paid (or added to principal, in the case of the Accrual Class) 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. For a description of the Accrual Class, see “—*Accrual Class*” below.

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 calendar month preceding the month in which the Distribution Date occurs (each, an “Interest Accrual Period”). See “Additional Risk Factors” in this Prospectus Supplement.

*Accrual Class.* The ZA Class is an Accrual Class. Interest will accrue on the Accrual Class at the applicable annual rate listed on the cover. However, we will not pay any interest on the Accrual Class. Instead, interest accrued on the Accrual Class will be added as principal to its principal balance on each Distribution Date. We will pay principal on the Accrual Class as described under “—Distributions of Principal” below.

*Notional Classes.* The Notional Classes will not have principal balances. During each Interest Accrual Period, the Notional Classes will bear interest on their notional principal balances at their applicable interest rates. The notional principal balances of the Notional Classes will be calculated as specified under “Reference Sheet—Notional Classes” in this prospectus supplement.

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

## 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>
Sequential Pay	AC, B, BA, CA, CB, CD, VB, VC and ZA
Accretion Directed	VB and VC
Notional	AI and BI
RCR**	C, CF, CG, CH, PO, IO and VA

\* 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.

### *Group 3 Principal Distribution Amount*

On the Distribution Date in each month, we will pay principal on the Certificates in an aggregate amount (the “Group 3 Principal Distribution Amount”) equal to the principal then paid on the MBS (the “Group 3 Cash Flow Distribution Amount”) plus any interest then accrued and added to the principal balance of the ZA Class (the “ZA Accrual Amount”).

### *ZA Accrual Amount*

On each Distribution Date, we will pay the ZA Accrual Amount, sequentially, as principal of the VB and VC Classes, in that order, until their principal balances are reduced to zero. Thereafter, we will pay the ZA Accrual Amount as principal of the ZA Class.

} Accretion  
Directed  
Classes  
and  
Accrual  
Class

### *Group 3 Cash Flow Distribution Amount*

On each Distribution Date, we will pay the Group 3 Cash Flow Distribution Amount as principal of the Group 3 Classes as follows:

On each Distribution Date, we will pay the portion of the Group 3 Cash Flow Distribution Amount attributable to the Sub-Group A MBS, sequentially, as principal of the AC, CA, CB, CD, VB, VC and ZA Classes, in that order, until their principal balances are reduced to zero.

On each Distribution Date, we will pay the portion of the Group 3 Cash Flow Distribution Amount attributable to the Sub-Group B MBS, sequentially, as principal of the B, BA, CA, CB, CD, VB, VC and ZA Classes, in that order, until their principal balances are reduced to zero.

} Sequential  
Pay  
Classes

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 following assumptions (collectively, the “Pricing Assumptions”):

- the Mortgage Loans underlying the MBS have the original terms to maturity, remaining terms to maturity, WALAs and interest rates specified under “Reference Sheet—Assumed Characteristics of the Mortgage Loans Underlying the 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 July 23, 2001;
- 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.

## Yield Tables

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

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

These calculations do not take into account variations in the interest rates at which you could reinvest distributions on the Certificates. Accordingly, these calculations do not illustrate the return on any investment in the Certificates when 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 prices of the applicable Certificates will be 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 Interest Only Classes.* **The yields on the AI, BI and IO Classes 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 AI, BI and IO Classes would be 0% if prepayments of the related Mortgage Loans were to occur at a constant rate of 278% PSA, 269% PSA and 271% PSA, respectively. 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 AI, BI and IO Classes would lose money on their initial investments.

The information shown in the yield tables has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase prices of the AI, BI and IO Classes (expressed in each case as a percentage of the original principal balance) are as follows:

<u>Class</u>	<u>Price*</u>
AI .....	17.50000%
BI .....	11.00000%
IO .....	12.40625%

\* The prices do not include accrued interest. Accrued interest has been added to the prices in calculating the yields set forth in the tables below.

#### Sensitivity of the AI Class to Prepayments

	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>188%</u>	<u>250%</u>	<u>500%</u>
Pre-Tax Yields to Maturity .....	31.6%	26.0%	14.3%	4.7%	(41.7)%

#### Sensitivity of the BI Class to Prepayments

	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>188%</u>	<u>250%</u>	<u>500%</u>
Pre-Tax Yields to Maturity .....	47.8%	36.1%	16.2%	3.6%	(37.1)%

#### Sensitivity of the IO Class to Prepayments

	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>188%</u>	<u>250%</u>	<u>500%</u>
Pre-Tax Yields to Maturity .....	41.8%	31.8%	15.0%	3.7%	(39.3)%

*The Principal Only Class.* **The PO Class will not bear interest. As indicated in the table below, a low rate of principal payments (including prepayments) on the related Mortgage Loans will have a negative effect on the yield to investors in the PO Class.**

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

<u>Class</u>	<u>Price</u>
PO .....	56.00000%

## Sensitivity of the PO Class to Prepayments

	PSA Prepayment Assumption				
	50%	100%	188%	250%	500%
Pre-Tax Yields to Maturity . . . . .	3.0%	4.0%	6.2%	7.9%	14.6%

### Weighted Average Lives of the Certificates

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).

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 the rate of principal payments and
- the priority sequence of payments of principal of the Classes.

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 of 360 months and bear interest at the annual rate of 9.0%.

It is unlikely

- that all of the underlying Mortgage Loans will have the interest rates, WALAs 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 WALAs of the Mortgage Loans are identical to the dispersion specified in the Pricing Assumptions.

## Percent of Original Principal Balances Outstanding

Date	AC and AI† Classes					B Class					BA Class					BI† Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	188%	250%	500%	0%	100%	188%	250%	500%	0%	100%	188%	250%	500%	0%	100%	188%	250%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 2002	99	90	83	78	59	97	88	81	76	56	100	100	100	100	100	98	90	84	80	63
July 2003	98	81	69	60	30	94	66	44	29	0	100	100	100	100	62	95	71	53	40	10
July 2004	97	73	56	45	10	91	39	0	0	0	100	100	100	65	0	92	48	16	10	0
July 2005	96	65	44	32	0	87	13	0	0	0	100	100	46	1	0	89	26	7	*	0
July 2006	94	57	34	21	0	83	0	0	0	0	100	84	0	0	0	85	13	0	0	0
July 2007	93	50	25	12	0	78	0	0	0	0	100	53	0	0	0	82	8	0	0	0
July 2008	91	43	18	4	0	73	0	0	0	0	100	24	0	0	0	78	4	0	0	0
July 2009	90	37	11	0	0	68	0	0	0	0	100	0	0	0	0	73	0	0	0	0
July 2010	88	31	5	0	0	62	0	0	0	0	100	0	0	0	0	68	0	0	0	0
July 2011	86	26	0	0	0	56	0	0	0	0	100	0	0	0	0	63	0	0	0	0
July 2012	84	20	0	0	0	49	0	0	0	0	100	0	0	0	0	57	0	0	0	0
July 2013	81	15	0	0	0	41	0	0	0	0	100	0	0	0	0	50	0	0	0	0
July 2014	78	11	0	0	0	33	0	0	0	0	100	0	0	0	0	43	0	0	0	0
July 2015	76	6	0	0	0	23	0	0	0	0	100	0	0	0	0	35	0	0	0	0
July 2016	72	2	0	0	0	13	0	0	0	0	100	0	0	0	0	27	0	0	0	0
July 2017	69	0	0	0	0	2	0	0	0	0	100	0	0	0	0	18	0	0	0	0
July 2018	65	0	0	0	0	0	0	0	0	0	87	0	0	0	0	14	0	0	0	0
July 2019	61	0	0	0	0	0	0	0	0	0	69	0	0	0	0	11	0	0	0	0
July 2020	56	0	0	0	0	0	0	0	0	0	50	0	0	0	0	8	0	0	0	0
July 2021	51	0	0	0	0	0	0	0	0	0	29	0	0	0	0	4	0	0	0	0
July 2022	46	0	0	0	0	0	0	0	0	0	5	0	0	0	0	1	0	0	0	0
July 2023	40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2024	33	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2025	26	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2026	18	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2027	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	18.5	6.6	4.0	3.1	1.5	10.1	2.6	1.8	1.6	1.1	18.9	6.2	4.0	3.3	2.1	11.4	3.1	2.2	1.8	1.2

Date	CA Class					CB Class					CD Class					VB Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	188%	250%	500%	0%	100%	188%	250%	500%	0%	100%	188%	250%	500%	0%	100%	188%	250%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 2002	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	89	89	89	89	89
July 2003	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	78	78	78	78	78
July 2004	100	100	100	100	27	100	100	100	100	100	100	100	100	100	100	66	66	66	66	66
July 2005	100	100	100	100	0	100	100	100	100	0	100	100	100	100	90	53	53	53	53	53
July 2006	100	100	98	34	0	100	100	100	100	0	100	100	100	100	7	39	39	39	39	39
July 2007	100	100	46	0	0	100	100	100	69	0	100	100	100	100	0	24	24	24	24	0
July 2008	100	100	0	0	0	100	100	100	5	0	100	100	100	100	0	8	8	8	8	0
July 2009	100	95	0	0	0	100	100	46	0	0	100	100	100	63	0	0	0	0	0	0
July 2010	100	63	0	0	0	100	100	0	0	0	100	100	99	23	0	0	0	0	0	0
July 2011	100	32	0	0	0	100	100	0	0	0	100	100	69	0	0	0	0	0	0	0
July 2012	100	4	0	0	0	100	100	0	0	0	100	100	35	0	0	0	0	0	0	0
July 2013	100	0	0	0	0	100	69	0	0	0	100	100	6	0	0	0	0	0	0	0
July 2014	100	0	0	0	0	100	34	0	0	0	100	100	0	0	0	0	0	0	0	0
July 2015	100	0	0	0	0	100	2	0	0	0	100	100	0	0	0	0	0	0	0	0
July 2016	100	0	0	0	0	100	0	0	0	0	100	81	0	0	0	0	0	0	0	0
July 2017	100	0	0	0	0	100	0	0	0	0	100	58	0	0	0	0	0	0	0	0
July 2018	100	0	0	0	0	100	0	0	0	0	100	33	0	0	0	0	0	0	0	0
July 2019	100	0	0	0	0	100	0	0	0	0	100	9	0	0	0	0	0	0	0	0
July 2020	100	0	0	0	0	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
July 2021	100	0	0	0	0	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
July 2022	100	0	0	0	0	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
July 2023	75	0	0	0	0	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
July 2024	40	0	0	0	0	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
July 2025	2	0	0	0	0	100	0	0	0	0	100	0	0	0	0	0	0	0	0	0
July 2026	0	0	0	0	0	47	0	0	0	0	100	0	0	0	0	0	0	0	0	0
July 2027	0	0	0	0	0	0	0	0	0	0	91	0	0	0	0	0	0	0	0	0
July 2028	0	0	0	0	0	0	0	0	0	0	46	0	0	0	0	0	0	0	0	0
July 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	22.7	9.5	6.0	4.8	2.9	25.0	12.6	8.0	6.3	3.6	26.9	16.3	10.6	8.4	4.5	4.1	4.1	4.1	4.1	3.7

\* 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" herein.

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

Date	VC Class					ZA Class					C, CF, CG, CH and PO Classes				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	188%	250%	500%	0%	100%	188%	250%	500%	0%	100%	188%	250%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 2002	100	100	100	100	100	107	107	107	107	107	100	100	100	100	100
July 2003	100	100	100	100	100	114	114	114	114	114	100	100	100	100	100
July 2004	100	100	100	100	100	121	121	121	121	121	100	100	100	100	100
July 2005	100	100	100	100	100	130	130	130	130	130	100	100	100	100	54
July 2006	100	100	100	100	100	138	138	138	138	138	100	100	100	100	4
July 2007	100	100	100	100	48	148	148	148	148	148	100	100	100	88	0
July 2008	100	100	100	100	0	157	157	157	157	146	100	100	100	62	0
July 2009	96	96	96	96	0	168	168	168	168	100	100	100	78	38	0
July 2010	88	88	88	88	0	179	179	179	179	69	100	100	59	13	0
July 2011	79	79	79	64	0	191	191	191	191	47	100	100	41	0	0
July 2012	69	69	69	20	0	204	204	204	204	32	100	100	21	0	0
July 2013	59	59	59	0	0	218	218	218	190	22	100	87	4	0	0
July 2014	48	48	24	0	0	232	232	232	157	15	100	74	0	0	0
July 2015	37	37	0	0	0	248	248	226	128	10	100	61	0	0	0
July 2016	25	25	0	0	0	264	264	193	105	7	100	48	0	0	0
July 2017	12	12	0	0	0	282	282	163	85	4	100	35	0	0	0
July 2018	0	0	0	0	0	298	298	138	69	3	100	20	0	0	0
July 2019	0	0	0	0	0	298	298	116	55	2	100	5	0	0	0
July 2020	0	0	0	0	0	298	275	96	44	1	100	0	0	0	0
July 2021	0	0	0	0	0	298	240	79	35	1	100	0	0	0	0
July 2022	0	0	0	0	0	298	207	64	27	1	100	0	0	0	0
July 2023	0	0	0	0	0	298	175	51	21	*	100	0	0	0	0
July 2024	0	0	0	0	0	298	145	40	16	*	100	0	0	0	0
July 2025	0	0	0	0	0	298	117	31	11	*	100	0	0	0	0
July 2026	0	0	0	0	0	298	91	22	8	*	79	0	0	0	0
July 2027	0	0	0	0	0	298	65	15	5	*	54	0	0	0	0
July 2028	0	0	0	0	0	298	41	9	3	*	28	0	0	0	0
July 2029	0	0	0	0	0	261	24	5	2	*	0	0	0	0	0
July 2030	0	0	0	0	0	136	9	2	1	*	0	0	0	0	0
July 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	12.7	12.7	11.7	10.2	6.1	28.9	23.2	18.7	16.1	9.5	26.1	14.8	9.6	7.6	4.1

Date	IO Class†					VA Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	188%	250%	500%	0%	100%	188%	250%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100
July 2002	98	90	84	79	62	97	97	97	97	97
July 2003	96	73	56	45	14	93	93	93	93	93
July 2004	93	53	24	17	2	89	89	89	89	89
July 2005	90	34	15	7	0	85	85	85	85	85
July 2006	87	22	7	4	0	81	81	81	81	81
July 2007	84	17	5	2	0	76	76	76	76	33
July 2008	80	12	4	1	0	71	71	71	71	0
July 2009	76	8	2	0	0	66	66	66	66	0
July 2010	72	6	1	0	0	60	60	60	60	0
July 2011	67	5	0	0	0	54	54	54	44	0
July 2012	62	4	0	0	0	47	47	47	13	0
July 2013	57	3	0	0	0	41	41	41	0	0
July 2014	50	2	0	0	0	33	33	16	0	0
July 2015	44	1	0	0	0	25	25	0	0	0
July 2016	36	*	0	0	0	17	17	0	0	0
July 2017	28	0	0	0	0	8	8	0	0	0
July 2018	24	0	0	0	0	0	0	0	0	0
July 2019	21	0	0	0	0	0	0	0	0	0
July 2020	18	0	0	0	0	0	0	0	0	0
July 2021	14	0	0	0	0	0	0	0	0	0
July 2022	10	0	0	0	0	0	0	0	0	0
July 2023	8	0	0	0	0	0	0	0	0	0
July 2024	7	0	0	0	0	0	0	0	0	0
July 2025	5	0	0	0	0	0	0	0	0	0
July 2026	4	0	0	0	0	0	0	0	0	0
July 2027	2	0	0	0	0	0	0	0	0	0
July 2028	0	0	0	0	0	0	0	0	0	0
July 2029	0	0	0	0	0	0	0	0	0	0
July 2030	0	0	0	0	0	0	0	0	0	0
July 2031	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	12.9	3.9	2.5	2.1	1.3	10.0	10.0	9.3	8.3	5.3

\* Indicates an outstanding balance greater than 0% and less than 0.5% of the original principal balance.  
\*\* Determined as specified under "Weighted Average Lives of the Certificates" herein.  
† In the case of a Notional Class, the Decrement Table indicates the percentage of the original notional principal balance outstanding.

## 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 will be designated as “regular interests” 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 interests in a REMIC” for domestic building and loan associations, as “real estate assets” for real estate investment trusts, and as “qualified mortgages” for other REMICs. See “Certain Federal Income Tax Consequences—*REMIC Election and Special Tax Attributes*” in the REMIC Prospectus.

Under the Regulations, a REMIC may issue its regular and residual interests over any ten-day period and designate any of those ten days as the REMIC’s startup day. Fannie Mae intends to designate July 30, 2001 as the startup day for the REMIC constituted by the Trust. The Regulations provide that, where a REMIC so designates its startup day, all interests in the REMIC are treated as issued on that day. However, the Regulations do not address the consequences to a beneficial owner that acquires a Group 3 Class before the startup day of the REMIC constituted by the Trust, and you should consult your own tax advisors in this regard.

### Taxation of Beneficial Owners of Regular Certificates

The Notional Classes and the Accrual Class will be issued with original issue discount (“OID”), and certain other Classes of REMIC Certificates may be issued with 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 of 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 Assumption that will be used in determining the rate of accrual of OID will be 188% PSA. 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 that rate 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 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 C, IO and VA Classes are Combination RCR Classes. 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. Such 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 Salomon Smith Barney Inc. (the “Dealer”) in exchange for the MBS. 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 Classes in addition to those contemplated as of the date of this prospectus supplement. In this event, we will increase the MBS in principal balance, but we expect that all these additional MBS will have the same characteristics as described under “Description of the Certificates—The MBS.” The proportion that the original principal balance of each Class bears to the aggregate original principal balance of all Classes, will remain the same.

### **LEGAL MATTERS**

Sidley Austin Brown & Wood LLP will provide legal representation for Fannie Mae. Cleary, Gottlieb, Steen & Hamilton will provide legal representation for the Dealer.

Available Recombinations (1)

REMIC Certificates		RCR Certificates						
Classes	Original Principal or Notional Principal Balances	RCR Class	Original Principal or Notional Principal Balances	Interest Rate	Interest Type (2)	Principal Type (2)	CUSIP Number	Maturity Date
<b>Recombination 1</b>								
CB	\$18,000,000	C	\$44,700,000	6.500%	FIX	SEQ	313920JM3	May 2029
CD	\$26,700,000							
<b>Recombination 2</b>								
CB	\$18,000,000	CF	\$43,044,444	6.750%	FIX	SEQ	313920JN1	May 2029
CD	\$26,700,000	PO	\$ 1,655,556	(4)	PO	SEQ	313920JR2	May 2029
<b>Recombination 3</b>								
CB	\$18,000,000	CG	\$42,261,818	6.875%	FIX	SEQ	313920JP6	May 2029
CD	\$26,700,000	PO	\$ 2,438,182	(4)	PO	SEQ	313920JR2	May 2029
<b>Recombination 4</b>								
CB	\$18,000,000	CH	\$41,507,142	7.000%	FIX	SEQ	313920JQ4	May 2029
CD	\$26,700,000	PO	\$ 3,192,858	(4)	PO	SEQ	313920JR2	May 2029
<b>Recombination 5</b>								
AI	\$ 1,923,077 (3)	IO	\$ 9,323,077 (3)	6.500%	FIX/IO	NTL	313920JS0	August 2028
BI	\$ 7,400,000 (3)							
<b>Recombination 6</b>								
VB	\$10,000,000	VA	\$31,652,330	6.500%	FIX	SEQ/AD	313920JT8	July 2018
VC	\$21,652,330							

(1) REMIC Certificates and RCR Certificates in any Recombination may be exchanged only in the proportions shown above.  
(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.  
(4) Principal Only Class.

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.

**\$236,952,330**



**Guaranteed REMIC  
Pass-Through Certificates**

**Fannie Mae REMIC Trust 2001-38  
(Group 3 Classes Only)**

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**Salomon Smith Barney**

**Prospectus Supplement  
June 27, 2001**