Prospectus Supplement
(To REMIC Prospectus dated September 18, 1998)

$1,120,261,187 (Approximate)

FannieMae®

Guaranteed Pass-Through Certificates
Fannie Mae Trust 2001-79

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

- underlying RCR and REMIC certificates backed by Fannie Mae MBS,
- Fannie Mae Stripped MBS,
- Fannie Mae MBS,
- one group of single-family, fixed-rate mortgage loans insured by the FHA or partially guaranteed by the VA, and having the characteristics described in this prospectus supplement, and
- a separate non-interest bearing cash deposit of $999.99.

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

Class	*Group*	*Original Class Balance(1)*	*Principal Type*	*Interest Rate*	*Interest Type*	*CUSIP Number*	*Final Distribution Date*
HA	1	$103,548,446	SC/PT	6.50%	FIX	31392BLY0	December 2031
HO	1	2,706,904	SC/PT	(2)	PO	31392BLZ7	November 2031
FJ(3)	2	250,000,000	PT	(4)	FLT	31392BMA1	November 2031
SJ(3)	2	250,000,000(5)	NTL	(4)	INV/IO	31392BMB9	November 2031
SK(3)	2	250,000,000(5)	NTL	(4)	INV/IO	31392BMC7	November 2031
SU(3)	2	250,000,000(5)	NTL	(4)	INV/IO	31392BMD5	November 2031
CA	3	74,536,133	SC/SEQ	6.00	FIX	31392BME3	March 2030
CB	3	33,494,000	SC/SEQ	6.00	FIX	31392BMF0	March 2030
LD(3)	4	154,069,000	SEQ	5.75	FIX	31392BMG8	December 2029
IL(3)	4	6,419,542(5)	NTL	6.00	FIX/IO	31392BMH6	December 2029
LC(3)	4	12,931,000	SEQ	6.00	FIX	31392BMJ2	October 2030
LL(6)	4	31,680,000(7)	SEQ/RTL	6.25	FIX	31392BMK9	January 2032
LP	4	1,320,000	SEQ	(2)	PO	31392BML7	January 2032
BA	5	443,552,095	PT	7.00	FIX	31392BMM5	(8)
BI	5	455,975,704(5)	NTL	(9)	WAC/IO	31392BMN3	(8)
BP	5	12,423,609	PT	(2)	PO	31392BMP8	(8)
R	(10)	0	NPR	0	NPR	31392BMQ6	January 2032
RL	(10)	0	NPR	0	NPR	31392BMS2	January 2032
RM	2	0	NPR	0	NPR	31392BMR4	January 2032

(1) Approximate. May vary by plus or minus 5%.
(2) Principal only classes.
(3) Exchangeable classes.
(4) Based on LIBOR.
(5) Notional balances. These classes are interest only classes.
(6) The LL Class is a retail class.
(7) The retail certificates are offered in $1,000 increments.
(8) The assumed maturity date for the Group 5 Classes is March 2035. However, we will **not** guarantee payment in full of the principal balances of the Group 5 Classes on their assumed maturity date. We will guarantee payment in full of the principal balances of the Group 5 Classes on their Final Distribution Date of March 2045.
(9) The BI Class will bear interest as described in this prospectus supplement.
(10) The R and RL Classes relate to Groups 1, 3 and 4.

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 F, S, LA and LB Classes are the RCR classes, as further described in this prospectus supplement.

Bear, Stearns & Co. Inc. will offer the certificates (other than the retail certificates) from time to time in negotiated transactions at varying prices. In addition, Edward D. Jones & Co., L.P. will offer the retail certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be December 28, 2001.

Carefully consider the risk factors starting on page S-10 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.

Prospective investors in the LL Class and all other classes should consider carefully whether such an investment is appropriate for their investment objectives.

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.

Bear, Stearns & Co. Inc. **Edward D. Jones & Co., L.P.**

November 19, 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''):

- if you are purchasing Group 1, Group 2, Group 3 or Group 4 Classes or the R, RL or RM Class, our Prospectus for Fannie Mae Guaranteed REMIC Pass-Through Certificates dated September 18, 1998 (the ''REMIC Prospectus'');

- if you are purchasing Group 1, Group 2, Group 3 or Group 4 Classes or the R, RL or RM Class, our Prospectus for Fannie Mae Guaranteed Mortgage Pass-Through Certificates dated October 1, 1999 (the ''MBS Prospectus'');

- if you are purchasing Group 2 Classes or the RM Class, our Prospectus for Fannie Mae Stripped Mortgage-Backed Securities dated March 30, 2000 (the ''SMBS Prospectus'');

- if you are purchasing Group 1 or Group 3 Classes or the R or RL Class, the disclosure documents relating to the applicable underlying RCR and REMIC certificates (the ''Underlying REMIC Disclosure Documents'');

- if you are purchasing Group 5 Classes, the portions of the REMIC Prospectus under the headings ''Fannie Mae,'' ''Additional Information About Fannie Mae,'' ''Risk Factors,'' and ''Description of Certificates—Class Definitions and Abbreviations,'' ''Legal Investment Considerations,'' ''Legal Opinion'' and ''ERISA Considerations;'' and

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

You can obtain copies of 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).

In addition, the Disclosure Documents, together with the class factors, are available on our website located at http://www.fanniemae.com.

You also can obtain copies of the Disclosure Documents, except the Underlying REMIC Disclosure Documents, by writing or calling the dealers at:

Bear, Stearns & Co. Inc.
Prospectus Department
One Metro Tech Center North
Brooklyn, New York 11201
(telephone 212-272-1581)

or

Edward D. Jones & Co., L.P.
201 Progress Parkway
Maryland Heights, Missouri 63043
(telephone 314-515-2000.

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-4.

The Retail Certificates (LL Class)

Description

The retail certificates represent an indirect interest in the mortgage loans underlying the related MBS. The retail certificates are guaranteed by us but are not guaranteed by, and are not a debt or obligation of, the United States.

Timing of Principal Payments

It is possible that no principal will be available for payment to holders of the retail certificates for a substantial period. Thereafter, the amount of principal available for payment to such holders is likely to fluctuate, and may vary widely from period to period. See "Description of the Certificates—Distributions of Principal—*Principal Distribution Amount*" in this prospectus supplement.

Investment Objective

We have structured the retail certificates to provide monthly payments to individual investors for the long-term portion of their investment portfolios. You should determine, after consulting with your investment advisor, whether or not the retail certificates satisfy your individual investment objectives.

Liquidity

If you sell a retail certificate before its maturity, you may receive sales proceeds that, after taking into account transaction costs, are less than the amount originally invested. Edward D. Jones & Co., L.P. intends to make a market for the purchase and sale of the retail certificates after their initial issuance, but is not obligated to do so. We cannot be sure that a market for resale of the retail certificates will develop or, if it develops, that it will continue.

Federal Income Taxes

Interest on the retail certificates will be taxed in the year it is earned, which may not be the year it is paid. Annually, relevant federal income tax information for the preceding calendar year will be mailed to investors who owned retail certificates during that year, as required by the Internal Revenue Service. You should be aware, however, that this information need not be furnished before March 15 of any calendar year following a calendar year in which income accrues on a retail certificate.

Maturity

Unlike many other fixed income securities, the retail certificates do not have fixed principal redemption schedules or fixed principal distribution dates. The timing of principal payments may vary considerably based upon a number of factors, including changes in prevailing interest rates. If prevailing interest rates decrease, principal payments on the retail certificates may accelerate due to increased mortgage loan prepayments, and any reinvestment of those payments might be at such lower prevailing interest rates. Conversely, if prevailing interest rates increase, principal payments on the retail certificates may slow down due to decreased mortgage loan prepayments, and you might not be able to reinvest your principal at such higher prevailing interest rates. In such case, the market value of your retail certificates is likely to have declined.

Assets Underlying Each Group of Classes

Group	Assets
1	Class 2001-70-JE REMIC Certificate
	Class 2001-50-KQ RCR Certificate
	Class 2001-50-UE RCR Certificate
2	Group 2 SMBS
3	Class 2001-72-AT RCR Certificate
4	Group 4 MBS
5	Group 5 Mortgage Loans

Characteristics of the Group 1 and Group 3 Underlying RCR and REMIC Certificates

Exhibit B describes the Group 1 and Group 3 Underlying RCR and REMIC Certificates, including certain information about the related mortgage loans. To learn more about the Group 1 and Group 3 Underlying RCR and REMIC Certificates, you should obtain from us the current class factors and the disclosure documents for these Underlying RCR and REMIC Certificates as described on page S-3.

Assumed Characteristics of the Mortgage Loans Underlying the Group 2 SMBS and the Group 4 MBS (as of December 1, 2001)

	Approximate Principal Balance	Original Term to Maturity (in months)	Approximate Weighted Average Remaining Term to Maturity (in months)	Approximate Weighted Average Loan Age (in months)	Approximate Weighted Average Coupon
Group 2 SMBS*	$250,000,000	360	354	5	6.736%
Group 4 MBS	$200,000,000	360	330	22	6.700%

* The Group 2 SMBS will represent ownership of (i) interest payments at a pass-through rate of 6.00% on an initial notional principal amount of $354,166,667 and (ii) principal payments on an initial principal amount of $250,000,000 of MBS. See "Description of the Certificates—The Group 2 SMBS" in this prospectus supplement.

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.

Certain Characteristics of the Group 5 Mortgage Loans

Each of the Group 5 Mortgage Loans was originated in accordance with the underwriting guidelines of the FHA or VA. All of the Group 5 Mortgage Loans were included in Ginnie Mae pools and subsequently repurchased after a delinquency was not cured for at least 90 days. The mortgage loans are now reperforming as and to the extent described in the section of this prospectus supplement entitled "Description of the Certificates—The Group 5 Mortgage Loans (FHA/VA Loans)."

The tables appearing in Exhibit A set forth certain summary information regarding the assumed characteristics of the Group 5 Mortgage Loans.

Class Factors

The class factors are numbers that, when multiplied by the initial principal balance or notional balance of a certificate, can be used to calculate the current principal balance or notional balance of that certificate (after taking into account principal payments in the same month). We will publish the class factors for the Group 1, Group 2, Group 3 and Group 4 Classes on or shortly after the 11th day of each month, and for the Group 5 Classes on or shortly after the 23rd day of each month.

Settlement Date

We expect to issue the certificates on December 28, 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.

Retail Class Units

The LL Class consists of retail certificates. We will issue the retail certificates in units having $1,000 denominations. Since these units cannot be divided into smaller denominations, you can purchase one or more retail class units in whole but not in part. On each distribution date, principal on the retail certificates may be paid to owners of retail class units, but only in increments of $1,000. Accordingly, certain retail class units will be paid in full on a particular distribution date, while the remaining retail class units will receive no principal payments on that date. The investors in retail class units who receive principal payments on a particular distribution date will first be selected from those investors who request them. If on any distribution date the amount of principal payable on the retail certificates exceeds the total amount of principal requested by retail investors, then remaining retail investors will be selected randomly to receive principal payments on that date in the amount of the excess.

Book-Entry and Physical Certificates

We will issue the book-entry certificates through the U.S. Federal Reserve Banks and DTC, as applicable, 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:

Fed Book-Entry	DTC Book-Entry	Physical
All Group 1, 2, 3 and 4 Classes (other than the LL Class) and the related RCR Classes	All Group 5 Classes and the LL Class)	R, RL and RM Classes

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 the available combinations of the certificates eligible for exchange and the related RCR certificates.

Interest Payments

We will make the first interest payment in January 2002 in an amount equal to approximately $5.20 with respect to each retail class unit. We will continue to pay interest in that approximate amount on each monthly distribution date on each retail class unit until it is retired.

During each interest accrual period, the fixed rate classes will bear interest at the applicable annual interest rates listed on the cover of this prospectus supplement or on Schedule 1.

During the initial interest accrual period, the BI Class will bear interest at the applicable rate as described in this prospectus supplement. During subsequent interest accrual periods, the BI Class will bear interest at the rate calculated as described in this prospectus supplement.

During the initial interest accrual period, the floating rate and inverse floating rate classes will bear interest at the initial interest rates listed below. During subsequent interest accrual periods, the floating rate and inverse floating rate classes will bear interest based on the formulas indicated below, but always subject to the specified maximum and minimum interest rates:

Class	Initial Interest Rate	Maximum Interest Rate	Minimum Interest Rate	Formula for Calculation of Interest Rate (1)
FJ	2.7025%	8.50%	0.60%	LIBOR + 60 basis points
SJ	0.0500%	0.05%	0.00%	7.9% − LIBOR
SK	0.3500%	0.35%	0.00%	7.85% − LIBOR
SU	5.3975%	7.50%	0.00%	7.5% − LIBOR
F	2.7525%	8.50%	0.65%	LIBOR + 65 basis points
S	5.7475%	7.85%	0.00%	7.85% − LIBOR

(1) We will establish LIBOR on the basis of the "BBA Method."

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	
SJ	100% of the FJ Class
SK	100% of the FJ Class
SU	100% of the FJ Class
S	100% of the FJ Class
IL	4.1666666667% of the LD Class
BI	100% of the Group 5 Mortgage Loans

Distributions of Principal

Group 1 Principal Distribution Amount

The portion of the Group 1 Principal Distribution Amount attributable to the Class 2001-50-KQ RCR Certificate and the Class 2001-70-JE REMIC Certificate to the HA Class to zero.

The portion of the Group 1 Principal Distribution Amount attributable to the Class 2001-50-UE RCR Certificate to the HA and HO Classes, in the proportion of 92.3076918705% and 7.6923081295%, respectively, to zero.

Group 2 Principal Distribution Amount

To the FJ Class to zero.

Group 3 Principal Distribution Amount

To the CA and CB Classes, in that order, to zero.

Group 4 Principal Distribution Amount

A. Beginning in January 2005, on each Distribution Date, up to $33,000 as principal of the LL and LP Classes, pro rata, to zero.

B. Beginning in January 2002, on each Distribution Date the amount remaining after giving effect to clause A above as follows:

first, to the LD and LC Classes, in that order, to zero; and

second, to the LL and LP Classes, pro rata, to zero.

Group 5 Principal Distribution Amount

The Non-Discount Principal Distribution Amount and Non-PO Principal Distribution Amount to the BA Class to zero.

The PO Principal Distribution Amount to the BP Class to zero.

For a description of the Non-Discount Principal Distribution Amount, the Non-PO Principal Distribution Amount, and the PO Principal Distribution Amount, see "Description of the Certificates—Certain Definitions Relating to Payments on the Group 5 Classes" in this prospectus supplement.

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)*

	PSA Prepayment Assumption				
Group 1 Classes	**0%**	**100%**	**287%**	**400%**	**600%**
HA	20.9	18.0	2.6	1.6	1.1
HO	27.5	20.7	2.2	1.5	1.0

	PSA Prepayment Assumption				
Group 2 Classes	**0%**	**100%**	**226%**	**400%**	**600%**
FJ, SJ, SK, SU, F and S	20.7	11.2	6.8	4.3	3.0

	PSA Prepayment Assumption				
Group 3 Classes	**0%**	**100%**	**243%**	**400%**	**600%**
CA	16.0	5.4	2.8	1.9	1.4
CB	26.3	15.4	8.1	5.2	3.6

	PSA Prepayment Assumption				
Group 4 Classes	**0%**	**100%**	**226%**	**400%**	**600%**
LD, IL and LB	19.2	7.2	3.6	2.1	1.3
LC	28.3	18.8	10.4	5.8	3.7
LL** and LP	25.2	21.2	15.3	9.5	6.2
LA	19.9	8.1	4.2	2.4	1.5

	CPR Prepayment Assumption				
Group 5 Classes	**0%**	**5%**	**15%**	**25%**	**40%**
BA	17.4	11.0	5.4	3.3	1.9
BI	17.4	11.0	5.4	3.3	1.9
BP	16.8	10.7	5.4	3.3	1.9

* Determined as specified under "Description of the Certificates—Weighted Average Lives of the Certificates" in this prospectus supplement. Prepayments will not occur at any assumed rate shown or any other constant rate, and the actual weighted average lives of the certificates are likely to differ from those shown, perhaps significantly.

** The weighted average lives shown in the table apply to the entire retail class as a whole and are not likely to reflect the experience of any particular investor in the class of retail certificates. Because investors will receive principal payments subject to the distribution priorities and allocations as described under "Description of the Certificates—Characteristics of the Retail Certificates—*Retail Principal Payments*" in this prospectus supplement, the weighted average lives of retail class units will vary among individual investors. See "Description of the Certificates—Characteristics of the Retail Certificates—*Certain Principal Payment Considerations*" 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 related 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 related underlying mortgage loans, including scheduled amortization payments, balloon payments or prepayments. Because borrowers generally may prepay their mortgage loans at any time without penalty, the rate of principal payments on the underlying 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.

The rate of prepayment of the Group 5 Mortgage Loans will be affected by additional FHA and VA considerations. In addition to the factors described above, the rates of prepayment of the Group 5 Mortgage Loans are likely to vary considerably from time to time as a result of the liquidation of foreclosed mortgage loans and the receipt of FHA insurance payments and VA guarantee payments, as well as because borrowers generally may prepay their loans at any time without penalty. Prepayment rates also may be influenced by changes in FHA or VA program guidelines. In general the FHA and VA mortgage loans may be assumed by creditworthy purchasers of mortgaged properties from the original borrowers. In this manner, property sales by borrowers can affect the rate of prepayment.

Payments on the Group 1 Classes also will be affected by the payment priorities governing the Group 1 Underlying REMIC Certificates. If you invest in the Group 1 Classes, the rate at which you receive payments also will be affected by the priority sequences governing principal payments on the Group 1 Underlying REMIC Certificates.

As described in the related disclosure documents, the Group 1 Underlying REMIC Certificates are subsequent in payment priority to certain other classes issued from the related underlying REMIC trust. As a result, those other classes may receive principal before principal is paid on the Group 1 Underlying REMIC Certificates, possibly for long periods.

In particular, the Group 1 Underlying REMIC Certificates are Support classes. A Support class is entitled to receive principal payments on any distribution date only if scheduled payments have been made on other securities in the related underlying REMIC trust. Accordingly, a Support class may receive no principal payments for extended periods or may receive principal payments that vary widely from period to period.

In addition, one of the Group 1 Underlying REMIC Certificates is also part of a group that has a principal balance schedule. As a result, that certificate may receive principal payments at a rate faster or slower than would otherwise have been the case. In some cases, it may receive no principal payments for extended periods. Prepayments on the related mortgage loans may have occurred at a rate faster or slower than the rate initially assumed. This prospectus supplement contains no information as to whether

- the related group has adhered to its principal balance schedule,
- any related Support classes remain outstanding, or
- the applicable Group 1 Underlying REMIC Certificate otherwise has performed as originally anticipated.

Finally, two of the Group 1 Underlying REMIC Certificates are Non-Sticky Jump classes. The weighted average lives of Non-Sticky Jump classes may be extremely sensitive to the rate of principal payments, including prepayments, of the related mortgage loans. This sensitivity to prepayments is not necessarily proportional to the changes in prepayment rates. In some scenarios, small changes in prepayment rates of the related mortgage loans may have a dramatic effect on the weighted average lives of Non-Sticky Jump classes.

You may obtain additional information about the Group 1 Underlying REMIC Certificates by reviewing their current class factors in light of other information available in the related disclosure documents. You may obtain those documents from us as described on page S-4.

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.

In addition, if you buy certificates of the BI Class and a disproportionately high rate of prepayments occurs on Group 5 Mortgage Loans with interest rates higher than the rate paid on the BI Class, the yield on your certificates will decrease and may be lower than you expect.

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 Group 5 Mortgage Loans and the mortgage loans underlying the Group 2 SMBS and the Group 4 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 related classes of certificates.

The weighted average lives of the Group 5 Classes may be extended if the servicer takes certain actions. The servicer has the right under certain circumstances to recast the amortization schedule (based on a 30-year term) and/or extend the scheduled date of final payment on Group 5 Mortgage Loans (but not beyond March 2045). To the extent that the servicer recasts the amortization schedule or extends the term of a Group 5 Mortgage Loan, the weighted average lives of the Group 5 Classes could be extended.

Exercise of the optional clean-up calls on the Group 5 Mortgage Loans will result in the prepayment in full of the Group 5 Classes. Once the aggregate principal balance of the Group 5 Mortgage Loans is reduced to 5% or less of their aggregate balance as of the Issue Date, the servicer may purchase all the remaining Group 5 Mortgage Loans. If the servicer does not purchase the Group 5 Mortgage Loans, Fannie Mae may do so. If the Group 5 Mortgage Loans are purchased in this way, it would have the same effect as a prepayment in full of all the Group 5 Mortgage Loans.

Repurchases of delinquent Group 5 Mortgage Loans will have the same effect as borrower prepayments. Under the circumstances described in this prospectus supplement, the Servicer will be required to repurchase from the trust delinquent Group 5 Mortgage Loans. A repurchase of loans will have the same effect on the Group 5 Classes as borrower prepayments of those loans.

Repurchases of modified Group 5 Mortgage Loans will have the same effect as borrower prepayments. Under the circumstances described in this prospectus supplement, the Servicer may elect to repurchase from the trust any Group 5 Mortgage Loans whose interest rate has been reduced. In addition, if the Servicer modifies any Group 5 Mortgage Loan that is 120 or more days "contractually delinquent" as of December 1, 2001, it must repurchase that loan from the trust. Further, under certain limited circumstances, we have the option to repurchase from the trust any Group 5 Mortgage Loan whose interest rate has been reduced. A repurchase of Group 5 Mortgage Loans will have the same effect on the Group 5 Classes as borrower prepayments of those loans.

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 of this prospectus supplement. If you assume that the actual final payment will occur on the final distribution date specified, your yield could be lower than you expect.

Level of floating rate index affects yields on certain certificates. The yield on any floating rate or inverse floating rate certificate will be affected by the level of its interest rate index. If the level of the index differs from the level you expect, then your actual yield may be lower than you expect.

Delay classes have lower yields and market values. Since certain 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.

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 obtain 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.

Additional Risk Factors Affecting the Retail Certificates

Timing of honoring requests for principal payments on the retail certificates cannot be predicted. Owners of retail certificates may request payments of principal, but several factors affect the timing of honoring these requests.

- Principal payments on the class of retail certificates will be affected by the timing of principal payments on the Group 4 MBS.
- Principal payments on the retail certificates will also be affected by the payment priorities governing the Group 4 Classes, including the class of retail certificates. As a result, the class of retail certificates is likely to receive no principal payments for an extended period and thereafter may receive principal payments that vary widely from period to period.
- Other owners of retail certificates might be entitled to earlier principal payments because they submitted earlier requests.
- Requests submitted on behalf of deceased owners of retail certificates are honored in substantially greater amounts than requests submitted by living owners.

We cannot provide any assurance about whether or when any request for principal payment will be honored.

Retail certificates may not be appropriate for all investors. If you require a principal payment on a specific date or a predictable stream of principal payments, the retail certificates are not an appropriate investment for you.

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 that term in the applicable Disclosure Document or in the Trust Agreement.

General

Structure. We will create the Fannie Mae Trust specified on the cover of this prospectus supplement (the "Trust") and two separate trusts ("REMIC Trust 1" and "REMIC Trust 2," and collectively, the "REMIC Trusts") pursuant to a trust agreement dated as of December 1, 2001 (the "Issue Date"). We will issue the Guaranteed Pass-Through Certificates (the "Trust Certificates") pursuant to that trust agreement. We will issue the Combinable and Recombinable Certificates (the "RCR Certificates" and, together with the Trust Certificates, the "Certificates") pursuant to a separate trust agreement dated as of the Issue Date (together with the trust agreement relating to the Trust 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 Trust Certificates and RCR Certificates.

The assets of the Trust will consist of

- two groups of previously issued RCR and REMIC certificates (the "Group 1 Underlying REMIC Certificates" and the "Group 3 Underlying RCR Certificate" and, together, the "Underlying REMIC Certificates") evidencing beneficial ownership interests in the related Fannie Mae REMIC trusts (the "Underlying REMIC Trusts") as further described in Exhibit B,
- certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the "Group 4 MBS"), and
- certain fixed-rate mortgage loans that are insured by the Federal Housing Administration ("FHA") or partially guaranteed by the U.S. Department of Veterans Affairs ("VA"), all of which have been repurchased from Ginnie Mae pools as a result of past delinquency (the "Group 5 Mortgage Loans").

The assets of REMIC Trust 2 will consist of certain Fannie Mae Stripped Mortgage-Backed Securities (the "Group 2 SMBS").

The Group 2 SMBS represent beneficial ownership interests in certain interest and principal distributions on certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (together with the Group 4 MBS and the Fannie Mae Guaranteed Mortgage Pass-Through Certificates underlying the Underlying REMIC Certificates, the "MBS"). The assets of the Underlying REMIC Trusts evidence beneficial ownership interests in certain 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 having the characteristics described in this prospectus supplement.

- The assets of REMIC Trust 1 will consist of the Lower Tier Regular Interests (defined below) and a separate non-interest bearing cash deposit of $999.99 relating to the Retail Class (the "Retail Cash Deposit").
- The assets of REMIC Trust 2 will consist of the Group 2 SMBS.
- The assets of the Lower Tier REMIC (defined below) will consist of the Group 4 MBS and the Underlying REMIC Certificates. The Lower Tier REMIC will not include the Group 5 Mortgage Loans.

We will designate REMIC Trust 1, REMIC Trust 2 and a portion of the Trust (the "Lower Tier REMIC") as "real estate mortgage investment conduits" (each, a "REMIC") under the Internal Revenue Code of 1986, as amended (the "Code").

- The Group 1, Group 3 and Group 4 Classes will be the "regular interests" in REMIC Trust 1.
- The R Class will be the "residual interest" in REMIC Trust 1.
- The Group 2 Classes will be the "regular interests" in REMIC Trust 2.
- The RM Class will be the "residual interest" in REMIC Trust 2.

- The interests in the Lower Tier REMIC other than the RL Class (the "Lower Tier Regular Interests") will be the "regular interests" in the Lower Tier REMIC.
- The RL Class will be the "residual interest" in the Lower Tier REMIC.

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 no later than its Final Distribution Date, whether or not we have received sufficient payments on the related MBS or on the Group 5 Mortgage Loans.

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 Underlying REMIC Certificates are described in the related Underlying REMIC Disclosure Documents.

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, "The SMBS Certificates—Fannie Mae Obligations" in the SMBS Prospectus, and "Description of the Certificates—General—Fannie Mae Guaranty" in the Underlying REMIC Disclosure Documents.

Our guaranty will *not* cover the receipt of amounts due to Holders of the BA Class under the Yield Maintenance Contract as described under the heading "Additional Trust Agreement Provisions Relating to the Group 5 Classes—Repurchase of Group 5 Mortgage Loans by Servicer Following Mortgage Modifications—*Yield Maintenance Contract*" in this prospectus supplement.

Characteristics of Certificates. We will issue the Certificates of the Group 1, Group 2, Group 3, and Group 4 Classes (other than the LL Class) and the related RCR Classes in book-entry form on the book-entry system of the U.S. Federal Reserve Banks (the "Fed Book-Entry Certificates"). Entities whose names appear on the book-entry records of a Federal Reserve Bank as having had Fed Book-Entry Certificates deposited in their accounts are "Holders" or "Certificateholders."

The Group 5 Classes and the LL Class will be represented by one or more certificates (the "DTC Certificates") to be registered at all times in the name of the nominee of The Depository Trust Company ("DTC"), a New York-chartered limited purpose trust company, or any successor depository selected or approved by Fannie Mae. We refer to the nominee of DTC as the "Holder" or "Certificateholder" of the DTC Certificates. DTC will maintain the DTC Certificates through its book-entry facilities.

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.

We will issue the R, RL and RM Certificates in fully registered, certificated form. The "Holder" or "Certificateholder" of the R, RL or RM Certificate is its registered owner. The R, RL or RM 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, RL or RM Certificate and may require payment to cover any tax or other governmental charge. See also "—Characteristics of the R, RL and RM Classes" below.

The Holders of the R and RM Classes will receive the proceeds of any remaining assets of REMIC Trust 1 and REMIC Trust 2, respectively, and the Holder of the RL Class will receive the proceeds of any remaining assets of the Lower Tier REMIC, in each case only by presenting and surrendering the related 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 LL, R, RL and RM Classes, in minimum denominations of $1,000 and whole dollar increments. We will issue the Class of Retail Certificates in an integral number of units (the "Retail Class Units"), each of which will be issued in a denomination of $1,000. We will issue the R, RL and RM Classes as single Certificates with no principal balances.

Distribution Date. We will make monthly payments on the Certificates on the 25th day of each month (or, if the 25th day is not a business day, on the first business day after the 25th). We refer to each such date as a "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 in the case of the Group 1, Group 2, Group 3 and Group 4 Classes, and on or shortly after the 23rd calendar day of each month in the case of the Group 5 Classes, we will publish a factor (carried to eight decimal places) for each related Class of Certificates.

- When the applicable class factor is multiplied by the original principal balance (or notional principal balance) of a Certificate of any Class other than the Retail 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 Classes).

- When the applicable class factor is multiplied by the original aggregate principal balance of the Retail Class, the product will equal the current aggregate principal balance of the Retail Class after taking into account payments on the Distribution Date in the same month. As a result, the factor for the Retail Class will reflect the reduction in aggregate principal balance of the Class taken as a whole, and will not reflect the reduction in principal balance of the Retail Certificates owned by any particular investor. For purposes of determining the factor for the Retail Class, we will disregard any rounding of the principal payment on the Retail Class.

Optional Repurchases of the Group 5 Mortgage Loans. Either the Servicer (defined below) or we may purchase the Group 5 Mortgage Loans from the Trust under the circumstances described in this prospectus supplement under "Additional Trust Agreement Provisions Relating to the Group 5 Classes—Termination."

Optional Termination of the REMICs. We will not terminate REMIC Trust 1, REMIC Trust 2 or the Lower Tier REMIC 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.

Termination of the Lower Tier REMIC and REMIC Trust 1 will result in a final payment on the Group 1, Group 3 and Group 4 Classes and the R and RL Classes. Termination of REMIC Trust 2 will result in a final payment on the Group 2 Classes and the RM Class. See "Description of Certificates—Termination" in the MBS Prospectus.

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

Characteristics of the Retail Certificates

General

The LL Class will consist of Retail Certificates. The Class of Retail Certificates will be represented by one certificate to be registered at all times in the name of the nominee of DTC or any successor or depository selected or approved by us (the "Depository"). We refer to the nominee of the Depository as the "Holder" or "Certificateholder" of the Retail Certificates. The Depository will maintain the Class of Retail Certificates in even $1,000 increments through its book-entry facilities. For purposes of calculating principal payments, each Retail Class Unit will have the initial principal balance shown below:

Class	Initial Principal Balance Per Unit	Number of Retail Class Units
LL	$1,000	31,680

Under its normal procedures, the Depository will record the amount of Retail Certificates held by each firm which participates in the book-entry system of the Depository (each, a "Depository Participant"), whether held for its own account or on behalf of another person. Initially, State Street will act as paying agent for the Retail Certificates. State Street will also perform certain administrative functions in connection with the Retail Certificates.

A "beneficial owner" or an "investor" is anyone who acquires a beneficial ownership interest in the Retail Certificates. As an investor, you will not receive a physical certificate. Instead, your interest will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (a "financial intermediary") that maintains an account for you. In turn, the record ownership of the financial intermediary that holds your Retail Class Units will be recorded by the Depository. If the intermediary is not a Depository Participant, the record ownership of the intermediary will be recorded by a Depository Participant acting on its behalf. Therefore, you must rely on these various arrangements to record your ownership of the Retail Certificates and to relay the distributions to your account. You may transfer your beneficial ownership interest in the Retail Certificates only under the procedures of your financial intermediary and of Depository Participants. In general, ownership of Retail Certificates will be subject to the prevailing rules, regulations and procedures governing the Depository and Depository Participants.

Method of Payment

State Street will direct payments on the Retail Certificates to the Depository in immediately available funds. In turn, the Depository will credit the payments to the accounts of the appropriate Depository Participants, in accordance with the Depository's procedures. These procedures currently provide for payments made in same-day funds to be settled through the New York Clearing House. Depository Participants and financial intermediaries will direct the payments to the investors in Retail Certificates that they represent.

Retail Interest Payments

We will pay interest on the Retail Certificates on each Distribution Date equal in an amount to one month's interest at the annual interest rate of 6.25% accrued on their outstanding principal balances immediately before that Distribution Date. See "—Distributions of Interest" below.

Retail Principal Payments

General. We will pay principal on the Retail Class on any Distribution Date (each, a "Retail Principal Payment") in increments of $1,000, based on the priorities and limitations described in this prospectus supplement. Either State Street or the Depository will determine the portion of the Retail Principal Payment to be paid to particular Retail Class Units held for the account of Depository Participants. Financial intermediaries and Depository Participants will in turn determine the portion of the Retail Principal Payment to be paid to particular Retail Class Units held for the account of each investor that they represent.

Rounding of Retail Principal Payments. On each Distribution Date when principal is to be paid on the Retail Certificates (as described below under "—Distributions of Principal"), the payment amount will be rounded to the nearest $1,000 increment. When we first make a Retail Principal Payment, we will round that payment upward to the nearest $1,000 by withdrawing from the Retail Cash Deposit the necessary amount. After the initial Retail Principal Payment, we will apply the amount available as principal of the Retail Class, first, to replenish the Retail Cash Deposit and, second, as a Retail Principal Payment (rounded to the nearest $1,000).

We will repeat this procedure on each Distribution Date until the principal balance of the Retail Class is reduced to zero. On any Distribution Date, the Retail Principal Payment may be slightly more or less than it would be in the absence of rounding, but any such difference will never exceed $999.99. The total amount of all Retail Principal Payments made through any Distribution Date will never be *less* than it would have been in the absence of rounding.

Retail Principal Payment Requests. As an investor, you may request that principal of your Retail Class Unit or Units be paid to you in increments of $1,000 on the earliest possible Distribution Date (each, a "Retail Principal Payment Request"). You must submit a Retail Principal Payment Request to the financial intermediary that maintains the account reflecting your interest in the Retail Class. If the financial intermediary is not a Depository Participant, it must notify the related Depository Participant of the request. The Depository Participant must then make the request to the Depository in writing, on a form that the Depository requires.

The Depository will establish procedures for determining the order in which it receives requests. When the Depository receives a request, it will date and time stamp the request and forward it to State Street. State Street will not be liable for any delay in delivery to it of Retail Principal Payment Requests or for the withdrawal of such requests.

State Street will maintain a list of Depository Participants representing investors that have submitted Retail Principal Payment Requests. The list will include the order of receipt and the amounts of such requests. State Street will notify the Depository and the applicable Depository Participants as to which requests to honor on each Distribution Date. The Depository will honor Retail Principal Payment Requests according to the procedures, and subject to the priorities and limitations, described below. Either State Street or the Depository will establish the procedures for determining such priorities and limitations. The decisions of State Street and the Depository concerning such matters will be final and binding on all affected persons.

Withdrawing a Retail Principal Payment Request. To withdraw a Retail Principal Payment Request, you must notify the financial intermediary that maintains the account reflecting your interest in the Retail Certificates. If the financial intermediary is not a Depository Participant, it must notify the related Depository Participant, which will forward the withdrawal to State Street, on a form that the Depository requires. A Retail Principal Payment Request will be considered withdrawn upon the transfer of beneficial ownership of the related Retail Certificate, but only if State Street receives notification of the withdrawal on the proper form.

The Depository can honor a Retail Principal Payment Request on any Distribution Date only if it receives the request and forwards it to State Street by the last day of the month before the month in which that Distribution Date occurs (the "Record Date"). The Depository can honor the withdrawal of a request on any Distribution Date only if the Depository Participant receives the withdrawal and forwards it to State Street by the Record Date. Priority will be given to investors on whose behalf Retail Principal Payment Requests have been duly received and not withdrawn. The Depository will honor requests in the following order of priority:

first, the Depository will honor requests on behalf of Deceased Owners (as defined below) in the order it receives them, until it has honored each such request in an initial amount up to $100,000 of original principal balance per Deceased Owner; and *second*, the Depository will honor requests on behalf of Living Owners (as defined below) in the order it receives them, until it has honored each such request in an initial amount up to $10,000 of original principal balance per Living Owner.

After that, the Depository will honor requests in the following order of priority:

- on behalf of Deceased Owners, as provided in clause *first* above, up to an additional $100,000 of original principal balance; and
- thereafter, on behalf of Living Owners as provided in clause *second* above, up to an additional $10,000 of original principal balance.

The Depository will repeat this sequence of priorities until it has honored all Retail Principal Payment Requests.

If a Retail Principal Payment Request is submitted on behalf of a Living Owner who becomes a Deceased Owner, that request takes on the priority of a newly-submitted request on behalf of a Deceased Owner. The Depository must receive appropriate evidence of death and any required tax waivers and forward these items to State Street on or before the related Record Date.

On any Distribution Date, if the Retail Principal Payment Requests exceed the aggregate amount of principal available for payment on the Retail Class, those requests will automatically be honored on later Distribution Dates, without the investor making any additional Retail Principal Payment Requests, all in accordance with State Street's procedures.

Excess Retail Principal Payment by Random Lot. On any Distribution Date, if a Retail Principal Payment exceeds the amount evidenced by the related Retail Principal Payment Requests received by State Street, the Retail Certificates in respect of which principal payments are to be made (in increments of $1,000) will be determined under the random lot procedures of the Depository and the established procedures of the Depository Participants and financial intermediaries. Accordingly, a Depository Participant or financial intermediary may choose to allot the excess portion of the Retail Principal Payment to the accounts of some investors (which could include that Depository Participant or financial intermediary) without allotting such distributions to the accounts of other investors.

Beneficial Owners. A "Deceased Owner" is a beneficial owner of Retail Certificates who was living when that interest was acquired and whose authorized representative provides the Depository with evidence of death satisfactory to State Street and any tax waivers requested by State Street. A "Living Owner" is any beneficial owner of Retail Certificates other than a Deceased Owner.

- Retail Certificates beneficially owned by tenants by the entirety, joint tenants or tenants in common ("Tenants") are considered beneficially owned by a single owner. The death of an individual Tenant will be considered the death of the beneficial owner. In the event of such a death, the Retail Certificates beneficially owned by the Tenants will be eligible for the priority in principal payment described above.
- Retail Certificates beneficially owned by a trust will be considered beneficially owned by each beneficiary of the trust. However, a trust's beneficiaries as a group will not be considered to own more than the principal amount of Retail Certificates owned by the related trust.
- The death of a beneficiary of a trust will be considered the death of a beneficial owner of a share of the related Retail Certificates which corresponds to that beneficiary's interest in the trust.
- The death of a Tenant in a tenancy which is the beneficiary of a trust will be considered the death of the beneficiary of the trust.
- The death of a person who had been entitled to substantially all of the beneficial ownership interests in any Retail Certificates will be considered the death of the beneficial owner of those Retail Certificates, regardless of the owner identified in the relevant records, if that beneficial interest can be established to State Street's satisfaction.

Beneficial interests are considered to exist in the case of street name or nominee ownership, ownership by a trustee, ownership under the Uniform Gifts to Minors Act and community property or other joint ownership arrangements between spouses. Beneficial interest will include the power to sell, transfer or otherwise dispose of Retail Certificates and the right to receive the related proceeds, as well as interest and principal payments on the Retail Certificates.

Tax Information. As required by federal law, we will provide to Depository Participants and financial intermediaries information that will allow beneficial owners of the Retail Certificates to calculate properly the taxable income attributable to the Retail Certificates. Financial intermediaries, in turn, will be obligated to supply such information to individuals and other beneficial owners who are not "exempt recipients." Beneficial owners should be aware, however, that such information need not be furnished before March 15 of any calendar year following a calendar year in which income accrues on a Retail Certificate. The Retail Certificates may be issued with "original issue discount" or at a premium for federal income tax purposes. **You should be aware that the beneficial owners of Retail Certificates must include in gross income original issue discount, if any, as it accrues under a method that generally results in recognition of some taxable income in advance of receipt of the cash attributable to such income.** You also should be aware that beneficial owners of Retail Certificates should treat any premium, any original issue discount and any market discount with respect to such Certificates in the same manner as beneficial owners of other "regular interests" in a REMIC. See "Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Regular Certificates*" in the REMIC Prospectus. Because the Retail Certificates will not receive payments of principal on a pro rata basis, however, a payment in full of a Retail Certificate may be treated as a prepayment for purposes of the premium, original issue discount and market discount rules. Additional tax consequences affecting beneficial owners of the Retail Certificates are discussed under "Certain Additional Federal Income Tax Consequences—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.

Certain Principal Payment Considerations

The Retail Class may receive no principal at all for a significant period. Thereafter, the rate of principal payments may vary so that the Retail Class may receive little or no principal on any particular Distribution Date. Principal payments on the Retail Class will be affected by, among other things, the payment priorities governing the Group 4 Classes. Accordingly, **we cannot assure you that a Retail Principal Payment Request will be honored, either in whole or in part, within any particular period after it is submitted.** In addition, the timing for honoring a Retail Principal Payment Request will also be affected by the aggregate principal balance of the Retail Certificates beneficially owned by persons having priority to right of payment, either:

- due to their status as Deceased Owners, or
- because they submitted their Retail Principal Payment Requests earlier.

By contrast, the amount of principal available for payment to the Retail Class on any Distribution Date may exceed the amount necessary to satisfy the Retail Principal Payment Requests. In that event, you may receive principal payments under the random lot procedures referred to in this prospectus supplement even if you did not request a payment.

If prevailing interest rates are higher than the interest rate on the Retail Certificates, more investors are likely to submit Retail Principal Payment Requests. Under those circumstances, however, there may be a slower rate of prepayments on the Mortgage Loans. That slower rate would reduce the funds available for the Retail Principal Payments. By contrast, Retail Principal Payments may be greater when prevailing interest rates decline relative to the interest rates on the Mortgage Loans. In that event, investors are less likely to submit Retail Principal Payment Requests, but mortgagors are more likely to prepay the Mortgage Loans. If your Retail Certificates are selected for payment under those conditions, you may be unable to reinvest the amounts you receive at effective interest rates equal to the interest rate on the Retail Certificates.

The rate of Retail Principal Payments depends on the rate of principal payments (including prepayments) on the Mortgage Loans. Accordingly, we cannot predict:

- the rate at which the payments will continue after they begin, or
- the date on which the principal balance of the Retail Class will be paid in full.

In addition, it is possible that you might not receive Retail Principal Payments until the Final Distribution Date for the Retail Class.

The actual yield on your Retail Certificates probably will be lower than you expect:

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

See "Risk Factors—Yield Considerations" in the REMIC Prospectus and "Additional Risk Factors" in this prospectus supplement. Also see "—*Weighted Average Lives of the Retail Certificates*" and "—Distributions of Principal" below.

Weighted Average Lives of the Retail Certificates

To illustrate the effect of prepayments on principal payments to the Retail Class, the following table shows the approximate aggregate principal payments to the Retail Class during the periods specified. The following table shows the amounts that would be available for principal payments at various constant percentages of PSA (as defined below under "—Structuring Assumptions—*Prepayment Assumptions*") based on the principal allocations described under "—Distributions of Principal." The amounts shown have been calculated on the basis of the Pricing Assumptions (as defined in this prospectus supplement) and on the assumption that principal payments on the Retail Certificates are not rounded to integral multiples of $1,000 and are made on the Distribution Date of each month in which those payments are required to be made. The amounts in the table:

- are hypothetical numbers only,
- apply to the Retail Class taken as a whole, and
- are presented solely to show the relationship between prepayments and principal payments on the Retail Class in order to assist investors in analyzing that relationship.

Because of the payment allocations described above and because investors in the Retail Certificates will receive principal payments in increments of $1,000, we cannot assure that you will receive a principal payment on any particular Distribution Date. You are urged to consult your own financial advisors as to the significance of prepayments in terms of your financial and investment objectives.

Aggregate Retail Principal Payments on the Retail Certificates
(for illustrative purposes only)

(Amounts in thousands)

Distribution Date	PSA Prepayment Assumption 0%	100%	226%	400%	600%
December 2002	$ 0	$ 0	$ 0	$ 0	$ 0
December 2003	0	0	0	0	0
December 2004	0	0	0	0	0
December 2005	380	380	380	380	380
December 2006	380	380	380	380	11,418
December 2007	380	380	380	380	7,409
December 2008	380	380	380	4,992	4,662
December 2009	380	380	380	6,589	2,930
December 2010	380	380	380	4,922	1,838
December 2011	380	380	380	3,671	1,151
December 2012	380	380	380	2,733	719
December 2013	380	380	2,698	2,031	448
December 2014	380	380	4,370	1,506	279
December 2015	380	380	3,713	1,114	173
December 2016	380	380	3,150	822	107
December 2017	380	380	2,667	605	66
December 2018	380	380	2,255	443	40
December 2019	380	380	1,902	324	25
December 2020	380	380	1,600	235	15
December 2021	380	380	1,343	170	9
December 2022	380	3,171	1,124	122	5
December 2023	380	3,956	937	87	3
December 2024	380	3,731	778	62	2
December 2025	380	3,521	643	43	1
December 2026	380	3,322	529	30	1
December 2027	380	3,136	432	20	0
December 2028	380	2,961	350	13	0
December 2029	380	1,418	149	5	0
December 2030	5,250	0	0	0	0
December 2031	16,926	0	0	0	0
Total*	$31,680	$31,680	$31,680	$31,680	$31,680

* Total principal payments may not equal the sums of the respective columns due to rounding.

The table above was prepared on the basis of assumptions, which are likely to differ from actual experience. We cannot assure you that:

- the Mortgage Loans will have the assumed characteristics,
- the Mortgage Loans will prepay at any of the constant rates shown in the table or at any other particular rate, or
- the amounts available for principal payments on the Retail Certificates will correspond to any of the amounts shown in this prospectus supplement.

The rates of the Retail Principal Payments will depend, in part, on the actual amortization and prepayments of the related Mortgage Loans, which will likely include Mortgage Loans that have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed. As a result, the amounts available for principal payments on the Retail Class are likely to differ from those shown in the table above even if all the Mortgage Loans prepay at the indicated constant percentages of PSA. In particular, the diverse remaining terms to maturity of the Mortgage Loans could produce lower yields than those produced by Mortgage Loans having the assumed characteristics. In addition, it is extremely unlikely that the Mortgage Loans will prepay at a constant level of PSA until maturity or that all of such Mortgage Loans will prepay at the same rate. The timing of changes in the prepayment rates may significantly affect the amount of principal payments and yield to maturity, even if the average prepayment rate is consistent with an investor's expectation. In general, the earlier the distribution of principal of the Mortgage Loans, the greater the effect on an investor's yield to maturity. As a result, the effect on your yield of principal prepayments at a rate slower (or faster) than the rate you expect during the period immediately following the issuance of the Retail Certificates will not be offset completely by a subsequent like increase (or decrease) in the prepayment rate. You are urged to consult your own financial advisors as to the appropriate prepayment assumption to be used in deciding whether to purchase any Retail Certificates.

Principal payments on the Retail Certificates also will be affected by the payment priorities governing the Group 4 Classes (including the Retail Class). As a result, the Class of Retail Certificates may receive principal payments that vary widely from period to period and, in certain cases, may receive no principal payments for extended periods.

The weighted average life of the Retail Class shown in the applicable table under "—Decrement Tables" below relates to the Class taken as a whole. As a result of the payment priorities and allocations described above, the weighted average lives of the Retail Certificates beneficially owned by individual investors may vary significantly from the weighted average life of the Retail Class as a whole. Although we guarantee payments of principal and interest on the Retail Certificates as described in this prospectus supplement, we can give no assurance as to:

- any particular principal payment scenario,
- any particular weighted average life for the Retail Certificates, or
- the date or dates on which any particular investor will receive payments of principal.

In addition, the procedures of the financial intermediaries or the Depository may change. You should understand that you are assuming all risks and benefits associated with the rate of principal payments on your Retail Certificates, whether such rate is rapid or slow, and variations in that rate from time to time. You should also consider that the effective yields to Holders of the Retail Certificates will be lower than the yields otherwise produced because principal and interest payable on a Distribution Date will not be distributed until on or after the 25th day following the end of the related Interest Accrual Period and will not bear interest during that delay.

Investment Determination

The Retail Certificates may not be an appropriate investment for you if you require a particular payment of principal on a specified date or an otherwise predictable stream of principal payments. We cannot assure you that any investor in the Retail Certificates will receive a principal payment (in integral multiples of $1,000) on any particular Distribution Date. In addition, although Edward D. Jones & Co., L.P. intends to make a secondary market in the Retail Certificates, it is not obligated to do so. Any market making by Edward D. Jones & Co., L.P. may be discontinued at any time. We cannot assure you that such a secondary market will develop, that any secondary market will continue, or that information on any secondary market will be as readily available as information regarding certain other types of investments. The price of the Retail Certificates in any secondary market will be affected by various factors. Furthermore, the volatility of the price may differ from the volatility associated with other types of investments. Finally, we cannot assure you that the price at which you may be able to sell a Retail Certificate will be the same as or higher than the price at which you purchased that Retail Certificate.

Combination and Recombination

General. You are permitted to exchange all or a portion of the FJ, SJ, SK, SU, LD, IL and LC Classes of Trust Certificates for a proportionate interest in the related Combinable and Recombinable 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 Trust 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 Trust Certificates and will receive a proportionate share of the distributions on the related Trust Certificates.

The Classes of Trust 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. Trust Certificates and RCR Certificates in any combination may only be exchanged in the proportions shown on 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 Trust Certificate or an RCR Certificate received in an exchange transaction on the Distribution Date in the following month. We will make that 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 Trust Certificates used to form those RCR Certificates. You should also consider a number of factors that will limit a Certificateholder's ability to exchange Trust 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 Trust 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.

Book-Entry Procedures

General. The Fed Book-Entry Certificates will be issued and maintained only on the book-entry system of the Federal Reserve Banks. The Fed Book-Entry Certificates may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Beneficial owners ordinarily will hold Fed Book-Entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of a Fed Book-Entry Certificate, and each other financial intermediary in the chain to the beneficial owner, will have to establish and maintain accounts for their respective customers. A beneficial owner's rights with respect to the Federal Reserve Banks and Fannie Mae may be exercised only through the Holder of such Certificate. Neither the Federal Reserve Banks nor Fannie Mae will have any direct obligation to a beneficial owner of a Fed Book-Entry Certificate that is not the Holder of that Certificate. The Federal Reserve Banks will act only upon the instructions of the Holder in recording transfers of a Fed Book-Entry Certificate. See ''Description of Certificates—Denominations and Form'' in the REMIC Prospectus.

The DTC Certificates will be registered at all times in the name of the nominee of DTC. Under its normal procedures DTC will record the amount of DTC Certificates held by each firm which participates in the book-entry system of DTC (each, a ''DTC Participant''), whether held for its own account or on behalf of another person.

A ''beneficial owner'' or an ''investor'' is anyone who acquires a beneficial ownership interest in the DTC Certificates. As an investor, you will not receive a physical certificate. Instead, your interest will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (a ''financial intermediary'') that maintains an account for you. In turn, the record ownership of the financial intermediary that holds your DTC Certificates will be recorded by DTC. If the intermediary is not a DTC Participant, the record ownership of the intermediary will be recorded by a DTC Participant acting on its behalf. Therefore, you must rely on these various arrangements to record your ownership of the DTC Certificates and to relay the payments to your account. You may transfer your beneficial ownership interest in the DTC Certificates only under the procedures of your financial intermediary and of DTC Participants. In general, ownership of DTC Certificates will be subject to the prevailing rules, regulations and procedures governing DTC and DTC Participants.

Method of Payment. Our fiscal agent for the Fed Book-Entry Certificates is the Federal Reserve Bank of New York. On each applicable Distribution Date, the Federal Reserve Banks will make payments on the Fed Book-Entry Certificates on our behalf by crediting Holders' accounts at the Federal Reserve Banks.

We will direct payments on the DTC Certificates to DTC in immediately available funds. In turn, DTC will credit the payments to the accounts of the appropriate DTC Participants, in accordance with the DTC's procedures. These procedures currently provide for payments made in same-day funds to be settled through the New York Clearing House. DTC Participants and financial intermediaries will direct the payments to the investors in DTC Certificates that they represent.

The Group 1 and Group 3 Underlying REMIC Certificates

The Group 1 and Group 3 Underlying REMIC Certificates represent beneficial ownership interests in the related Underlying REMIC Trusts. The assets of those trusts evidence beneficial ownership interests in certain MBS having the general characteristics set forth in the MBS Prospectus. Distributions on the Group 1 and Group 3 Underlying REMIC Certificates will be passed through monthly, beginning in the month after we issue the Certificates. The general characteristics of the Group 1 and Group 3 Underlying REMIC Certificates are described in the related Underlying REMIC Disclosure Documents. See Exhibit B for additional information about the Group 1 and Group 3 Underlying REMIC Certificates.

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.

For further information about the Group 1 and Group 3 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 dates we prepared the Underlying REMIC Disclosure Documents. 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 those documents may be limited.

The Group 2 SMBS

The general characteristics of the Group 2 SMBS are described in the SMBS Prospectus. The Group 2 SMBS provide that certain payments on the related MBS are passed through monthly. The general characteristics of the MBS are described 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.

The Group 2 SMBS represent ownership of:

- interest payments at a pass-through rate of 6.0% on an initial notional principal amount of $354,166,667, and
- principal payments on an initial principal amount of $250,000,000 of MBS.

We expect the characteristics of the Mortgage Loans underlying the Group 2 SMBS as of the Issue Date to be as follows:

Range of WACs (annual percentages)	6.25% to 8.50%
Range of WAMs	241 months to 360 months
Approximate Weighted Average WAM	354 months
Approximate Weighted Average WALA	5 months

The Group 4 MBS

The following table contains certain information about the Group 4 MBS. The Group 4 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 4 MBS provide that principal and interest on the related mortgage loans are passed through monthly. The mortgage loans underlying the Group 4 MBS are conventional Level Payment mortgage loans secured by first mortgages or deeds of trust on single-family residential properties. These mortgage loans 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 4 MBS and the related mortgage loans as of the Issue Date to be as follows:

Aggregate Unpaid Principal Balance	$200,000,000
MBS Pass-Through Rate	6.00%
Range of WACs (annual percentages)	6.25% to 8.50%
Range of WAMs	241 months to 360 months
Approximate Weighted Average WAM	330 months
Approximate Weighted Average WALA (Weighted Average Loan Age)	22 months

The Group 5 Mortgage Loans (FHA/VA Loans)

General

We expect that the Trust will include approximately 5,349 Group 5 Mortgage Loans having an aggregate principal balance of approximately $455,975,704 as of the Issue Date. This aggregate amount may vary by plus or minus 5%. Fannie Mae and EMC Mortgage Corporation, as seller (the "Seller") and servicer (in such capacity, together with its subservicers, the "Servicer") will be parties to a sale and servicing agreement dated as of the Issue Date (the "Sale and Servicing Agreement").

The Group 5 Mortgage Loans are first lien, single-family, fixed-rate, fully amortizing loans that are insured by the FHA or partially guaranteed by the VA. Each Group 5 Mortgage Loan is evidenced by a promissory note or similar evidence of indebtedness (a "Mortgage Note") that is secured by a first mortgage or deed of trust on a single-family residential property. Each Mortgage Note requires the borrower to make monthly payments of principal and interest. We refer to the property that secures repayment of a Group 5 Mortgage Loan as the "Mortgaged Property."

Although the Group 5 Mortgage Loans generally have terms of not more than 30 years, approximately 3.65% of them (by aggregate principal balance as of the Issue Date) have terms of more than 30 but not more than 42 years from their dates of origination.

Each Group 5 Mortgage Loan provides that the obligor on the related Mortgage Note (the "borrower") must make payments by a scheduled day of each month. This day is fixed at the time of origination. In addition, each Group 5 Mortgage Loan provides that the borrower must pay interest on the outstanding principal balance at the rate specified or described in the related Mortgage Note (the "Mortgage Interest Rate"). Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months. If a borrower makes a payment earlier or later than the scheduled due date, the amortization schedule will not change, nor will the relative application of such payment to principal and interest.

The information shown on Exhibit A summarizes certain assumed characteristics of the Group 5 Mortgage Loans as of the Issue Date. The information in the table is presented in aggregated form, on the basis of the characteristics specified in the table, and does not reflect actual or assumed characteristics of any individual Group 5 Mortgage Loan. The information in the table does not give effect to prepayments received on the Group 5 Mortgage Loans on or after the Issue Date.

Each of the Group 5 Mortgage Loans was originated in accordance with the underwriting guidelines of the FHA or VA, as the case may be, and was eligible to be included in a Ginnie Mae pool at the time of origination as permitted by Ginnie Mae's rules. All of the Group 5 Mortgage Loans were pooled with Ginnie Mae and then repurchased when the loan had a delinquency that was not cured for at least 90 days.

The table below shows the contractual delinquency of the Group 5 Mortgage Loans as of the Issue Date. A Group 5 Mortgage Loan is "contractually delinquent" as of the Issue Date if delinquencies that occurred at any time during the term of that loan have not been cured.

Contractually Delinquent	Group 5 Mortgage Loans
Less than 30 Days	19.21%
30 – 59 Days	41.95%
60 – 89 Days	17.93%
90 – 119 Days	10.46%
120 – 150 Days	10.45%

As of the Issue Date, no Group 5 Mortgage Loan was more than 150 days contractually delinquent. Neither the Servicer nor Fannie Mae has the right to repurchase a Group 5 Mortgage Loan from the Trust based upon the contractual delinquency of that loan on the Issue Date. However, if at any time the aggregate principal balance of the Group 5 Mortgage Loans which are 90 days or more delinquent ("90+ Delinquent Loans") exceeds 49.00% of the aggregate principal balance of the Group 5 Mortgage Loans taken as a whole, as applicable, the Seller is required to repurchase sufficient 90+ Delinquent Loans to cause the percentage of 90+ Delinquent Loans to be less than or equal to 49.00%.

The following tables set forth certain information, as of the Issue Date, as to the Group 5 Mortgage Loans. References to "Aggregate Principal Balance Outstanding" mean the aggregate of the Stated Principal Balances of the Group 5 Mortgage Loans as of the Issue Date. The sum of the principal balance columns in the following tables may not equal the total shown due to rounding and the sum of the percentage columns in the following tables may not equal 100% due to rounding.

Issue Date Principal Balances(1)

Issue Date Principal Balances	Number of Group 5 Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Group 5 Principal Balance
$ 1 – $ 50,000	897	$ 34,167,620	7.49%
$ 50,001 – $100,000	2,787	205,522,296	45.07
$100,001 – $150,000	1,360	163,996,688	35.97
$150,001 – $200,000	278	46,490,733	10.20
$200,001 – $250,000	25	5,256,332	1.15
$250,001 – $300,000	2	542,034	0.12
Total	5,349	$455,975,704	100.00%

(1) As of the Issue Date, the average principal balance of the Group 5 Mortgage Loans is expected to be approximately $85,245.

Mortgage Interest Rates(1)

Mortgage Interest Rates(%)	Number of Group 5 Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Group 5 Principal Balance
6.500 or Less	180	$ 16,643,096	3.65%
6.501 – 7.000	883	81,476,881	17.87
7.001 – 7.500	1,536	135,952,849	29.82
7.501 – 8.000	1,176	98,169,895	21.53
8.001 – 8.500	880	74,770,587	16.40
8.501 – 9.000	493	38,601,030	8.47
9.001 – 9.500	125	7,728,783	1.69
9.501 – 10.000	33	1,179,376	0.26
10.001 – 10.500	16	602,070	0.13
10.501 – 11.000	7	313,776	0.07
11.001 or Greater	20	537,362	0.12
Total	5,349	$455,975,704	100.00%

(1) As of the Issue Date, the weighted average Mortgage Interest Rate of the Group 5 Mortgage Loans is expected to be approximately 7.750%.

Net Mortgage Interest Rates(1)

Net Mortgage Interest Rates(%)	Number of Group 5 Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Group 5 Principal Balance
6.500 or Less	1,063	$ 98,119,977	21.52%
6.501 – 7.000	1,536	135,952,849	29.82
7.001 – 7.500	1,176	98,169,895	21.53
7.501 – 8.000	888	75,124,625	16.48
8.001 – 8.500	485	38,246,992	8.39
8.501 – 9.000	125	7,728,783	1.69
9.001 – 9.500	33	1,179,376	0.26
9.501 – 10.000	16	602,070	0.13
10.001 – 10.500	7	313,776	0.07
10.501 – 11.000	11	309,777	0.07
11.001 or Greater	9	227,586	0.05
Total	5,349	$455,975,704	100.00%

(1) As of the Issue Date, the weighted average Net Mortgage Interest Rate of the Group 5 Mortgage Loans is expected to be approximately 7.175%.

Original Terms to Stated Maturity (1)

Original Terms to Stated Maturity (Months)	Number of Group 5 Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Group 5 Principal Balance
61 – 120	2	$ 51,353	0.01%
121 – 180	140	6,483,858	1.42
181 – 240	76	5,457,677	1.20
241 – 360	4,945	427,322,279	93.72
361 – 420	147	13,892,391	3.05
421 or Greater	39	2,768,147	0.61
Total	5,349	$455,975,704	100.00%

(1) As of the Issue Date, the weighted average original term to stated maturity of the Group 5 Mortgage Loans is expected to be approximately 357 months.

Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (Months)	Number of Group 5 Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Group 5 Principal Balance
60 or Less	9	$ 137,924	0.03%
61 – 120	86	2,732,243	0.60
121 – 180	135	6,680,267	1.47
181 – 240	213	12,137,714	2.66
241 – 359	4,904	434,090,761	95.20
360 or Greater	2	196,795	0.04
Total	5,349	$455,975,704	100.00%

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 5 Mortgage Loans is expected to be approximately 316 months.

Geographic Distribution

State	Number of Group 5 Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Group 5 Principal Balance
California	479	$ 54,636,354	11.98%
Texas	485	32,831,362	7.20
Florida	402	32,798,834	7.19
Maryland	290	32,067,544	7.03
Mississippi	493	26,481,768	5.81
Georgia	262	22,048,437	4.84
Virginia	215	19,080,722	4.18
Illinois	167	17,232,262	3.78
Pennsylvania	223	16,688,708	3.66
Ohio	178	15,169,323	3.33
New Jersey	145	13,932,573	3.06
Other (40 States)	2,010	173,007,817	37.94
Total	5,349	$455,975,704	100.00%

Fannie Mae Mortgage Purchase Program

General. We summarize below certain aspects of our program for purchasing residential mortgage loans for inclusion in a given pool. We may grant exceptions to the requirements of the program for a particular transaction. In several instances, the characteristics of the Group 5 Mortgage Loans do not match the criteria described below. For more specific details regarding the Group 5 Mortgage Loans, see "—*General*" above.

Eligible Lenders. We purchase mortgage loans from the following types of eligible institutions:

- federally and state-chartered savings and loan associations, mutual savings banks, commercial banks and similar financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") or the National Credit Union Administration ("NCUA");
- state-insured financial institutions; and
- financial institutions, principally mortgage bankers, and finance companies that are Fannie Mae-approved mortgage sellers.

We determine whether to approve a particular financial institution as a lender under our purchase program by applying certain criteria which generally include depth of mortgage origination experience, servicing experience and financial capacity.

We will enter into a Fannie Mae Mortgage Selling and Servicing Contract with each approved lender.

Eligible Mortgage Loans. We may include both residential property loans and cooperative share loans in a given pool. Unless we make an exception, each mortgage loan that we include in a pool will comply with the terms of our current Selling Guide and, if underwritten through Desktop Underwriter*, our Guide to Underwriting with Desktop Underwriter (or any of our multifamily guides in the case of a Mortgage Loan secured by a multifamily property). Generally, we do not include construction loans or land development loans in our pools.

A "residential property loan" is a mortgage loan that is secured by a mortgage or similar instrument on (1) a single-family residence (including a unit in a condominium project or planned unit development) or a manufactured home or (2) a multifamily project with five or more apartments. A "cooperative share loan" is a mortgage loan secured by the stock, shares, membership agreement or other contractual agreements that evidence the borrower's ownership in the cooperative as well as the assignment of the occupancy rights to the borrower's dwelling unit in the cooperative. Each mortgage loan will be documented by an FHA or VA mortgage or other instrument that we accept. Each mortgage loan also will comply with all applicable federal and local laws, including laws covering usury, equal credit opportunity and disclosure.

We do not require that payments on every mortgage loan that we can include in a pool be due on the first day of the month.

In general, no mortgage loan can have a maturity date later than 30 years after origination.

Additional Considerations. Our Selling Guide requires that each lender that sells us conventional mortgage loans under our purchase program assume responsibility for underwriting these loans using the same underwriting criteria that we apply to our portfolio purchases. (We can, however, grant exceptions to these criteria.) Using a random selection process, we review the quality of the credit and property underwriting applied to these loans.

Final Data Statement

After issuing the Certificates, we will prepare a Final Data Statement containing certain information, including the principal balances of the Group 1 and Group 3 Underlying REMIC Certificates as of the Issue Date and, with respect to the Group 2 SMBS and the Group 4 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 2 SMBS and the Group 4 MBS as of the Issue Date. The Final Data Statement also will 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 Group 2 SMBS and the Group 4 MBS as of the Issue Date. You may obtain the Final Data

* Desktop Underwriter® is our automated underwriting software application.

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:

Interest Type*	Classes
Group 1 Classes	
Fixed Rate	HA
Principal Only	HO
Group 2 Classes	
Floating Rate	FJ
Inverse Floating Rate	SJ, SK and SU
Interest Only	SJ, SK and SU
RCR**	F and S
Group 3 Classes	
Fixed Rate	CA and CB
Group 4 Classes	
Fixed Rate	LD, IL, LC and LL
Interest Only	IL
Principal Only	LP
RCR**	LA and LB
Group 5 Classes	
Fixed Rate	BA
Weighted Average Coupon	BI
Interest Only	BI
Principal Only	BP
No Payment Residual	R, RL and RM

* See "Description of Certificates—Class Definitions and Abbreviations" in the REMIC Prospectus.
** See "—Combination and Recombination" above and Schedule 1 for a further description of the RCR Classes.

General. We will pay interest on the Certificates at the applicable annual interest rates specified or described on the cover or otherwise 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 that Distribution Date.

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

Interest Accrual Periods. Interest to be paid on each Distribution Date will accrue on the Certificates during the applicable one-month periods set forth below (each, an "Interest Accrual Period").

Classes	Interest Accrual Periods
All Fixed Rate Classes and the BI Class (collectively, the "Delay Classes")	Calendar month preceding the month in which the Distribution Date occurs
All Floating Rate and Inverse Floating Rate Classes	One-month period beginning on the 25th day of the 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.

The Dealer will treat the HO, LP and BP Classes as Delay Classes for the sole purpose of facilitating trading.

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 each Notional 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.

Weighted Average Coupon Class. During each Interest Accrual Period, the BI Class will bear interest, expressed as an annual rate, equal to the aggregate amount of interest accrued on the Non-Discount Loans at their weighted average Net Mortgage Rate during that period, weighted on the basis of their Stated Principal Balances as of the beginning of that period, minus 7.00%. Our determination of the interest rate for the BI Class for the related Interest Accrual Period will be final and binding in the absence of manifest error. You may obtain each such interest rate by telephoning us at 1-800-237-8627 or 202-752-6547.

The "Net Mortgage Interest Rate" for any Group 5 Mortgage Loan is the Mortgage Interest Rate for that loan less the applicable servicing fee rate and guaranty fee rate. As of the Issue Date, the Mortgage Interest Rates of the Group 5 Mortgage Loans ranged from 5.750% to 15.500%, with a weighted average of 7.750%, weighted on the basis of their Stated Principal Balances as of the Issue Date. As of the Issue Date, the combined servicing and guaranty fee rate for the Group 5 Mortgage Loans is 0.575%.

The "Stated Principal Balance" of any Group 5 Mortgage Loan is the unpaid principal balance of that loan (or, if delinquent, its scheduled unpaid principal balance) as of the Issue Date, reduced by all amounts representing principal received or advanced by the Servicer and previously paid to Certificateholders with respect to that loan.

As a result of the above calculations, a disproportionately high rate of prepayments of Group 5 Mortgage Loans with Net Mortgage Rates above the sum of the current interest rate for the BI Class plus 7.00% relative to Group 5 Mortgage Loans with Net Mortgage Rates below that sum will have the effect of reducing the rate at which interest accrues on the BI Class during each related Interest Accrual Period.

Floating Rate and Inverse Floating Rate Classes. During each Interest Accrual Period, the Floating Rate and Inverse Floating Rate Classes will bear interest at rates determined as described under "Reference Sheet—Interest Rates" in this prospectus supplement.

Changes in the specified interest rate index (the "Index") will affect the yields with respect to the related Classes. These changes may not correspond to changes in mortgage interest rates. Lower mortgage interest rates could occur while an increase in the level of the Index occurs. Similarly, higher mortgage interest rates could occur while a decrease in the level of the Index occurs.

Our establishment of each Index value and our determination of the interest rate for each applicable Class for the related Interest Accrual Period will be final and binding in the absence of manifest error. You may obtain each such interest rate by telephoning us at 1-800-237-8627 or 202-752-6547.

Calculation of LIBOR

On each Index Determination Date, we will calculate LIBOR for the related Interest Accrual Period. We will calculate LIBOR on the basis of the "BBA Method", as described in the REMIC Prospectus under "Description of Certificates—Indexes for Floating Rate Classes and Inverse Floating Rate Classes—*LIBOR.*"

If we are unable to calculate LIBOR on the initial Index Determination Date, LIBOR for the following Interest Accrual Period will be equal to 2.1025%.

Distributions of Principal

Categories of Classes and Components

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

Principal Type*	Classes
Group 1 Classes	
Structured Collateral/Pass-Through	HA and HO
Group 2 Classes	
Pass-Through	FJ
Notional	SJ, SK and SU
RCR**	F and S
Group 3 Classes	
Structured Collateral/Sequential Pay	CA and CB
Group 4 Classes	
Sequential Pay	LD, LC, LL and LP
Notional	IL
Retail	LL
RCR**	LA and LB
Group 5 Classes	
Pass-Through	BA and BP
Notional	BI
No Payment Residual	R, RL and RM

* See "Description of Certificates—Class Definitions and Abbreviations" in the REMIC Prospectus.
** See "—Combination and Recombination" above 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 Underlying REMIC Certificates (the "Group 1 Principal Distribution Amount");
- the principal then paid on the Group 2 SMBS (the "Group 2 Principal Distribution Amount");
- the principal then paid on the Group 3 Underlying RCR Certificate (the "Group 3 Principal Distribution Amount");
- the principal then paid on the Group 4 MBS (the "Group 4 Principal Distribution Amount"); and
- an aggregate amount (the "Group 5 Principal Distribution Amount") equal to the sum of the Non-Discount Principal Distribution Amount, the Non-PO Principal Distribution Amount and the PO Principal Distribution Amount (each as defined below).

We will include principal payments (including prepayments and liquidation proceeds) on the FHA/VA Loans in amounts paid as principal of the Group 5 Classes as long as the Servicer provides us information about these principal payments in time for the published class factors to reflect these payments. See “Reference Sheet—Class Factors” in this prospectus supplement. If we do not receive the information on time, we will pay those principal payments on the next Distribution Date. For purposes of payments, we consider an FHA/VA Loan to be prepaid in full if, in our judgment, the full amount finally recoverable on that loan has been received, even if that amount is not equal to the principal balance of that loan.

Group 1 Principal Distribution Amount

On each Distribution Date, we will pay the portion of the Group 1 Principal Distribution Amount attributable to the Class 2001-50-KQ RCR Certificate and the Class 2001-70-JE REMIC Certificate as principal of the HA Class, until its principal balance is reduced to zero.

On each Distribution Date, we will pay the portion of the Group 1 Principal Distribution Amount attributable to the Class 2001-50-UE RCR Certificate, concurrently, as principal of the HA and HO Classes, in the proportions of 92.3076918705% and 7.6923081295%, respectively, until their principal balances are reduced to zero.

Structured Collateral/Pass-Through Classes

Group 2 Principal Distribution Amount

On each Distribution Date, we will pay the Group 2 Principal Distribution Amount as principal of the FJ Class, until its principal balance is reduced to zero.

Pass-Through Class

Group 3 Principal Distribution Amount

On each Distribution Date, we will pay the Group 3 Principal Distribution Amount, sequentially, as principal of the CA and CB Classes, in that order, until their principal balances are reduced to zero.

Structured Collateral/Sequential Pay Classes

Group 4 Principal Distribution Amount

On each Distribution Date, we will pay the Group 4 Principal Distribution Amount as principal of the Group 4 Classes as described below:

(A) Beginning in January 2005, on each Distribution Date, we will pay an amount up to $33,000, concurrently, as principal of the LL* and LP Classes, pro rata (or 96.0% and 4.0%, respectively), until their principal balances are reduced to zero.

(B) Beginning in January 2002, on each Distribution Date, we will pay the Group 4 Principal Distribution Amount remaining after giving effect to clause (A) above in the following priority:

(i) sequentially, to the LD and LC Classes, in that order, until their principal balances are reduced to zero; and

(ii) concurrently, to the LL* and LP Classes, pro rata, until their principal balances are reduced to zero.

Sequential Pay Classes

Group 5 Principal Distribution Amount

On each Distribution Date, we will pay the Non-Discount Principal Distribution Amount and the Non-PO Principal Distribution Amount as principal of the BA Class, until its principal balance is reduced to zero.

On each Distribution Date, we will pay the PO Principal Distribution Amount as principal of the BP Class, until its principal balance is reduced to zero.

Pass-Through Classes

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* The LL Class is a Retail Class.

For definitions of the terms "Non-Discount Principal Distribution Amount," "Non-PO Principal Distribution Amount" and "PO Principal Distribution Amount," see "—Certain Definitions Relating to Payments on the Group 5 Classes" below.

See also "Additional Trust Agreement Provisions Relating to the Group 5 Classes—Repurchase of Group 5 Mortgage Loans by Servicer Following Mortgage Modifications—*Yield Maintenance Contract*" in this prospectus supplement.

The portion of each Class of Underlying REMIC Certificates held by the Lower Tier REMIC will be set forth on Exhibit B.

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

Certain Definitions Relating to Payments on the Group 5 Classes

Discount Loans. Group 5 Mortgage Loans having Net Mortgage Rates lower than 7.00%.

Due Date. For any Distribution Date, the first day of the calendar month in which that Distribution Date occurs.

Due Period. For any Distribution Date, the period beginning on the second day of the month immediately preceding the month in which that Distribution Date occurs and ending on the first day of the month in which that Distribution Date occurs.

Liquidated Loan. A defaulted Group 5 Mortgage Loan with respect to which the Servicer has concluded that the full amount finally recoverable on account of that loan has been received, whether or not this amount is equal to the principal balance of that loan.

Net Mortgage Interest Rate. For any Group 5 Mortgage Loan, the Mortgage Interest Rate of that loan *minus* the sum of (i) the Servicing Fee Rate and (ii) the rate at which the Guaranty Fee is calculated with respect to that loan.

Non-Discount Loans. Group 5 Mortgage Loans having Net Mortgage Rates equal to or greater than 7.00%.

Non-Discount Principal Distribution Amount. For any Distribution Date, the sum of the following, without duplication:

- all monthly payments of principal due on each Non-Discount Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Non-Discount Loan that Fannie Mae or the Servicer repurchases during the related Due Period, *plus*
- for each Non-Discount Loan that was reported as having become a Liquidated Loan during the related Due Period, the Stated Principal Balance of that loan, *plus*
- all partial and full principal prepayments of the Non-Discount Loans that were reported as having been received during the related Due Period.

In the case of certain Group 5 Mortgage Loans, the related subservicer will apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the Distribution Date rather than during the related Due Period.

Non-PO Percentage. For any Discount Loan, the related Net Mortgage Rate *divided by* 7.00%, expressed as a percentage.

Non-PO Principal Distribution Amount. For any Distribution Date, the sum of the Non-PO Percentage of the following, without duplication:

- all monthly payments of principal due on each Discount Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Discount Loan that is purchased by Fannie Mae or the Servicer during the related Due Period, *plus*

- for each Discount Loan that was reported as having become a Liquidated Loan during the related Due Period, the Stated Principal Balance of that loan, *plus*
- all partial and full prepayments of the Discount Loans that were reported as having been received from borrowers during the related Due Period.

In the case of certain Group 5 Mortgage Loans, the related subservicer will apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the Distribution Date rather than during the related Due Period.

PO Percentage. For any Discount Loan, 7.00% *minus* the related Net Mortgage Interest Rate, *divided by* 7.00%, expressed as a percentage.

PO Principal Distribution Amount. For any Distribution Date, the sum of the PO Percentage of the following, without duplication:

- all monthly payments of principal due on each Discount Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Discount Loan that is purchased by Fannie Mae or the Servicer during the related Due Period, *plus*
- for each Discount Loan that was reported as having become a Liquidated Loan during the related Due Period, the Stated Principal Balance of that loan, *plus*
- all partial and full principal prepayments of the Discount Loans that were reported as having been received from borrowers during the related Due Period.

In the case of certain Group 5 Mortgage Loans, the related subservicer will apply the foregoing amounts in respect of unscheduled principal received during the calendar month immediately preceding the Distribution Date rather than during the related Due Period.

Servicing Fee Rate. The percentage identified for each Mortgage Loan on the Group 5 Mortgage Loan Schedule.

Stated Principal Balance. The unpaid principal balance of a Group 5 Mortgage Loan (or the scheduled unpaid principal balance thereof, in the case of Group 5 Mortgage Loans that are delinquent) as of the Issue Date reduced by all amounts representing principal received or advanced by the Servicer and previously paid to Certificateholders with respect to that loan.

Structuring Assumptions

Pricing Assumptions. Except with respect to the information under the headings "—The Group 5 Mortgage Loans (FHA/VA Loans)" and "—Distributions of Interest—*Weighted Average Coupon Class*," 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 Group 2 SMBS and Group 4 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 Group 2 SMBS and the Group 4 MBS";
- The Group 5 Mortgage Loans have the respective assumed characteristics set forth in Exhibit A and payments on all Group 5 Mortgage Loans are due and received on the first day of each month;
- the mortgage loans prepay at the constant percentages of PSA and CPR specified in the related tables;
- the settlement date for the sale of the Certificates is December 28, 2001;
- each Distribution Date occurs on the 25th day of a month;
- neither the Servicer nor Fannie Mae exercises its option to purchase the Group 5 Mortgage Loans; and

- the Fannie Mae option to repurchase mortgage loans underlying any MBS is not exercised.

Prepayment Assumptions. Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The models used in this prospectus supplement are The Bond Market Association's standard prepayment model ("PSA") and the constant prepayment rate model ("CPR"). 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. CPR represents an assumed constant rate of prepayment each month, expressed as an annual rate, relative to the then outstanding principal balance of a pool of new mortgage loans computed as described under "Description of the Certificates—Prepayment Models" in the REMIC Prospectus.

It is highly unlikely that prepayments will occur at any *constant* PSA or CPR rate or at any other *constant* rate.

Yield Tables

General. The tables below illustrate the sensitivity of the pre-tax corporate bond equivalent yields to maturity of the applicable Classes to various constant percentages of PSA or CPR, as applicable, and, where specified, to changes in the Index. 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 as assumed.

In addition, it is unlikely that the Index will correspond to the levels shown here. 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 or CPR. Moreover, it is unlikely that

- all of the mortgage loans will prepay at a constant PSA or CPR rate until maturity,
- all of the mortgage loans will prepay at the same rate or
- the level of the Index will remain constant.

The Inverse Floating Rate Classes. **The yields on the Inverse Floating Rate Classes will be sensitive in varying degrees to the rate of principal payments, including prepayments, of the related mortgage loans and to the level of the Index. The mortgage loans generally can be prepaid at any time without penalty. In addition, the rate of principal payments (including prepayments) of the mortgage loans is likely to vary, and may vary considerably, from pool to pool. As illustrated in the applicable tables below, it is possible that investors in the Inverse Floating Rate Classes would lose money on their initial investments under certain Index and prepayment scenarios.**

Changes in the Index may not correspond to changes in prevailing mortgage interest rates. It is possible that lower prevailing mortgage interest rates, which might be expected to result in faster prepayments, could occur while the level of the Index increased.

The information shown in the yield tables has been prepared on the basis of the Pricing Assumptions and the assumptions that

- the interest rates for the Inverse Floating Rate Classes for the initial Interest Accrual Period are the rates listed in the table under "Reference Sheet—Interest Rates" in this prospectus supplement and for each following Interest Accrual Period will be based on the specified level of the Index, and
- the aggregate purchase prices of those Classes (expressed in each case as a percentage of their original principal balance) are as follows:

Class	Price*
SU	9.56250%
SK	1.00000%
SJ	0.15625%
S	10.56250%

* 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 SU Class to Prepayments and LIBOR (Pre-Tax Yields to Maturity)

	PSA Prepayment Assumption				
LIBOR	50%	100%	226%	400%	600%
1.1025%	72.2%	69.7%	63.2%	54.1%	43.2%
2.1025%	59.4%	56.8%	50.3%	41.0%	29.9%
4.1025%	34.6%	32.0%	25.1%	15.3%	3.6%
6.1025%	10.4%	7.6%	0.4%	(10.1)%	(22.8)%
7.5000% and above	*	*	*	*	*

* The pre-tax yield to maturity would be less than (99.9)%.

Sensitivity of the SK Class to Prepayments and LIBOR (Pre-Tax Yields to Maturity)

	PSA Prepayment Assumption				
LIBOR	50%	100%	226%	400%	600%
7.50% and below	33.4%	30.7%	23.8%	14.0%	2.2%
7.70%	10.6%	7.8%	0.5%	(9.9)%	(22.6)%
7.85% and above	*	*	*	*	*

* The pre-tax yield to maturity would be less than (99.9)%.

Sensitivity of the SJ Class to Prepayments and LIBOR (Pre-Tax Yields to Maturity)

	PSA Prepayment Assumption				
LIBOR	50%	100%	226%	400%	600%
7.850% and below	29.9%	27.2%	20.2%	10.3%	(1.6)%
7.875%	11.7%	8.9%	1.7%	(8.7)%	(21.4)%
7.900%	*	*	*	*	*

* The pre-tax yield to maturity would be less than (99.9)%.

Sensitivity of the S Class to Prepayments and LIBOR
(Pre-Tax Yields to Maturity)

	PSA Prepayment Assumption				
LIBOR	50%	100%	226%	400%	600%
1.1025%	68.3%	65.8%	59.3%	50.1%	39.2%
2.1025%	56.8%	54.3%	47.7%	38.3%	27.2%
4.1025%	34.5%	31.8%	25.0%	15.2%	3.5%
6.1025%	12.7%	9.9%	2.7%	(7.7)%	(20.3)%
7.8500% and above	*	*	*	*	*

* The pre-tax yield to maturity would be less than (99.9)%.

The IL and BI Classes. **The yields to investors in the IL and BI 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 IL and BI Classes would be 0% if prepayments of the related Mortgage Loans were to occur at the constant rates shown in the table below:**

Class	
IL	435% PSA
BI	28% CPR

If the actual prepayment rate of the related Mortgage Loans were to exceed the level specified for as little as one month while equaling that level for the remaining months, the investors in the applicable Class 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 IL and BI Classes (expressed in each case as a percentage of the original principal balance) are as follows:

Class	Price*
IL	10.93750%
BI	1.06831%

* 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 IL Class to Prepayments

	PSA Prepayment Assumption				
	50%	100%	226%	400%	600%
Pre-Tax Yields to Maturity	51.9%	46.8%	31.8%	5.8%	(29.3)%

Sensitivity of the BI Class to Prepayments

	CPR Prepayment Assumption				
	3%	5%	15%	25%	40%
Pre-Tax Yields to Maturity	30.6%	28.2%	16.2%	3.4%	(17.5)%

The Principal Only Classes. **The HO, LP and BP Classes will not bear interest. As indicated in the tables below, a low rate of principal payments (including prepayments) on the related Mortgage Loans will have a negative effect on the yields to investors in the HO, LP and BP Classes.**

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 HO, LP and BP Classes (expressed in each case as a percentage of the original principal balance) are as follows:

Class	Price
HO	80.46875%
LP	40.37500%
BP	70.00000%

Sensitivity of the HO Class to Prepayments

	PSA Prepayment Assumption				
	50%	100%	287%	400%	600%
Pre-Tax Yields to Maturity	0.9%	1.1%	10.2%	15.3%	22.3%

Sensitivity of the LP Class to Prepayments

	PSA Prepayment Assumption				
	50%	100%	226%	400%	600%
Pre-Tax Yields to Maturity	4.2%	4.5%	6.3%	10.3%	16.1%

Sensitivity of the BP Class to Prepayments

	CPR Prepayment Assumption				
	3%	5%	15%	25%	40%
Pre-Tax Yields to Maturity	3.0%	3.7%	7.9%	13.3%	23.2%

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 the 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 the 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,
- the priority sequences of payments of principal of the Group 3 and Group 4 Classes, and
- in the case of the Group 1 Classes, the priority sequences affecting distributions on the related Underlying RCR and REMIC Certificates.

See "—Distributions of Principal" above and "Description of the Certificates—Distributions of Principal" in the related Underlying REMIC Disclosure Documents.

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 those 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 decrement tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each date shown at various constant rates of PSA or CPR, as applicable, and the corresponding weighted average lives of such Classes. The decrement tables have been prepared on the basis of the Pricing Assumptions. However, in the case of the information set forth for each Class related to the Groups specified in the table below 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.

Group	Mortgage Loans Relating to Trust Assets Specified Below	Original Terms to Maturity	Remaining Terms to Maturity	Interest Rates
1	Class 2001-50-KQ RCR Certificate	360 months	358 months	9.00%
	Class 2001-50-UE RCR Certificate	360 months	358 months	9.00%
	Class 2001-70-JE REMIC Certificate	360 months	359 months	8.50%
2	SMBS	360 months	358 months	8.50%
3	Underlying RCR Certificate	360 months	359 months	8.50%
4	MBS	360 months	360 months	8.50%

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 level of PSA or CPR, as applicable.

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 rates of PSA or CPR, as applicable. 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	HA Class					HO Class					FJ, SJ†, SK†, SU†, F and S† Classes				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	287%	400%	600%	0%	100%	287%	400%	600%	0%	100%	226%	400%	600%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
December 2002	99	99	98	93	65	100	100	93	78	52	99	97	94	90	85
December 2003	98	98	76	18	0	100	100	57	16	0	98	91	83	72	60
December 2004	96	96	29	0	0	100	100	19	0	0	97	84	71	54	38
December 2005	95	95	2	0	0	100	100	0	0	0	96	78	60	40	24
December 2006	94	94	0	0	0	100	100	0	0	0	95	72	51	30	15
December 2007	92	92	0	0	0	100	100	0	0	0	94	67	44	23	10
December 2008	90	90	0	0	0	100	100	0	0	0	93	62	37	17	6
December 2009	88	88	0	0	0	100	100	0	0	0	92	57	31	13	4
December 2010	87	87	0	0	0	100	100	0	0	0	90	52	26	9	2
December 2011	84	84	0	0	0	100	100	0	0	0	88	48	22	7	1
December 2012	82	82	0	0	0	100	100	0	0	0	87	44	19	5	1
December 2013	80	80	0	0	0	100	100	0	0	0	85	40	16	4	1
December 2014	77	77	0	0	0	100	100	0	0	0	83	37	13	3	*
December 2015	75	75	0	0	0	100	100	0	0	0	80	33	11	2	*
December 2016	72	72	0	0	0	100	100	0	0	0	78	30	9	2	*
December 2017	69	69	0	0	0	100	100	0	0	0	75	27	8	1	*
December 2018	66	63	0	0	0	100	91	0	0	0	72	24	6	1	*
December 2019	62	53	0	0	0	100	80	0	0	0	69	22	5	1	*
December 2020	59	43	0	0	0	100	69	0	0	0	65	19	4	*	*
December 2021	55	40	0	0	0	100	57	0	0	0	61	17	3	*	*
December 2022	53	36	0	0	0	100	46	0	0	0	57	14	3	*	*
December 2023	53	33	0	0	0	100	35	0	0	0	53	12	2	*	*
December 2024	53	29	0	0	0	100	24	0	0	0	48	10	2	*	*
December 2025	53	24	0	0	0	100	13	0	0	0	42	9	1	*	*
December 2026	53	17	0	0	0	100	3	0	0	0	37	7	1	*	*
December 2027	53	12	0	0	0	100	0	0	0	0	30	5	1	*	*
December 2028	45	8	0	0	0	76	0	0	0	0	23	4	*	*	*
December 2029	30	5	0	0	0	26	0	0	0	0	16	2	*	*	*
December 2030	21	1	0	0	0	0	0	0	0	0	7	1	*	*	*
December 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	20.9	18.0	2.6	1.6	1.1	27.5	20.7	2.2	1.5	1.0	20.7	11.2	6.8	4.3	3.0

Date	CA Class					CB Class					LD, IL† and LB Classes				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	243%	400%	600%	0%	100%	243%	400%	600%	0%	100%	226%	400%	600%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
December 2002	99	93	85	76	66	100	100	100	100	100	99	91	82	70	56
December 2003	97	82	64	45	23	100	100	100	100	100	98	82	66	45	24
December 2004	96	71	43	16	0	100	100	100	100	75	97	74	51	26	4
December 2005	94	61	25	0	0	100	100	100	87	26	96	66	40	12	0
December 2006	92	51	9	0	0	100	100	100	51	0	95	59	29	2	0
December 2007	90	41	0	0	0	100	100	92	23	0	93	53	21	0	0
December 2008	88	33	0	0	0	100	100	68	3	0	92	46	13	0	0
December 2009	86	24	0	0	0	100	100	47	0	0	91	40	7	0	0
December 2010	83	16	0	0	0	100	100	30	0	0	89	35	2	0	0
December 2011	80	9	0	0	0	100	100	15	0	0	87	30	0	0	0
December 2012	77	2	0	0	0	100	100	3	0	0	85	25	0	0	0
December 2013	74	0	0	0	0	100	91	0	0	0	83	20	0	0	0
December 2014	70	0	0	0	0	100	77	0	0	0	80	16	0	0	0
December 2015	67	0	0	0	0	100	64	0	0	0	78	12	0	0	0
December 2016	62	0	0	0	0	100	52	0	0	0	75	8	0	0	0
December 2017	58	0	0	0	0	100	41	0	0	0	71	4	0	0	0
December 2018	53	0	0	0	0	100	30	0	0	0	68	1	0	0	0
December 2019	47	0	0	0	0	100	20	0	0	0	64	0	0	0	0
December 2020	41	0	0	0	0	100	11	0	0	0	60	0	0	0	0
December 2021	35	0	0	0	0	100	2	0	0	0	55	0	0	0	0
December 2022	28	0	0	0	0	100	0	0	0	0	50	0	0	0	0
December 2023	20	0	0	0	0	100	0	0	0	0	44	0	0	0	0
December 2024	11	0	0	0	0	100	0	0	0	0	38	0	0	0	0
December 2025	2	0	0	0	0	100	0	0	0	0	32	0	0	0	0
December 2026	0	0	0	0	0	83	0	0	0	0	24	0	0	0	0
December 2027	0	0	0	0	0	59	0	0	0	0	17	0	0	0	0
December 2028	0	0	0	0	0	33	0	0	0	0	8	0	0	0	0
December 2029	0	0	0	0	0	4	0	0	0	0	0	0	0	0	0
December 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
December 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	16.0	5.4	2.8	1.9	1.4	26.3	15.4	8.1	5.2	3.6	19.2	7.2	3.6	2.1	1.3

* 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" above.

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

LC Class

Date	PSA Prepayment Assumption 0%	100%	226%	400%	600%
Initial Percent	100	100	100	100	100
December 2002	100	100	100	100	100
December 2003	100	100	100	100	100
December 2004	100	100	100	100	100
December 2005	100	100	100	100	3
December 2006	100	100	100	100	0
December 2007	100	100	100	31	0
December 2008	100	100	100	0	0
December 2009	100	100	100	0	0
December 2010	100	100	100	0	0
December 2011	100	100	65	0	0
December 2012	100	100	20	0	0
December 2013	100	100	0	0	0
December 2014	100	100	0	0	0
December 2015	100	100	0	0	0
December 2016	100	100	0	0	0
December 2017	100	100	0	0	0
December 2018	100	100	0	0	0
December 2019	100	76	0	0	0
December 2020	100	41	0	0	0
December 2021	100	8	0	0	0
December 2022	100	0	0	0	0
December 2023	100	0	0	0	0
December 2024	100	0	0	0	0
December 2025	100	0	0	0	0
December 2026	100	0	0	0	0
December 2027	100	0	0	0	0
December 2028	100	0	0	0	0
December 2029	83	0	0	0	0
December 2030	0	0	0	0	0
December 2031	0	0	0	0	0
Weighted Average Life (years)**	28.3	18.8	10.4	5.8	3.7

LL†† and LP Classes

Date	PSA Prepayment Assumption 0%	100%	226%	400%	600%
Initial Percent	100	100	100	100	100
December 2002	100	100	100	100	100
December 2003	100	100	100	100	100
December 2004	100	100	100	100	100
December 2005	99	99	99	99	99
December 2006	98	98	98	98	63
December 2007	96	96	96	96	39
December 2008	95	95	95	81	25
December 2009	94	94	94	60	15
December 2010	93	93	93	44	10
December 2011	92	92	92	33	6
December 2012	90	90	90	24	4
December 2013	89	89	82	18	2
December 2014	88	88	68	13	1
December 2015	87	87	56	9	1
December 2016	86	86	46	7	1
December 2017	84	84	38	5	*
December 2018	83	83	31	4	*
December 2019	82	82	25	2	*
December 2020	81	81	20	2	*
December 2021	80	80	16	1	*
December 2022	78	70	12	1	*
December 2023	77	57	9	1	*
December 2024	76	45	7	*	*
December 2025	75	34	5	*	*
December 2026	74	24	3	*	*
December 2027	72	14	2	*	*
December 2028	71	4	*	*	*
December 2029	70	0	0	0	0
December 2030	53	0	0	0	0
December 2031	0	0	0	0	0
Weighted Average Life (years)**	25.2	21.2	15.3	9.5	6.2

BA Class

Date	CPR Prepayment Assumption 0%	5%	15%	25%	40%
Initial Percent	100	100	100	100	100
December 2002	99	94	84	74	59
December 2003	97	88	70	55	35
December 2004	96	82	59	41	21
December 2005	95	77	49	30	12
December 2006	93	72	41	22	7
December 2007	91	67	34	16	4
December 2008	89	62	29	12	2
December 2009	87	58	24	9	1
December 2010	85	53	20	6	1
December 2011	82	49	16	5	*
December 2012	80	45	13	3	*
December 2013	77	42	11	2	*
December 2014	74	38	9	2	*
December 2015	70	34	7	1	*
December 2016	67	31	6	1	*
December 2017	63	28	5	1	*
December 2018	59	25	4	*	*
December 2019	54	22	3	*	*
December 2020	50	19	2	*	*
December 2021	44	16	2	*	*
December 2022	39	13	1	*	*
December 2023	33	11	1	*	*
December 2024	26	8	1	*	*
December 2025	19	6	*	*	*
December 2026	12	3	*	*	*
December 2027	4	1	*	*	*
December 2028	1	*	*	*	*
December 2029	0	0	0	0	0
December 2030	0	0	0	0	0
December 2031	0	0	0	0	0
Weighted Average Life (years)**	17.4	11.0	5.4	3.3	1.9

BI† Class

Date	CPR Prepayment Assumption 0%	5%	15%	25%	40%
Initial Percent	100	100	100	100	100
December 2002	99	94	84	74	59
December 2003	97	88	70	55	35
December 2004	96	82	59	41	21
December 2005	94	77	49	30	12
December 2006	93	72	41	22	7
December 2007	91	67	34	16	4
December 2008	89	62	29	12	2
December 2009	87	58	24	9	1
December 2010	85	53	20	6	1
December 2011	82	49	16	5	*
December 2012	80	45	13	3	*
December 2013	77	41	11	2	*
December 2014	74	38	9	2	*
December 2015	70	34	7	1	*
December 2016	67	31	6	1	*
December 2017	63	28	5	1	*
December 2018	59	25	4	*	*
December 2019	54	22	3	*	*
December 2020	50	19	2	*	*
December 2021	44	16	2	*	*
December 2022	39	13	1	*	*
December 2023	33	11	1	*	*
December 2024	26	8	1	*	*
December 2025	19	6	*	*	*
December 2026	12	3	*	*	*
December 2027	4	1	*	*	*
December 2028	1	*	*	*	*
December 2029	0	0	0	0	0
December 2030	0	0	0	0	0
December 2031	0	0	0	0	0
Weighted Average Life (years)**	17.4	11.0	5.4	3.3	1.9

BP Class

Date	CPR Prepayment Assumption 0%	5%	15%	25%	40%
Initial Percent	100	100	100	100	100
December 2002	99	94	84	74	59
December 2003	97	88	70	55	35
December 2004	95	82	59	40	21
December 2005	94	76	49	30	12
December 2006	92	71	41	22	7
December 2007	90	66	34	16	4
December 2008	88	61	28	12	2
December 2009	85	57	23	9	1
December 2010	83	52	19	6	1
December 2011	80	48	16	5	*
December 2012	78	44	13	3	*
December 2013	75	40	11	2	*
December 2014	71	37	9	2	*
December 2015	68	33	7	1	*
December 2016	64	30	6	1	*
December 2017	60	26	4	1	*
December 2018	56	23	4	*	*
December 2019	51	20	3	*	*
December 2020	46	18	2	*	*
December 2021	41	15	2	*	*
December 2022	36	12	1	*	*
December 2023	29	10	1	*	*
December 2024	23	7	1	*	*
December 2025	16	5	*	*	*
December 2026	9	2	*	*	*
December 2027	2	*	*	*	*
December 2028	0	0	0	0	0
December 2029	0	0	0	0	0
December 2030	0	0	0	0	0
December 2031	0	0	0	0	0
Weighted Average Life (years)**	16.8	10.7	5.4	3.3	1.9

LA Class

Date	PSA Prepayment Assumption 0%	100%	226%	400%	600%
Initial Percent	100	100	100	100	100
December 2002	99	92	84	72	59
December 2003	98	84	68	49	30
December 2004	97	76	55	32	12
December 2005	96	69	44	19	*
December 2006	95	62	35	9	0
December 2007	94	56	27	2	0
December 2008	93	50	20	0	0
December 2009	91	45	14	0	0
December 2010	90	40	9	0	0
December 2011	88	35	5	0	0
December 2012	86	31	2	0	0
December 2013	84	26	0	0	0
December 2014	82	22	0	0	0
December 2015	79	19	0	0	0
December 2016	77	15	0	0	0
December 2017	74	12	0	0	0
December 2018	70	9	0	0	0
December 2019	67	6	0	0	0
December 2020	63	3	0	0	0
December 2021	59	1	0	0	0
December 2022	54	0	0	0	0
December 2023	49	0	0	0	0
December 2024	43	0	0	0	0
December 2025	37	0	0	0	0
December 2026	30	0	0	0	0
December 2027	23	0	0	0	0
December 2028	15	0	0	0	0
December 2029	6	0	0	0	0
December 2030	0	0	0	0	0
December 2031	0	0	0	0	0
Weighted Average Life (years)**	19.9	8.1	4.2	2.4	1.5

* 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" above.

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

†† The weighted average lives shown in the table apply to the entire LL Class and are not likely to reflect the experience of any particular investor in the Retail Certificates. Because investors will receive principal payments subject to the payment priorities and allocations as described under "—Description of the Retail Certificates—Characteristics of the Retail Certificates—*Retail Principal Payment*" above, the weighted average lives of retail class units will vary among different individual investors. See "—Description of the Retail Certificates—Characteristics of the Retail Certificates—*Certain Principal Payment Considerations*" above.

Characteristics of the R, RL and RM Classes

The R, RL and RM Classes will not have principal balances and will not bear interest. If any assets of REMIC Trust 1 remain after the principal balances of the Group 1, 3 and 4 Classes are reduced to zero, we will pay the proceeds of those assets to the Holder of the R Class. If any assets of the Lower Tier REMIC remain after the principal balances of the Lower Tier Regular Interests are reduced to zero, we will pay the Holder of the RL Class the proceeds from those assets. If any assets of REMIC Trust 2 remain after the principal balances of the Group 2 Classes are reduced to zero, we will pay the proceeds of those assets to the Holder of the RM Class. We do not expect that any material assets will remain in any case.

The R, RL and RM Classes will be subject to certain transfer restrictions. We will not permit transfer of record or beneficial ownership of an R, RL or RM Certificate to a "disqualified organization." In addition, we will not permit transfer of record or beneficial ownership of an R, RL or RM Certificate to any person that is not a "U.S. Person" or a foreign person subject to United States income taxation on a net basis on income derived from that Certificate. Any transferee of an R, RL or RM Certificate must execute and deliver an affidavit and an Internal Revenue Service Form W-9 (or, if applicable, a Form W-8ECI) 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. The affidavit must also state that the transferee is a "U.S. Person" or a foreign person subject to United States income taxation on a net basis on income derived from that Certificate and that, if the transferee is a partnership for U.S. federal income tax purposes, each person or entity that holds an interest (directly or indirectly through a pass-through entity) in the partnership is a "U.S. Person" or a foreign person subject to United States income taxation on a net basis on income derived from that Certificate. In addition, the transferee must receive an affidavit containing these same representations from any new transferee. Transferors of an R, RL or RM 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" 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, RL and RM Classes will constitute noneconomic residual interests 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 IRS has since issued a Revenue Procedure creating a safe harbor that may be used for transfers of noneconomic residual interests pending the finalization of the proposed amendment. Under this safe harbor, a transferor of a noneconomic residual interest will be presumed not to have improper knowledge if, in addition to meeting the two conditions contained in the Regulations, either (i) the terms of the proposed amendment are complied with or (ii) the transferee's gross assets exceed $100 million and its net assets exceed $10 million (in each case, at the time of the transfer and at the close of each of the transferee's two fiscal years preceding the year of transfer), the transferee is an "eligible corporation" as defined in section 860L(a)(2) of the Code, the transferee agrees in writing that any subsequent transfer of the residual interest will be to an eligible corporation and will comply with the safe harbor, and the facts and circumstances known to the transferor do not reasonably indicate that the taxes associated with the residual interest will not be paid. The Revenue Procedure contains additional details regarding its application, and you should consult your own tax advisor regarding the application of the Revenue Procedure to an actual transfer of a Residual Certificate.

The Holder of the R Class will be considered to be the holder of the "residual interest" in REMIC Trust 1, and the Holder of the RL Class will be considered to be the holder of the "residual interest" in the Lower Tier REMIC. The Holder of the RM Class will be considered the holder of the "residual interest" in REMIC Trust 2. See "Certain Federal Income Tax Consequences" in the REMIC Prospectus. Pursuant to the Trust Agreement, we will be obligated to provide to these Holders (i) information necessary to enable them to prepare their federal income tax returns and (ii) any reports regarding the R, RL or RM Class that may be required under the Code.

ADDITIONAL TRUST AGREEMENT PROVISIONS RELATING TO THE GROUP 5 CLASSES

Certain provisions of the Trust Agreement are summarized under the heading "The Trust Agreement" in the REMIC Prospectus. We summarize below certain additional provisions of the Trust Agreement applicable to the Group 5 Mortgage Loans and to Holders of the Group 5 Classes (as well as to Holders of the R and RL Classes).

Transfer of Group 5 Mortgage Loans to the Trust

The Trust Agreement will contain a mortgage loan schedule that will identify the Group 5 Mortgage Loans that are being transferred to the Trust. As Trustee, we will hold on behalf of the Certificateholders the original Mortgage Notes, endorsed in blank, and assignments of the mortgage instruments to us in recordable form. Usually assignments are in a form suitable for recording but they are not recorded. However, a blanket assignment may be used for the transfer of a large number of mortgage loans, even if the properties are not located in the same recording jurisdiction, depending on the applicable Lender's servicing experience and its financial condition.

At our option, we may choose to maintain the documents described above with one or more custodial institutions supervised and regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the FDIC or the NCUA. We will review the mortgage loan schedule before we issue the Certificates and will conduct random spot checks after issuing the Certificates to confirm that we have all the documents we need. We may change these document custody requirements at any time, as long as we determine that any such change will not have a materially adverse effect on the interests of Certificateholders.

If a liquidation, reorganization, or similar proceeding involving our assets or the assets of a Lender were to occur, it is not clear what law would be applicable. As a result, we cannot render a legal opinion about the Certificateholders' rights to the Group 5 Mortgage Loans in the event of a proceeding of this type.

Servicing Through Lenders

Under the Trust Agreement, we are responsible for servicing and administering the Group 5 Mortgage Loans. We are permitted, in our discretion, to contract with the originator of each Group 5 Mortgage Loan, or another eligible servicing institution, to perform those functions under our supervision as more fully described below (each, a "Lender"). Any servicing contract or arrangement by us with a Lender for the direct servicing of Group 5 Mortgage Loans is a contract solely between us and the Lender. Therefore, Certificateholders will not be deemed to be parties to the contract and will have no claims, rights, obligations, duties, or liabilities with respect to the Lender.

Unless we agree otherwise, Lenders will be obligated to perform diligently all services and duties customary to the servicing of mortgages in accordance with the applicable guide. We will monitor each Lender's performance and we have the right to remove any Lender for cause at any time we consider its removal to be in the best interest of Certificateholders. The duties performed by Lenders include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts, collection of insurance claims, and, if necessary, foreclosure.

Servicing Compensation and Payment of Certain Expenses by Fannie Mae

We will be entitled to retain an amount based on the principal balance of each Group 5 Mortgage Loan for Trust expenses and as compensation for our activities and obligations under the Trust Agreement. In addition, we may retain a portion of the proceeds from the liquidation of a Group 5 Mortgage Loan that exceeds (i) the principal balance of that loan and (ii) interest owed through the end of the month of such liquidation at the applicable Mortgage Interest Rate. We will pay all expenses incurred in connection with our servicing activities, including the fees to Lenders and any payments to cover mortgage insurance premiums, and we are not entitled to be reimbursed for those expenses out of Trust assets.

We will retain as additional servicing compensation any prepayment premiums, assumption fees, late payment charges and similar charges to the extent they are collected from borrowers.

Collection and Other Servicing Procedures

We are responsible for servicing the Group 5 Mortgage Loans and may, as set forth above, conduct servicing through Lenders or through other mortgage servicers that we approve. In connection with our servicing activities, we have full power to do anything we deem necessary or appropriate, including the foreclosure or comparable conversion of defaulted Group 5 Mortgage Loans.

With respect to each Group 5 Mortgage Loan, the applicable Lender makes certain warranties to Fannie Mae concerning the following matters:

- the recordation of the original mortgage,
- the validity of the Group 5 Mortgage Loan as a first lien on the Mortgaged Property, and
- compliance by the Group 5 Mortgage Loan with applicable state and federal laws.

In the event of a material breach of any warranty or a material defect in the mortgage loan documentation, we may withdraw the Group 5 Mortgage Loan from the Trust at a price equal to its stated principal balance together with interest thereon at the Net Mortgage Rate.

Subject to the limitations discussed below, we may:

- enforce or waive enforcement of any term of any Group 5 Mortgage Loan,
- enter into an agreement to modify any term of any Group 5 Mortgage Loan, or
- take any action or refrain from taking any action in servicing any Group 5 Mortgage Loan.

We may waive any assumption fee or late payment charge, or may exercise or refrain from exercising any "call option rider." If we decide to take or refrain from taking any of the actions discussed above, our decision must be consistent with the then-current policies or practices that we follow for comparable mortgage loans held in our own portfolio. In making our decisions, we may not take into account the ownership status of the related Group 5 Mortgage Loan.

Each Group 5 Mortgage Loan contains a "due-on-sale" clause which provides that the loan will be assumable upon the sale of the related Mortgaged Property, subject generally to the purchaser's compliance with credit and underwriting guidelines.

Repurchase of Group 5 Mortgage Loans by Servicer Following Mortgage Modification

General. Under certain circumstances, the Mortgage Interest Rate on a Group 5 Mortgage Loan may be reduced. If the Servicer reduces the Mortgage Interest Rate on any Group 5 Mortgage Loan, it may repurchase that loan from the Trust at a price (the "Repurchase Price") equal to its outstanding Stated Principal Balance (including, in each case, one month's interest at the applicable Net Mortgage Interest Rate).

In addition, if the Servicer modifies any Group 5 Mortgage Loan that is 120 or more days contractually delinquent as of the Issue Date, it must repurchase that loan from the Trust at the Repurchase Price.

In the event that the Servicer fails to repurchase any such modified Group 5 Mortgage Loan, Fannie Mae, acting in its corporate capacity, has the option to repurchase that loan at its outstanding Stated Principal Balance.

Yield Maintenance Contract. The Trustee, on behalf of the Trust, has entered into a yield maintenance contract (the "Yield Maintenance Contract") with Bear Stearns Mortgage Capital Corporation (the "Yield Maintenance Provider") for the benefit of the BA Class. For any Distribution Date on or prior to the Termination Date of the Yield Maintenance Contract, the amount payable by the Yield Maintenance Provider under the Yield Maintenance Contract will equal the product of (i) 2% and (ii) the Stated Principal Balance of each Group 5 Mortgage Loan that is repurchased by the Servicer following a modification of that loan pursuant to the second or third preceding paragraph. The Yield Maintenance Contract is scheduled to remain in effect until the Distribution Date following the Distribution Date on which the principal balance of the BA Class is reduced to zero (the "Termination Date").

As noted under "General—*Fannie Mae Guaranty*" in this prospectus supplement, our guaranty will *not* cover any amounts due under the Yield Maintenance Contract.

The BA Class does not represent an obligation of the Yield Maintenance Provider. Holders of the BA Class will not have any right to proceed directly against the Yield Maintenance Provider in respect of its obligations under the Yield Maintenance Contract.

Termination

The Servicer has the right to purchase all of the Group 5 Mortgage Loans remaining in the Trust if the aggregate principal balance of the remaining Group 5 Mortgage Loans is less than 5% of the aggregate principal balance of the Group 5 Mortgage Loans as of the Issue Date. The purchase price for any such optional purchase will be equal to the aggregate outstanding Stated Principal Balance of the Group 5 Mortgage Loans (including one month's interest at the applicable Net Mortgage Rates).

If the Servicer chooses not to exercise its option to purchase the Group 5 Mortgage Loans, we may do so. However, we do not intend to exercise this option if (i) we have knowledge that any related Certificate has been pledged to secure an issue of cash flow obligations or is included in assets underlying an issue of cash flow obligations and (ii) the exercise of this option would take place prior to the earliest date upon which the issuer of such cash flow obligations can exercise an option to redeem the obligations or purchase the Certificates without a premium.

If an option to repurchase the Group 5 Mortgage Loans is exercised, the BA, BI and BP Classes will be paid in full, and the Trust Agreement will terminate with respect to those Classes.

Additional Fannie Mae Matters

In the event that we are unable to fulfill our continuing guaranty obligations, the Trust Agreement may be modified to provide for monthly distributions to be made from then-available Group 5 Mortgage Loan payments and other recoveries in a manner similar to practices and procedures followed in the servicing of comparable whole loans for institutional investors. See "The Trust Agreement—Rights upon Event of Default" in the REMIC Prospectus.

CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES

The Certificates and payments on the Certificates generally are not exempt from taxation. Therefore, you should consider the tax consequences of holding a Certificate before you acquire one.

The following discussion describes certain U.S. federal income tax consequences to beneficial owners of Certificates. The discussion is general and does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. This discussion may not apply to your particular circumstances for one of the following, or other, reasons:

- This discussion is based on federal tax laws in effect as of the date of this prospectus supplement. Changes to any of these laws after the date of this prospectus supplement may affect the tax consequences discussed below.
- This discussion addresses only Certificates acquired at original issuance and held as "capital assets" (generally, property held for investment).
- This discussion does not address tax consequences to beneficial owners subject to special rules, such as dealers in securities, certain traders in securities, banks, tax-exempt organizations, life insurance companies, persons that hold Certificates as part of a hedging transaction or as a position in a straddle or conversion transaction, or persons whose functional currency is not the U.S. dollar.
- This discussion does not address taxes imposed by any state, local or foreign taxing jurisdiction.

For these reasons, you should consult your own tax advisors regarding the federal income tax consequences of holding and disposing of Certificates as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

The discussions under the captions "—REMIC Elections and Special Tax Attributes," "—Taxation of Beneficial Owners of Regular Certificates" and "—Taxation of Beneficial Owners of Residual Certificates" supplement the discussion under the caption "Certain Federal Income Tax Consequences" in the REMIC Prospectus. When read together, these discussions describe the current federal income tax treatment of beneficial owners of Certificates of the Group 1, 2, 3 and 4 Classes (the "Regular Certificates") and the R, RL and RM Classes (together with the Regular Certificates, the "REMIC Certificates"). For a discussion of the current federal income tax treatment of beneficial owners of Certificates of the Group 5 Classes, see "—Taxation of Beneficial Owners of Certificates of the Group 5 Classes" below.

Taxation of the Trust

Arnold & Porter, special tax counsel to Fannie Mae, will deliver its opinion that, assuming compliance with the Trust Agreement, the Trust will be classified as a trust under subpart E, part I of subchapter J of the Code and not as an association taxable as a corporation.

REMIC Elections and Special Tax Attributes

We will elect to treat REMIC Trust 1, REMIC Trust 2 and the Lower Tier REMIC as REMICs for federal income tax purposes. The Group 1, Group 3 and Group 4 Classes will be designated as the "regular interests," and the R Class will be designated as the "residual interest," in REMIC Trust 1. The Lower Tier Regular Interests will be designated as the "regular interests" and the RL Class will be designated as the "residual interest" in the Lower Tier REMIC. The Group 2 Classes will be designated as the "regular interests," and the RM Class will be designated as the "residual interest," in REMIC Trust 2.

Because REMIC Trust 1, REMIC Trust 2 and the Lower Tier REMIC will each 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, RL and RM Classes, 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

The Notional Classes and the Principal Only Classes 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 Assumptions that will be used in determining the rate of accrual of OID with respect to the Group 1, 2, 3 and 4 Classes will be as follows:

Group	Prepayment Assumption
1	287% PSA
2	226% PSA
3	243% PSA
4	226% 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 related MBS will prepay at any 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 REMIC Trust 1, REMIC Trust 2 or the Lower Tier REMIC that generally will not be treated as excess inclusions, the rate to be used is 120% of the "federal long-term rate." The rate will be published on or about November 20, 2001. 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 (each, a "Combination RCR Class") will represent the beneficial ownership of the underlying REMIC Certificates set forth in Schedule 1. Each Certificate of a Combination RCR Class (a "Combination RCR Certificate") will represent beneficial ownership of undivided interests in two or more underlying REMIC Certificates.

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. Except in the case of a beneficial owner that acquires a Combination RCR Certificate in an exchange described under "—*Exchanges*" below, 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 an 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.

Taxation of Beneficial Owners of Certificates of the Group 5 Classes

Group 5 Classes. A beneficial owner of a Group 5 Class Certificate will be treated as owning, pursuant to section 1286 of the Code, "stripped bonds" to the extent of its share of principal payments and "stripped coupons" to the extent of its share of interest payments. See *"—Stripped Bonds and Stripped Coupons"* below for a discussion of the application of section 1286 to beneficial owner's share of principal and interest payments. In addition, a beneficial owner of a BA Class Certificate will be treated as having entered into a notional principal contract represented by the Yield Maintenance Contract. See *"—Notional Principal Contract"* below.

Allocations With Respect to the BA Class. Because a beneficial owner of a BA Class Certificate will be treated (i) as holding stripped bonds and stripped coupons and (ii) as having entered into a notional principal contract, a beneficial owner of a BA Class Certificate must allocate its cost to acquire a Certificate between the corresponding (i) stripped bonds and stripped coupons and (ii) the notional principal contract based on their relative fair market values at the time the Certificate is acquired. When a beneficial owner of a BA Class Certificate sells or disposes of the Certificate, the beneficial owner must allocate the sale proceeds between the corresponding (i) stripped bonds and stripped coupons and (ii) the notional principal contract based on their relative fair market values at the time of the sale or disposition and must treat the sale or other disposition of the Certificate as a sale or other disposition of a pro rata portion of the corresponding (i) stripped bonds and stripped coupons and (ii) the notional principal contract.

We expect to receive a representation that the Yield Maintenance Contract will have only nominal value as of the Settlement Date, relative to the value of the stripped bonds and stripped coupons represented by the BA Class as of the Settlement Date. We will rely on this representation for purposes of providing tax information with respect to the BA Class. The Yield Maintenance Contract is difficult to value, and the Internal Revenue Service (IRS) could assert that the value of the Yield Maintenance Contract as of the Settlement Date is different than the value we will use for information reporting purposes. If the IRS were to assert successfully that the Yield Maintenance Contract had a different value as of the Settlement Date, a different portion of the purchase price for that Class would be allocated to the notional principal contract and a different portion would be allocated to the stripped bonds and stripped coupons, which could result in differences in the beneficial owner's timing and character of income, gains, deductions and losses with respect to that Class. See *"—Stripped Bonds and Stripped Coupons"* and *"—Notional Principal Contract"* below.

Stripped Bonds and Stripped Coupons. Fannie Mae intends to treat the stripped bonds and stripped coupons in respect of a Group 5 Class Certificate as a single debt instrument for purposes of information reporting. You should consult your own tax advisor in this regard.

Under section 1286 of the Code, a beneficial owner of a Certificate of a Group 5 Class must treat the stripped bonds and stripped coupons represented by the 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 the "stated redemption price at maturity" of the stripped bonds and stripped coupons *over* the price paid by the owner to acquire such stripped bonds and stripped coupons. The stated redemption price at maturity of stripped bonds and stripped coupons represented by the Certificate of a Group 5 Class generally is equal to the sum of all distributions to be made on the stripped bonds and stripped coupons represented by the Certificate. For information reporting purposes, we intend to treat all principal and interest to be distributed on each Certificate of a Group 5 Class as included in the stated redemption price at maturity and, as a result, each Certificate of a Group 5 Class will be treated as if issued with OID.

The beneficial owner of a Certificate of a Group 5 Class must include in its ordinary income for federal income tax purposes, generally in advance of receipt of the cash attributable to that income, the sum of the "daily portions" of OID on its Certificate for each day during its taxable year on which it held that Certificate. The daily portions of OID are determined as follows:

- first, the portion of OID that accrued during each "accrual period" is calculated;
- then, the OID accruing during an accrual period is allocated ratably to each day during the period to determine the daily portion of OID.

Final regulations issued by the Treasury Department relating to the tax treatment of debt instruments with OID (the "OID Regulations") provide that a holder of a debt instrument may use an accrual period of any length, up to one year, as long as each distribution of principal or interest occurs on either the final day or the first day of an accrual period. We intend to report OID based on accrual periods of one month. Each of these accrual periods will begin on a Distribution Date and end on the day before the next Distribution Date.

Although the matter is not entirely clear, a beneficial owner of a Certificate of a Group 5 Class should determine the amount of OID accruing during any accrual period with respect to that Certificate using the method described in section 1272(a)(6) of the Code. Under section 1272(a)(6), the portion of OID treated as accruing with respect to a Certificate of a Group 5 Class for any accrual period equals the *excess*, if any, of

- the sum of (A) the present values of all the distributions of principal and interest remaining to be made on that Certificate, if any, as of the end of the accrual period; and (B) the distributions made on that Certificate during the accrual period of amounts included in the stated redemption price at maturity;

over

- the sum of the present values of all the distributions of principal and interest remaining to be made on that Certificate as of the beginning of the accrual period.

The present values of the remaining distributions of principal and interest with respect to a Certificate of a Group 5 Class are calculated based on the following:

- an assumption that the Group 5 Mortgage Loans prepay at a specified rate (the "Prepayment Assumption"),
- the yield to maturity of the stripped bonds and stripped coupons backing the Certificate giving effect to the Prepayment Assumption, and
- events (including actual prepayments) that have occurred prior to the end of the accrual period.

Each beneficial owner of a Certificate of a Group 5 Class determines its yield to maturity based on its purchase price for the stripped bonds and stripped coupons backing the Certificate. For a particular beneficial owner of a Certificate of a Group 5 Class, it is not clear whether the Prepayment Assumption used for calculating OID would be one determined at the time that Certificate is acquired or would be the original Prepayment Assumption for that Certificate. For information reporting purposes, we will use the original yield to maturity of that Certificate, calculated based on the original

Prepayment Assumption. You should consult your own tax advisor regarding the proper method for accruing OID on a Certificate of a Group 5 Class.

The Code requires that the Prepayment Assumption be determined in the manner prescribed in Treasury Regulations. To date, no such regulations have been promulgated. For information reporting purposes, we will assume a Prepayment Assumption equal to 15% CPR. We make no representation, however, that the Group 5 Mortgage Loans will prepay at that rate or any other rate. You must make your own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase a Certificate of a Group 5 Class.

Notional Principal Contract. The Yield Maintenance Contract will constitute a notional principal contract under Treasury Regulations promulgated under section 446 of the Code (the ''NPC Regulations''). Pursuant to this notional principal contract, a beneficial owner of a BA Class Certificate will be treated as agreeing to pay a premium for the right to receive the payments on the Yield Maintenance Contract. A beneficial owner of a BA Class Certificate will be treated as having entered into the notional principal contract on the date the beneficial owner acquires the Certificate.

Under the NPC Regulations, the premium that is deemed to have been paid for the notional principal contract must be amortized over the life of the BA Class, taking into account the declining balance of such Class. For information reporting purposes, we intend to amortize the premium under a constant yield method, similar to that used to amortize OID. You should consult your tax advisor regarding the method for amortizing this premium.

Any payment made to the BA Class pursuant to the Yield Maintenance Contract will be treated as a periodic payment under the NPC Regulations. To the extent that the periodic payments for any year exceed the amount of the premium amortized in that year, such excess shall represent net income for that year. Conversely, to the extent that the amount of the premium amortized in any year exceeds the periodic payments for that year, such excess shall represent a net deduction for that year. Although not clear, net income or a net deduction should be treated as ordinary income or as an ordinary deduction.

A beneficial owner's ability to recognize a net deduction with respect to a notional principal contract is limited under section 67 of the Code in the case of (i) estates and trusts, and (ii) individuals owning an interest in a BA Class Certificate directly or through an investment in a ''pass-through entity'' (other than in connection with such individual's trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, and non-publicly offered regulated investment companies, but do not include estates, nongrantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies. Generally, such a beneficial owner can recognize a net deduction only to the extent that these costs, when aggregated with certain of the beneficial owner's other than miscellaneous itemized deductions, exceed 2% of the beneficial owner's adjusted gross income. For this purpose, an estate or nongrantor trust computes adjusted gross income in the same manner as in the case of an individual, except that deductions for administrative expenses of the estate or trust that would not have been incurred if the property were not held in such trust or estate are treated as allowable in arriving at adjusted gross income. In addition, section 68 of the Code provides that certain itemized deductions otherwise allowable for a beneficial owner who is an individual are reduced by an amount equal to 3% of the beneficial owner's adjusted gross income in excess of a statutorily defined threshold, but not more than 80% of itemized deductions otherwise allowable. Further, such a beneficial owner may not be able to recognize a net deduction with respect to the notional principal contract in computing the beneficial owner's alternative minimum tax liability.

Any amount that is considered to be allocated to the notional principal contract in connection with the sale or other disposition of a BA Class Certificate as described under *''—Allocations With Respect to the BA Class''* above will be considered a ''termination payment'' under the NPC Regulations. Under the NPC Regulations, a beneficial owner of a BA Class Certificate will have gain or loss from the disposition of the interest rate cap contract equal to (i) the sum of the unamortized portion of any premium received or deemed to have been received by the beneficial owner upon entering into the interest rate cap contract and any termination payment it receives or is deemed to have received, less (ii) the sum of the unamortized portion of any premium paid or deemed to have been paid by the beneficial owner upon entering into the interest rate cap contract and any termination payment it makes or is deemed to have made. The gain or loss should be capital gain or loss, provided the interest rate cap contract is a capital asset to the beneficial owner. The ability to deduct capital losses is subject to limitations.

Expenses of the Trust. Each beneficial owner of a Certificate of the Group 5 Classes will be required to include in income its allocable share of the expenses paid by the Trust with respect to the related FHA/VA Loans. Each beneficial owner of a Certificate of the Group 5 Classes can deduct its allocable share of such expenses as provided in section 162 or section 212 of the Code, consistent with its method of accounting. Fannie Mae intends to allocate expenses to beneficial owners in each monthly period in proportion to the respective amounts of income (including any OID) accrued for each Class of Certificates. A beneficial owner's ability to deduct its share of these expenses is limited under section 67 of the Code in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Certificate of the Group 5 Classes directly or through an investment in a ''pass-through entity'' (other than in connection with such individual's trade or business). Pass-through entities include partnerships, S corporations, grantor trusts and non-publicly offered regulated investment companies, but do not include estates, non-grantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies. Generally, such a beneficial owner can deduct its share of these costs only to the extent that these costs, when aggregated with certain of the beneficial owner's other miscellaneous itemized deductions, exceed 2% of the beneficial owner's adjusted gross income. For this purpose, an estate or nongrantor trust computes adjusted gross income in the same manner as in the case of an individual, except that deductions for administrative expenses of the estate or trust that would not have been incurred if the property were not held in the trust or estate are treated as allowable in arriving at adjusted gross income. In addition, section 68 of the Code provides that certain itemized deductions otherwise allowable for a beneficial owner who is an individual are reduced by an amount equal to 3% of the beneficial owner's adjusted gross income in excess of a statutorily defined threshold, but not more than 80% of itemized deductions otherwise allowable. Further, a beneficial owner may not be able to deduct any portion of these costs in computing its alternative minimum tax liability.

Sales and Other Dispositions of Certificates of the Group 5 Classes. Upon the sale, exchange or other disposition of a Certificate of the Group 5 Classes, a beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner's adjusted basis in that Certificate. The adjusted basis of a Certificate of the Group 5 Classes generally will equal the cost of that Certificate to the beneficial owner, increased by any amounts of OID and market discount included in the beneficial owner's gross income with respect to that Certificate, and reduced by distributions on that Certificate previously received by the beneficial owner as principal (or as amounts constituting stated redemption price at maturity in the case of a Certificate of a Group 5 Class) and by any premium that has reduced the beneficial owner's interest income with respect to that Certificate. Any such gain or loss generally will be capital gain or loss, except (i) as provided in section 582(c) of the Code (which generally applies to banks) or (ii) to the extent any gain represents OID or accrued market discount not previously included in income (to which extent such gain would be treated as ordinary income). Any capital gain (or loss) recognized upon the sale, exchange or other disposition of a Certificate of the Group 5 Classes will be long-term capital gain (or loss) if at the time of disposition the beneficial owner held that Certificate for more than one year. The ability to deduct capital losses is subject to limitations.

Special Tax Attributes. The BI and BP Classes and the stripped bonds and stripped coupons represented by the BA Class may not constitute (and the interest in the Yield Maintenance Contract represented by the BA Class will not constitute):

- a "real estate asset" within the meaning of section 856(c)(5)(B) of the Code,
- a "qualified mortgage" within the meaning of section 860G(a)(3) of the Code or a "permitted investment" within the meaning of section 860G(a)(5) of the Code, or
- an asset described in section 7701(a)(19)(c)(ix) of the Code.

In addition, distributions of interest on the Group 5 Classes may not constitute income described in section 856(c)(3)(B) of the Code with respect to a real estate investment trust. As a result, Certificates of the Group 5 Classes may not be suitable investments for real estate investment trusts and generally will not be suitable investments for REMICs.

Modifications of FHA/VA Loans. FHA/VA Loans that are in default (or FHA/VA Loans for which a default is reasonably foreseeable) may be modified. If a modification is a "significant modification" under section 1001 of the Code, the Trust will be deemed to have exchanged the old unmodified FHA/VA Loan for the new modified FHA/VA Loan. Gain or loss may be recognized by beneficial owners of the Certificates of the Group 5 Classes upon such exchange. Information will be made available to assist Holders in determining their share of any gain or loss due to a significant modification of an FHA/VA Loan or to enable Holders to make such information available to beneficial owners or other financial intermediaries for which Holders hold Certificates as nominees.

Information Reporting and Backup Withholding. Within a reasonable time after the end of each calendar year, we will furnish or make available to each Holder of a Certificate of the Group 5 Classes that received a distribution on that Certificate during that year a statement setting forth such information as is required by the Code or Treasury Regulations and such other information as we deem necessary or desirable to assist Holders in preparing their federal income tax returns, or to enable Holders to make such information available to beneficial owners or other financial intermediaries for which the Holders hold Certificates as nominees.

Payments of interest and principal, as well as payments of proceeds from the sale of Certificates of the Group 5 Classes, may be subject to the "backup withholding tax" under section 3406 of the Code if recipients of the payments fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from this tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the recipient's federal income tax. The IRS may impose certain penalties on a recipient of payments required to supply information who does not do so in the proper manner.

Foreign Investors. Additional rules apply to a beneficial owner of a Certificate of the Group 5 Classes that is not a U.S. Person (a "Non-U.S. Person"). The term "U.S. Person" means:

- a citizen or resident of the United States,
- a corporation, partnership or other entity created or organized in or under the laws of the United States or any of its political subdivisions,
- an estate the income of which is subject to U.S. federal income tax regardless of the source of its income, or
- a trust if a court within the United States can exercise primary supervision over its administration and at least one U.S. Person has the authority to control all substantial decisions of the trust.

Payments on a Certificate of the Group 5 Classes to, or on behalf of, a beneficial owner that is a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, provided the following conditions are satisfied:

- the beneficial owner is not subject to U.S. tax as a result of a connection to the United States other than ownership of that Certificate,

- the beneficial owner signs a statement under penalties of perjury that certifies that the beneficial owner is a Non-U.S. Person, and provides for the name and address of the beneficial owner, and
- the last U.S. Person in the chain of payment to the beneficial owner receives the statement from the beneficial owner or a financial institution holding on its behalf and does not have actual knowledge that the statement is false.

You should be aware that the IRS might take the position that this exemption does not apply to a beneficial owner that also owns 10% or more of the voting stock of Fannie Mae, or to a beneficial owner that is a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code.

ADDITIONAL ERISA CONSIDERATIONS

Because the right to interest payable under the Yield Maintenance Contract to Holders of the BA Class is not guaranteed by Fannie Mae, our counsel is unable to conclude that the "guaranteed governmental mortgage pool exemption" applies to the acquisition and holding of this right. Therefore, any Plan fiduciary considering an investment in the BA Class should consider the identity of the Yield Maintenance Provider in determining whether an investment in the BA Class would give rise to a prohibited transaction. Depending on the relevant facts and circumstances, certain prohibited transaction exemptions may apply to the acquisition of the BA Class and rights under the Yield Maintenance Contract—for example, Prohibited Transaction Class Exemption ("PTCE") 84-14, which exempts certain transactions effected on behalf of a Plan by a "qualified professional asset manager", PTCE 90-1, which exempts certain transactions by insurance company pooled separate accounts, PTCE 91-38, which exempts certain transactions by bank collective investment funds, PTCE 96-60, which exempts certain transactions by insurance company general accounts, or PTCE 96-23, which exempts certain transactions effected on behalf of a Plan by an "in-house asset manager". Each Plan that invests in the BA Class, by its acceptance of the related Certificate, will be deemed to make certain representations as provided in the Trust Agreement, including that its acquisition of the BA Class and rights under the Yield Maintenance Contract do not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

PLAN OF DISTRIBUTION

General. We are obligated to deliver the Certificates to Bear, Stearns & Co. Inc. in exchange for the Underlying REMIC Certificates, the Group 2 SMBS, the Group 4 MBS and the Group 5 Mortgage Loans. Bear, Stearns & Co. Inc. proposes to offer the Certificates, other than the Retail Certificates, directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. In addition, Edward D. Jones & Co., L.P. proposes to offer the Retail Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. Bear, Stearns & Co. Inc. and Edward D. Jones & Co., L.P. (the "Dealers") may effect these transactions to or through other dealers.

Increase in Certificates. Before the Settlement Date, we and Bear, Stearns & Co. Inc. may agree to offer Group 2 or Group 4 Classes (other than the Retail Certificates), and we and the dealers may agree to offer Retail Certificates, in each case in addition to those contemplated as of the date of this prospectus supplement. In this event, we will increase the related Group 2 SMBS or Group 4 MBS, as applicable, in principal balance, but we expect that all these additional Group 2 SMBS or Group 4 MBS, as applicable, will have the same characteristics as described under "Description of the Certificates—The Group 2 SMBS" and "—The Group 4 MBS." The proportion that the original principal balance of each Group 2 or Group 4 Class bears to the aggregate original principal balance of all Group 2 or Group 4 Classes, respectively, will remain the same.

LEGAL MATTERS

Sidley Austin Brown & Wood LLP will provide legal representation for Fannie Mae. Stroock & Stroock & Lavan LLP will provide legal representation for Bear, Stearns & Co. Inc.

Exhibit A

Certain Assumed Characteristics of the Group 5 Mortgage Loans (As of December 1, 2001)

Issue Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Remaining Term to Maturity (“WARM”) (in months)	Weighted Average Loan Age (in months)	Weighted Average Original Term (in months)
$ 16,643,096.21	5.9139%	6.4889%	305	41	346
81,476,880.68	6.3891	6.9641	315	40	355
135,952,849.14	6.8594	7.4344	315	43	358
98,169,894.70	7.3342	7.9092	317	41	358
75,124,624.77	7.8145	8.3895	328	29	357
38,246,991.77	8.3160	8.8910	317	40	357
7,728,782.70	8.8310	9.4060	274	87	361
1,179,375.92	9.3993	9.9743	196	165	361
602,070.00	9.9250	10.5000	196	160	356
313,776.32	10.3698	10.9448	183	177	360
309,776.60	10.9250	11.5000	134	225	359
227,585.70	12.5274	13.1024	134	223	357

For any Distribution Date, the “Weighted Average Mortgage Rate” is the weighted average of the Mortgage Interest Rates of the related loans during the preceding calendar month, weighted on the basis of the Stated Principal Balances of the related loans immediately before that Distribution Date. For any Distribution Date, the “Weighted Average Net Mortgage Rate” is the weighted average of the Net Mortgage Rates of the related loans during the preceding calendar month, weighted on the basis of the Stated Principal Balances of the related loans immediately before that Distribution Date. The “Weighted Average Remaining Term to Maturity” is the weighted average remaining amortization term of the related loans during the preceding calendar month, weighted on the basis of the Stated Principal Balances of the related loans immediately before that Distribution Date. The “Weighted Average Loan Age” is the weighted average loan age of the related loans during the preceding calendar month, weighted on the basis of the Stated Principal Balances of the related loans immediately before that Distribution Date.

Exhibit B

Underlying RCR and REMIC Certificates

Underlying REMIC Trust	Class	Date of Issue	CUSIP Number	Interest Rate	Interest Type(1)	Final Distribution Date	Principal Type(1)	Original Principal Balance of Class	December 2001 Class Factor	Principal Balance in the Lower Tier REMIC	Approximate Weighted Average WAC	Approximate Weighted Average WAM (in months)	Approximate Weighted Average WALA (in months)	Underlying Security Type	Class Group
2001-50	KQ	October 2001	31392ANZ7	6.5%	FIX	November 2031	SUP/AD/NSJ	$ 48,721,000	1.00000000	$ 48,721,000	7.063%	355	5	MBS	1
2001-50	UE	October 2001	31392ANP9	6.0	FIX	November 2031	SEG(TAC)/ SUP/AD/NSJ	45,443,000	1.00000000	35,189,750	7.048	355	4	MBS	1
2001-70	JE	November 2001	31392BBJ4	6.5	FIX	December 2031	SUP	27,344,600	1.00000000	22,344,600	6.693	353	6	MBS	1
2001-72	AT	November 2001	31392BJQ0	6.0	FIX	March 2030	SEQ	255,000,000	0.99110214	108,030,133	6.665	345	12	MBS	3

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

Schedule 1

Available Recombinations (1)

Trust Certificates		RCR Certificates						
Classes	Original Principal or Notional Principal Balances	RCR Class	Original Principal or Notional Principal Balance	Interest Rate	Interest Type (2)	Principal Type (2)	CUSIP Number	Final Distribution Date
Recombination 1								
SK	$250,000,000 (3)	S	$250,000,000 (3)	(4)	INV/IO	NTL	31392BMU7	November 2031
SU	250,000,000 (3)							
Recombination 2								
SJ	250,000,000 (3)	F	250,000,000	(4)	FLT	PT	31392BMT0	November 2031
FJ	250,000,000							
Recombination 3								
LD	154,069,000	LA	167,000,000	6.0%	FIX	SEQ	31392BMV5	October 2030
IL	6,419,542 (3)							
LC	12,931,000							
Recombination 4								
LD	154,069,000	LB	154,069,000	6.0	FIX	SEQ	31392BMW3	December 2029
IL	6,419,542 (3)							

(1) Trust 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) For a description of these interest rates, see "Description of the Certificates—Distributions of Interest" in this prospectus supplement.

Single-Family
REMIC Prospectus

FannieMae

Guaranteed REMIC Pass-Through Certificates

The Certificates

We, the Federal National Mortgage Association or Fannie Mae, will issue and guarantee the certificates. Each series of certificates will have its own identification number and will represent the ownership of a trust. The assets of the trust will include certain underlying securities typically issued and guaranteed by us or by Ginnie Mae. These underlying securities represent the ownership of pools of residential mortgage loans secured by single-family properties. Each series of certificates will consist of two or more classes having various characteristics.

Fannie Mae Guaranty

We will guarantee that required payments of interest and principal on the certificates are distributed to investors on time. **Neither the certificates nor interest on the certificates are guaranteed by the United States, and they do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.**

REMIC Status

For federal income tax purposes, we will elect to treat each trust as at least one ''real estate mortgage investment conduit,'' commonly referred to as a REMIC. At least one class of certificates in each series will be the ''residual interest'' in a REMIC; the others will be the ''regular interests.''

Consider carefully the risk factors beginning on page 10. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.

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

The date of this Prospectus is September 18, 1998

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* Beginning with the section of this prospectus entitled "Description of the Certificates," we often use certain capitalized terms that are defined in this prospectus. The Index of Defined Terms tells you the numbers of the pages where we define these capitalized terms.

INFORMATION ABOUT PROSPECTUS SUPPLEMENTS

We will prepare a prospectus supplement for each series of certificates. The disclosure documents for any particular series of certificates are this prospectus and the related prospectus supplement together with any information incorporated in these documents by reference as discussed below under the heading "Additional Information about Fannie Mae." Because the prospectus supplement will contain specific information about a particular series of certificates, you should rely on the information in the prospectus supplement to the extent it is different from the information in this prospectus. The prospectus supplement for each series generally will include the following information:

- the aggregate principal amount and interest rate (or method of calculating the interest rate) of each class of certificates;
- whether any class of certificates is an accrual class;
- a description of the underlying securities, including their interest rates, if any, and, if applicable, the range of their weighted average coupons and/or the range of the weighted average maturities of the mortgage loans backing the underlying securities;
- the method for calculating how much principal will be paid on each class of certificates;
- whether a class represents a "regular interest" or a "residual interest" in a REMIC;
- the monthly distribution date for the certificates;
- the final distribution date for each class of certificates;
- a table for each class of certificates showing what percentage of the original principal balance would be outstanding on various dates based on various assumed prepayment rates for the mortgage loans backing the underlying securities; and
- if any certificates will not be maintained on the book-entry system of the U.S. Federal Reserve Banks, a description of the book-entry system on which those certificates will be maintained.

In connection with the initial distribution of a particular series of certificates, you should obtain a copy of this prospectus (if it has not yet been delivered to you) and the related prospectus supplement from the securities dealer offering that series. We also make copies of these documents available for informational purposes. Write us at Fannie Mae, 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 or call the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-6547. You also can access our World Wide Web site at http://www.fanniemae.com. The prospectus supplement is generally available three to five business days before settlement of the related series of certificates.

FANNIE MAE

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. § 1716 *et seq.* (the ''Fannie Mae Charter Act''). We were established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and were transformed into a stockholder-owned and privately managed corporation by legislation enacted in 1968. Today, we are the largest investor in residential mortgage loans in the United States.

We provide funds to the mortgage market by purchasing mortgage loans from lenders. In this way, we replenish their funds so they can make additional loans. We acquire funds to purchase these loans by issuing debt securities to capital market investors, many of whom ordinarily would not invest in mortgages. Thus, we are able to expand the total amount of funds available for housing.

We also issue mortgage-backed certificates, receiving guaranty fees for our guaranty of timely payment of principal and interest on the certificates. We issue certificates primarily in exchange for pools of mortgage loans from lenders. By issuing certificates, we can further our statutory mandate to increase the liquidity of residential mortgage loans.

In addition, we offer various services to lenders and others for a fee. These services include issuing certain types of mortgage-backed certificates and providing technology services for originating and underwriting mortgage loans.

Our principal office is located at 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (telephone: (202) 752-7000).

ADDITIONAL INFORMATION ABOUT FANNIE MAE

In addition to this prospectus and any applicable prospectus supplement, you also should read:

- our current Information Statement dated March 31, 1998;
- the Supplements to the Information Statement dated May 15, 1998 and August 13, 1998 and any more current Information Statement.

These documents contain important financial and other information about Fannie Mae which we are incorporating by reference in this prospectus. This means that we are disclosing important information to you by referring to these documents, so you should read them together with this prospectus.

We publish our Information Statement annually and update it from time to time generally to reflect quarterly and annual financial results. When we use the term ''Information Statement'' in this prospectus, we mean our most recent Information Statement as of the issue date for a particular series of certificates, together with any Supplements to that Information Statement. You should always rely on the most current information.

You can read our Information Statement and other information about us at the offices of the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Exchange. We are not subject to the periodic reporting requirements of the Securities Exchange Act of 1934, so we do not file reports or other information with the Securities and Exchange Commission.

You can request free copies of our Information Statement, all the other documents incorporated by reference and additional information about us, without charge, by writing us at Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016, or by calling us at 1-800-701-4791. You also can obtain certain of these documents from our World Wide Web site at http://www.fanniemae.com.

We may discontinue providing any of the information referenced in this section at any time without notice.

SUMMARY

This summary highlights information contained elsewhere in this prospectus. As a summary, it must speak in general terms without giving details or discussing any exceptions. Before buying certificates of any series, you should have the complete picture. For that, you must read this prospectus in its entirety, the related prospectus supplement and the prospectuses for the underlying securities.

Title of Security..........	Guaranteed REMIC Pass-Through Certificates
Issuer and Guarantor	Fannie Mae, a federally chartered and stockholder-owned corporation. **Neither the certificates nor interest on the certificates are guaranteed by the United States, and they do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.** We alone are responsible for making payments on our guaranty.
Description of Certificates . .	We will issue and guarantee the certificates of each series. Each certificate will represent an ownership interest in a trust consisting of certain underlying securities. As trustee, we will maintain each trust under a trust agreement. We have executed the trust agreement, and will execute any applicable issue supplement for a particular series, both in our corporate capacity and as trustee.
Denominations	In general, we will issue the certificates only in whole dollar amounts in minimum denominations of $1,000.
Book-Entry Form	We will issue the certificates (except for "residual" certificates) in book-entry form on the book-entry system of the U.S. Federal Reserve Banks, unless we specify a different system in the related prospectus supplement. The book-entry certificates will not be convertible into physical certificates.
Underlying Securities	In general, each underlying security will represent a fractional undivided interest in a pool of first lien residential mortgage loans. The underlying securities will be securities that we have previously issued and guaranteed or other securities, including Government National Mortgage Association (or Ginnie Mae) certificates, that the prospectus supplement will specify.
Interest Payments	Each interest-bearing class of certificates will accrue interest at the annual rate set forth in the related prospectus supplement. In general, we will pay interest on all interest-bearing classes on the monthly distribution date specified in the

related prospectus supplement. This payment will equal the amount of interest that has accrued during the related interest accrual period.

Principal Payments . . . . In general, we will distribute principal on each series of certificates on each monthly distribution date in a total amount equal to the sum of the following:

(i) *if we issued and guaranteed the underlying securities,* the amount of principal that we have paid on the underlying securities since the previous monthly distribution date;

if Ginnie Mae issued and guaranteed the underlying securities, the amount of principal expected to be paid by Ginnie Mae for the month in which the monthly distribution date occurs plus any principal paid during the prior month that we have not yet passed through to certificateholders; and

(ii) interest on any accrual classes that accrued during the previous interest accrual period but is not then distributable as interest.

The prospectus supplement for each series will specify how we determine the total principal payment for each monthly distribution date and how the total principal payment is allocated among the classes of certificates of that series. In general, we will make principal payments on all the certificates of any single class on a *pro rata* basis.

Final Distribution Date . . . We will specify in the prospectus supplement the date by which we have to pay the principal balance in full of each class of certificates of that series. Because we cannot predict the prepayment experience of the underlying securities or the mortgage loans backing them, we may make the actual final payment on any class of certificates much earlier than the final distribution date specified in the prospectus supplement.

Residual Certificates . . . . . . On each monthly distribution date, we will pay to the holders of each "residual" certificate of a particular series the amount of principal and interest, if any, specified in the related prospectus supplement. In addition, we will pay these holders the proceeds of any remaining assets of the related REMIC after the principal balances of all the other classes of certificates have been reduced to zero.

	Each residual certificate will be subject to transfer restrictions.
Fannie Mae Guaranty	On each monthly distribution date, we will pay certificateholders the amount of principal and interest described in the related prospectus supplement. In addition, we will pay the holders of each class of certificates the outstanding principal balance of their certificates, if any, no later than the final distribution date for that class, even if we have less than the required amount in the related trust account. If we were unable to fulfill our guaranty obligations, certificateholders would receive only whatever distributions are made on the underlying securities of that series. Except in the case of Ginnie Mae certificates, those distributions would be limited to borrower payments and other recoveries on the mortgage loans backing the underlying securities. In that event, delinquencies and defaults on the mortgage loans would directly affect the amounts that certificateholders would receive each month.
Trust Account	We will maintain a trust account for each series into which we will deposit all distributions on the underlying securities. We will withdraw amounts from the trust account to make principal and interest payments on the related series of certificates on each monthly distribution date.
Class Factor	Unless we specify otherwise in the related prospectus supplement, on or shortly after the 11th calendar day of each month, we will publish the "class factor" for each class of certificates. If you multiply the applicable class factor by the original principal balance of a class, you will obtain the outstanding principal balance of that class (after giving effect to the current month's principal payment).
Termination	In general, each series trust will terminate once we have made all required principal and interest payments to the related certificateholders.
Tax Status of the Certificates	For federal income tax purposes, we will elect to treat the assets of each series trust as at least one REMIC. The certificates 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 any residual certificates, as "qualified mortgages" for other REMICs.

Special tax considerations apply to residual certificates. Investors should not purchase residual certificates before consulting their tax advisors.

Legal Investment Considerations	Under the Secondary Mortgage Market Enhancement Act of 1984, the certificates will be considered to be "securities issued or guaranteed by . . . the Federal National Mortgage Association." Nevertheless, you should consult your own legal advisors to determine whether and to what extent the certificates of a series constitute legal investments for you.
Marginability; Repurchase Agreements	The certificates are "exempted securities" for purposes of the margin rules of the Board of Governors of the Federal Reserve System and the New York Stock Exchange. The margin rules treat transactions in the certificates, including repurchase agreements, in the same manner as transactions in Fannie Mae MBS certificates. However, they do not specify the collateral value of the certificates of any class.

RISK FACTORS

We have listed below some of the risks associated with an investment in the certificates. Because each investor has different investment needs and a different risk tolerance, you should consult your own financial and legal advisors to determine whether the certificates are a suitable investment for you.

Suitability

The certificates are **not** a suitable investment for every investor.

- Before investing, you should have sufficient knowledge and experience to evaluate the merits and risks of the certificates and the information contained in this prospectus, any applicable prospectus supplement and the documents incorporated by reference.
- You should understand the terms of the certificates thoroughly.
- You should understand the terms of the underlying securities thoroughly.
- You should be able to evaluate (either alone or with the help of a financial advisor) the economic, interest rate and other factors that may affect your investment.
- You should have sufficient financial resources and liquidity to bear all risks associated with the certificates.
- You should investigate any legal investment restrictions that may apply to you.

Yield Considerations

Your effective yield on the certificates will depend upon:

- the price you paid for the certificates;
- the level of any interest rate index applicable to the certificates (as specified in the related prospectus supplement);
- how quickly or slowly borrowers prepay the mortgage loans backing the related underlying securities;
- if and when the mortgage loans backing the related underlying securities are liquidated due to borrower defaults, casualties or condemnations affecting the properties securing those loans;
- if and when the mortgage loans backing the related underlying securities are repurchased; and
- the actual characteristics of the mortgage loans backing the related underlying securities.

Generally, if you purchase a certificate at a discount and the mortgage loans backing the related underlying securities are prepaid at a rate slower than you expected, your yield on that certificate will be less than you expected. Similarly, if you purchase a certificate at a premium and the mortgage loans are prepaid at a rate faster than you expected, your yield on that certificate also will be less than you expected.

Even if the average rate at which principal is paid on the mortgage loans backing the related underlying securities is consistent with your expectations, variations in the rate over time can significantly affect your yield. Generally, the earlier the payment of principal, the greater the impact on the yield to maturity. As a result, if the rate of principal prepayment during any period is faster or slower than you expected, a corresponding reduction or increase in the prepayment rate during a later period may not fully offset the impact of the earlier rate on your yield.

The timing of changes in the level of any applicable interest rate index also may have a significant effect on your yield, even if the average level is consistent with your expectations. Generally, the earlier the change in the level of the index, the greater the impact on the yield to maturity. As a result, if the level of the index is higher or lower than you expected, a corresponding reduction or increase in the index during a later period may not fully offset the impact of the earlier level on your yield.

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

Prepayment Considerations

The rate of principal payments on the certificates of a series will depend on the rate of principal payments on the underlying securities. In turn, this rate will depend on the rate of principal payments on the mortgage loans backing the underlying securities. Principal payments on the mortgage loans may occur as a result of scheduled amortization, voluntary borrower prepayments or prepayments as a result of borrower default, casualties or condemnations affecting the properties securing the loans.

Many mortgage loans provide that the lender can require repayment in full if the borrower sells the property that secures the loan. In this way, home sales by borrowers can affect the rate of prepayment. In addition, borrowers often refinance their loans by obtaining new loans secured by the same properties. Loan refinancing also affects the prepayment rate.

In general, prepayment rates may be influenced by:

- the level of current interest rates relative to the rates borne by the loans in a particular pool,
- homeowner mobility,
- the existence of any prepayment penalties or prepayment restrictions,
- borrower sophistication regarding the benefits of refinancing,

- solicitation by competing lenders, and
- general economic conditions.

Because so many factors will affect the prepayment rate of a pool of mortgage loans, we cannot estimate the prepayment experience of the mortgage loans backing the underlying securities of any series.

Repurchases Due to Breach of Representations and Warranties

The financial institutions that sell us the mortgage loans backing underlying securities issued and guaranteed by Fannie Mae make certain representations and warranties covering the loans. If there is a material breach of these representations and warranties, we may choose to repurchase the affected loans. If we do, we will purchase the mortgage loans at a price equal to their principal balance plus accrued interest at the pass-through rate in the case of fixed-rate mortgage loans or at the accrual rate in the case of adjustable-rate mortgage loans. Our repurchase of mortgage loans from the related pools will have the same effect on the certificateholders as borrower prepayments.

Repurchases Due to Delinquency

We may repurchase from any pool of mortgage loans backing underlying securities issued and guaranteed by Fannie Mae those loans that are delinquent by at least four consecutive monthly payments (or at least eight consecutive biweekly payments). If we do, we will purchase the mortgage loans at a price equal to their principal balance plus accrued interest at the pass-through rate in the case of fixed-rate mortgage loans or at the accrual rate in the case of adjustable-rate mortgage loans. Our repurchase of mortgage loans from the related pools will have the same effect on the certificateholders as borrower prepayments.

Reinvestment Risk

Generally, a borrower may prepay a mortgage loan at any time. As a result, we cannot predict the amount of principal payments on the underlying securities or on the certificates. The certificates may not be an appropriate investment for you if you require a specific amount of principal on a regular basis or on a specific date. Because interest rates fluctuate, you may not be able to reinvest the principal payments on the certificates at a rate of return that is as high as your rate of return on the certificates. You may have to reinvest those funds at a much lower rate of return. You should consider this risk in light of other investments that may be available to you.

Market and Liquidity Considerations

We cannot be sure that a market for resale of the certificates will develop. Further, if a market develops, it may not continue or be sufficiently liquid to allow you to sell your certificates. Even if you are able to sell your 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.

These risks will be greatest in the case of certificates that are especially sensitive to interest rate or market risks, that are designed for specific investment objectives or strategies or that have been structured to meet the investment requirements of limited categories of investors. Such certificates are more likely to have a limited market for resale, little or no liquidity and more price volatility than other similar mortgage-backed securities. Limited liquidity may have a severely adverse effect on the market value of these types of certificates.

A number of other factors may affect the resale of certificates, including the following:

- the method, frequency and complexity of calculating principal or interest;
- the average age of the mortgage loans backing the underlying securities;
- the outstanding principal amount of the certificates;
- the amount of certificates offered for resale from time to time;
- any legal restrictions or tax treatment limiting demand for the certificates;
- the availability of comparable securities; and
- the level, direction and volatility of interest rates generally.

The interest rate of an inverse floating rate class of certificates will change in the opposite direction of changes in the specified interest rate index. The prices of such certificates typically are more volatile than those of other similar floating rate mortgage-backed securities based on the same index with otherwise comparable terms. Increased volatility occurs because an increase in the index not only decreases the interest rate (and consequently the value) of the certificate, but also reflects an increase in prevailing interest rates, which further diminishes the value of such certificate.

The market prices of principal only and interest only classes of certificates fluctuate more in response to changes in interest rates than do the prices of interest-bearing mortgage-backed securities having principal amounts and comparable maturities. Other securities issued at a substantial discount or premium from their principal amount (such as certificates issued with significantly below-market or above-market interest rates) also have higher volatility. Generally, the longer the remaining term to maturity of these types of certificates, the greater their price volatility as compared to interest-bearing mortgage-backed securities having principal amounts and comparable maturities.

You should not purchase certificates unless you understand and are able to tolerate the risk that certain certificates may not be resold easily, that the value of certificates will fluctuate over time, and that these fluctuations may be significant and could result in losses to you. This risk is greatest if your circumstances do not permit you to hold the certificates until maturity.

Exchange Rate Risks

We will make all payments of principal and interest on the certificates in U.S. dollars. If you conduct your financial activities in another currency, an investment in any U.S. dollar-denominated security such as the certificates has significant additional risks. These include the possibility of significant changes in the rate of exchange and the possibility that exchange controls may be imposed. In recent years, the exchange rates between the U.S. dollar and certain currencies have been highly volatile. This may continue in the future. If the value of your currency appreciates relative to the value of the U.S. dollar, the yield on the certificates, the value of payments on the certificates and the market value of the certificates all would decline in terms of your currency. A depreciation in the value of your currency relative to the value of the U.S. dollar would have the opposite effect.

Fannie Mae Guaranty Considerations

If we were unable to perform our guaranty obligations, certificateholders would receive distributions only on the related underlying securities. If that happened, distributions generally would be limited to borrower payments and other recoveries on the mortgage loans backing the related underlying securities. As a result, delinquencies and defaults on the mortgage loans could directly affect the amounts that certificateholders would receive each month.

DESCRIPTION OF CERTIFICATES

Under the authority contained in Section 304(d) of the Fannie Mae Charter Act, we will issue and guarantee our Guaranteed REMIC Pass-Through Certificates (the "Certificates") of each series and will maintain the related series trust under a trust agreement and any issue supplement for that series (together, the "Trust Agreement"). We will execute the Trust Agreement both in our corporate capacity and as trustee.

Each series of Certificates will consist of two or more classes, which will represent the beneficial ownership interest in the series trust created by the Trust Agreement. This prospectus contains a general description of the rights of the classes of Certificates of each series. The prospectus supplement for each series will provide a more detailed description and disclose the particular terms that apply to that series. Each series trust will consist of (i) underlying securities which represent (directly or indirectly) all or part of the beneficial ownership in pools of single-family residential mortgage loans generally in first-lien position and (ii) the trust account, including all cash and investments in the trust account (the "Trust Account").

We summarize below certain features that are common to the Certificates of each series, unless the related prospectus supplement provides otherwise.

Denominations and Form

We will issue the Certificates of each series that represent ‘‘regular interests’’ in a REMIC (‘‘Regular Certificates’’) in book-entry form on the book-entry system of the U.S. Federal Reserve Banks unless we specify otherwise in the related prospectus supplement.

The Federal Reserve Bank of New York will act as our fiscal agent for book-entry Certificates. We have a fiscal agency agreement in effect with the Federal Reserve Bank of New York. Under this agreement, the regulations[1] that govern our use of the book-entry system and the pledging and transfer of interests apply to the book-entry Certificates. These regulations may be modified, amended, supplemented, superseded, eliminated or otherwise altered without the consent of any Certificateholder. The Federal Reserve Banks’ operating circulars and letters also apply. Book-entry Certificates will have a minimum denomination of $1,000 with additional increments of one dollar. Each class will be assigned a CUSIP number and will trade separately under that CUSIP number. The book-entry Certificates are freely transferable on the records of any Federal Reserve Bank but are not convertible to physical certificates.

Certificates maintained on the book-entry system of a Federal Reserve Bank can be separately traded and owned. Acting on our behalf, the Federal Reserve Bank of New York will make payments on the book-entry Certificates on each monthly distribution date (a ‘‘Distribution Date’’) by crediting accounts on its records (or on the records of other Federal Reserve Banks). Only entities that are eligible to maintain book-entry accounts with a Federal Reserve Bank may hold Certificates ‘‘of record,’’ although these entities will not necessarily be the beneficial owners of the Certificates. We refer to holders of record as ‘‘Holders’’ or ‘‘Certificateholders.’’

Ordinarily, beneficial owners will ‘‘hold’’ Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Certificateholder that is not the beneficial owner of a Certificate will establish and maintain accounts for its customers. In the same way, all the other financial intermediaries in the chain to the beneficial owner of that Certificate will be responsible for establishing and maintaining accounts for their customers.

The rights of the beneficial owner of a Certificate with respect to Fannie Mae and the Federal Reserve Banks may be exercised only through a Certificateholder. Neither we nor the Federal Reserve Banks will have any direct obligation to the beneficial owner of a Certificate who is not also a Certificateholder according to the book-entry records maintained by the Federal Reserve Banks. In recording transfers of a Certificate, the Federal Reserve Banks will act only upon the instructions of a Certificateholder.

We will issue the Certificates of each series that represent the ‘‘residual interest’’ in a REMIC (the ‘‘Residual Certificates’’) in fully registered, certificated form. When we use the

[1] Found at 24 C.F.R. Part 81, Subpart E.

term "Holder" or "Certificateholder" in connection with a Residual Certificate, we mean the registered owner of the Certificate. You may transfer and exchange Residual Certificates at the corporate trust office of our transfer agent. We will furnish more specific instructions in the prospectus supplement for the related series. If you transfer or exchange a Residual Certificate and the government imposes a tax or other charge, we may require that you reimburse us. We will make payments on the Residual Certificates of each series in the way described in the related prospectus supplement.

Class Definitions and Abbreviations

Classes of Certificates fall into different categories. The following chart identifies and generally defines most of the categories. The first column of the chart shows our abbreviation for each category. The cover page of each prospectus supplement will identify the categories of classes in that series by using one or more of these abbreviations.

Abbreviation	Category of Class	Definition
		PRINCIPAL TYPES
AD	Accretion Directed	Receives principal payments from the accrued and unpaid interest on one or more Accrual or Partial Accrual classes. It also may receive principal payments from principal paid on the underlying securities or other assets of the related series trust.
AFC	Available Funds	Receives as principal, in addition to other amounts, the interest paid on the underlying assets of the series trust to the extent that the interest exceeds certain required interest distributions on this class as set forth in the prospectus supplement.
CPT	Component	Consists of two or more segments or "components." The components of a Component class may have different principal payment characteristics but together constitute a single class. Each component of a Component class may be identified as falling into one or more of the categories in this chart.
NPR	No Payment Residual	A Residual class designed to receive no payments of principal.
NSJ	Non-Sticky Jump	Has principal payment priorities that change temporarily upon the occurrence of one or more "trigger events." A Non-Sticky Jump class "jumps" to its new priority on each Distribution Date when the trigger condition is met. It reverts to its original priority (*i.e.*, does not "stick" to the new priority) on each Distribution Date when the trigger condition is not met.
NTL	Notional	Has no principal balance and bears interest on its notional principal balance. The notional principal balance is used to determine interest distributions on an Interest Only class that is not entitled to principal.

Abbreviation	Category of Class	Definition
PAC	PAC (or Planned)	Is designed to receive principal payments (or has a notional principal balance that is designed to decline) using a predetermined principal balance schedule (a "Planned Balance"). We derive this schedule by assuming two *constant* prepayment rates for the mortgage loans backing the related underlying securities. These two rates are the endpoints for the "structuring range" of the PAC classes.
PT	Pass-Through	Is designed to receive principal payments in direct relation to actual or scheduled payments on the underlying securities, but is not a Strip class.
SC	Structured Collateral	Is designed to receive principal payments based on the actual distributions on underlying securities representing "regular interests" in a REMIC trust.
SCH	Scheduled	Is designed to receive principal payments (or has a notional principal balance that is designed to decline) using a predetermined principal balance schedule (a "Scheduled Balance") but is not designated as a PAC or TAC class. In many cases, we derive the schedule by assuming two *constant* prepayment rates for the mortgage loans backing the related underlying securities. These two rates are the endpoints for the "structuring range" of the Scheduled class.
SEG	Segment	Is combined, in whole or in part, with one or more classes (or portions of classes) to form a "Segment Group" or an "Aggregate Group" for purposes of allocating certain principal distribution amounts.
SEQ	Sequential Pay	Receives principal payments in a prescribed sequence but without a predetermined schedule. In most cases, it receives payments of principal continuously from the first Distribution Date until the class is retired. A single class that receives principal payments before or after all other classes in the same series of Certificates may be identified as a Sequential Pay class.
SJ	Sticky Jump	Has principal payment priorities that change permanently upon the occurrence of one or more "trigger events." A Sticky Jump class "jumps" to its new priority on the first Distribution Date when the trigger condition is met and retains (*i.e.*, "sticks" to) that priority until the class is retired.
STP	Strip	Receives a constant proportion, or "strip," of the principal payments on the underlying securities or other assets of the series trust.
SUP	Support (or Companion)	Receives principal payments (or has a notional principal balance that declines) on any Distribution Date only if scheduled payments have been made on specified PAC, TAC and/or Scheduled classes (except that it may also receive principal payments from the accrued and unpaid interest on specified Accrual or Partial Accrual classes).

Abbreviation	Category of Class	Definition
TAC	TAC (or Targeted)	Is designed to receive principal payments (or has a notional principal balance that is designed to decline) using a predetermined principal balance schedule (a "Targeted Balance"). In most cases, we derive this schedule by assuming a single *constant* prepayment rate for the mortgage loans backing the related underlying securities.
XAC	Index Allocation	Has a principal payment allocation that is based on the value of an index.
		INTEREST TYPES
AFC	Available Funds	Receives as interest certain interest and/or principal payments on the underlying assets of the related series trust. These payments may be insufficient on any Distribution Date to cover fully the accrued and unpaid interest on the Certificates of this class at its specified interest rate for the related Interest Accrual Period. In this case, the unpaid interest amount may be carried over to subsequent Distribution Dates (and any unpaid interest amount may itself accrue interest) until, as specified in the related prospectus supplement, payments are sufficient to cover all unpaid interest amounts. It is possible that these insufficiencies will remain unpaid and, if so, they will not be covered by our guaranty.
ARB	Ascending Rate	Has an interest rate that increases one or more times on dates determined before we issue the class.
CPT	Component	Consists of two or more segments or "components." The components of a Component class may have different interest payment characteristics but together constitute a single class. Each component of a Component class may be identified as falling into one or more categories in this chart.
DRB	Descending Rate	Has an interest rate that decreases one or more times on dates determined before we issue the class.
EXE	Excess	Receives any principal and interest paid on the underlying securities or other assets of a REMIC trust in excess of the amount of the principal and interest required to be paid on all classes of Certificates in the series. Excess classes sometimes have specified principal balances but no specified interest rate.
FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the class.
FLT	Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies directly with changes in the index.

Abbreviation	Category of Class	Definition
IDC	Index Differential	Bears a floating interest rate computed in part on the basis of the difference (or other specified relationship) between two designated indices (*e.g.*, LIBOR and the Ten-Year Treasury Index).
INV	Inverse Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies inversely with changes in the index.
IO	Interest Only	Receives some or all of the interest payments made on the underlying securities or other assets of the series trust but little or no principal. Interest Only classes have either a notional or a nominal principal balance. A notional principal balance is the amount used as a reference to calculate the amount of interest due on an Interest Only class. A nominal principal balance represents actual principal that will be paid on the class. It is referred to as nominal since it is extremely small compared to other classes.
NPR	No Payment Residual	A Residual class designed to receive no payments of interest.
PO	Principal Only	Does not bear interest and is entitled to receive only payments of principal.
PZ	Partial Accrual	Accretes a portion of its accrued interest. This accreted amount will be added to the principal balance of the class on each applicable Distribution Date, while the remainder of the accrued interest is distributed currently as interest. Accretion may continue until a specified event has occurred or until the Partial Accrual class is retired.
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period. A Weighted Average Coupon class may consist of components, some of which have different interest rates.
Z	Accrual	Accretes the amount of accrued interest otherwise distributable on this class. This accreted amount will be added as principal to the principal balance of the class on each applicable Distribution Date. Accretion may continue until some specified event has occurred or until the Accrual class is retired.
		OTHER TYPES
LIQ	Liquid Asset	Intended to qualify as ''liquid assets'' for purposes of the liquidity requirements applicable to certain depository institutions, it has a Final Distribution Date not later than five years from the settlement date specified in the related prospectus supplement.
RDM	Redeemable	Certificates that are redeemable directly or indirectly by us as specified in the related prospectus supplement.

Abbreviation	Category of Class	Definition
RTL	Retail	Designated for sale to retail investors. Retail classes frequently are sold in small ''units'' or other increments and issued in book-entry form through the facilities of The Depository Trust Company. Retail classes may be entitled to receive distributions of principal in accordance with special priorities and allocation procedures.

Interest Payments on the Certificates

If the Certificates of a particular class are interest-bearing, they will accrue interest for the periods (each, an ''Interest Accrual Period'') and at the annual rate specified or described in the related prospectus supplement. The prospectus supplement also will indicate the date on which the Certificates of each interest-bearing class begin to accrue interest. Interest will be calculated on the basis of an assumed 360-day year consisting of twelve 30-day months. Interest will continue to accrue until we have fully paid the outstanding principal amount of the Certificates of the class. Except in the case of an Accrual class, interest that accrues during an Interest Accrual Period will be paid to Certificateholders on the related Distribution Date specified in the prospectus supplement.

As for Certificates of an Accrual class, the prospectus supplement will describe how and when the interest that accrues during an Interest Accrual Period will be paid. Any accrued interest that is not to be paid on a Distribution Date will be added to the principal balance of each Certificate of that class and, having been converted to principal, will itself begin to accrue interest.

Indexes for Floating Rate Classes and Inverse Floating Rate Classes

General

Unless we specify otherwise in the applicable prospectus supplement, the ''Index Determination Date'' for a Floating Rate or Inverse Floating Rate class means the second business day before the first day of each Interest Accrual Period (other than the initial Interest Accrual Period) for that class. Unless we specify otherwise in the applicable prospectus supplement, the term ''business day'' means any day that is not a Saturday, a Sunday or any other day on which either the Federal Reserve Bank of New York or the Federal Reserve Bank of Boston authorizes banking institutions in the Second or First Federal Reserve Banking District, respectively, to be closed. For purposes of calculating LIBOR, however, the term ''business day'' means a day on which banks are open for dealing in foreign currency and exchange in London, Boston and New York City.

LIBOR

If a class of Certificates accrues interest based on the London interbank offered rate (''LIBOR''), we will be responsible for calculating LIBOR on each Index Determination Date using either the LIBO Method or the BBA Method. The prospectus supplement for each series that has a LIBOR-based class of Certificates will specify the calculation method for that series.

LIBO Method. This method uses the quotations for one-month U.S. dollar deposits offered by the principal London office of each of the Reference Banks as of 11:00 a.m. (London time) on each Index Determination Date. We may rely on these quotations as they appear on the Reuters Screen LIBO Page (as defined in the *International Swap Dealers Association, Inc. Code of Standard Wording, Assumptions and Provisions for Swaps*, 1986 Edition). Alternatively, we may obtain them directly from the Reference Banks.

Under the LIBO Method, LIBOR is calculated on each Index Determination Date as follows:

- If at least two Reference Banks are making quotations, LIBOR for the next Interest Accrual Period shall be the arithmetic mean of those quotations (rounded upwards, if necessary, to the nearest $^1/_{32}$ of 1%).
- Otherwise, LIBOR for the next Interest Accrual Period shall be the LIBOR that was determined on the previous Index Determination Date or the Reserve Interest Rate, whichever is higher. The "Reserve Interest Rate" means the annual rate that we determine as the arithmetic mean (rounded upwards, if necessary, to the nearest $^1/_{32}$ of 1%) of the one-month U.S. dollar lending rates that New York City banks (which we select) are then quoting to the principal London offices of at least two of the Reference Banks. If we cannot establish this arithmetic mean, then the Reserve Interest Rate is the lowest one-month U.S. dollar lending rate that New York City banks (which we select) are then quoting to leading European banks.

The prospectus supplement may provide that, if we cannot determine the Reserve Interest Rate for the initial Index Determination Date, as described above, LIBOR will be the rate specified in the prospectus supplement.

The term "Reference Bank" means a leading bank (that we do not control either by ourselves or with a third party) which engages in Eurodollar deposit transactions in the international Eurocurrency market.

BBA Method. Under the BBA Method, LIBOR is calculated on each Index Determination Date based on the Interest Settlement Rate of the British Bankers' Association ("BBA") for one-month U.S. dollar deposits. The "Interest Settlement Rate" is found on Telerate page 3750 as of 11:00 a.m. (London time) on that date. Currently, it is based on rates quoted by 16 BBA-designated banks as being, in their view, the offered rate at which these deposits are being quoted to prime banks in the London interbank market. The Interest Settlement Rate is calculated by eliminating the four highest rates and the four lowest rates, averaging the eight remaining rates, carrying the percentage result to six decimal places and rounding to five decimal places.

If we are unable to use the BBA Method on any Index Determination Date, we will use the LIBO Method.

Our calculation of each LIBOR-based interest rate on each Index Determination Date will be final and binding, absent manifest error.

COFI Index

The Eleventh District Costs of Funds or "COFI Index" is published by the Federal Home Loan Bank of San Francisco.[3] The COFI Index represents the monthly weighted average costs of funds for savings institutions in Arizona, California and Nevada that are members of the Eleventh Federal Home Loan Bank District. The COFI Index for a given month reflects the interest costs paid by these member institutions on all types of funds that they held (such as savings deposits, time deposits, advances from the Federal Home Loan Bank of San Francisco, repurchase agreements and all other borrowings). The COFI Index is calculated by dividing the costs of funds by the average of the total funds outstanding at the end of that month and the prior month. That result is then annualized and adjusted to reflect the actual number of days in that month. Sometimes, before these calculations are made, the component figures have to be adjusted to neutralize the effect of events such as a member institution leaving the Eleventh District or acquiring an institution outside the Eleventh District. The COFI Index is also weighted to reflect the relative amounts of each type of funds that the member institutions held at the end of that month.

Because these funds mature at various times and their costs can react in different ways to changing conditions, the COFI Index does not necessarily reflect current market rates on new liabilities with similar maturities. Indeed, sometimes the COFI Index does not even move in the same direction as current market rates, because as longer term deposits and borrowings mature and are renewed at current rates, the COFI Index is still affected by the differential between the old and new rates on these deposits and borrowings.

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[3] The COFI Index is published in the monthly Federal Home Loan Bank of San Francisco Bulletin. You can obtain a copy by writing to the Office of Public Information, Federal Home Loan Bank of San Francisco, P.O. Box 7948, 600 California Street, San Francisco, California 94120 or by calling (415) 616-1000. You can also obtain the COFI Index by calling (415) 616-2600.

The following table lists historical values for the COFI Index since January 1994[4].

Month	1998	1997	1996	1995	1994
January	4.987%	4.821%	5.033%	4.747%	3.710%
February	4.968	4.759	4.975	4.925	3.687
March	4.917	4.780	4.874	5.007	3.629
April	4.903	4.822	4.841	5.064	3.672
May	4.881	4.864	4.823	5.141	3.726
June	4.881	4.853	4.809	5.179	3.804
July	4.911	4.887	4.819	5.144	3.860
August	4.899	4.904	4.839	5.133	3.945
September	*	4.941	4.834	5.111	4.039
October	*	4.957	4.839	5.116	4.187
November	*	4.949	4.835	5.119	4.367
December	*	4.963	4.842	5.059	4.589

*Not yet available

If a class of Certificates accrues interest based on the COFI Index (a "COFI Class") and the COFI Index value for a given month is announced on or before the tenth day of the second following month, we will determine the interest rate for the Interest Accrual Period commencing in that second following month based on that COFI Index value. If the COFI Index value is not announced until later, the interest rate for that Interest Accrual Period will be based on the COFI Index value for the third preceding month.

If, on the tenth day of the month in which any Interest Accrual Period begins, the most recently announced COFI Index value relates to a month prior to the third preceding month, from then on we will determine the interest rate of each COFI Class based on the National Cost of Funds Index value for the third preceding month (or the fourth preceding month if the National Cost of Funds Index was not published by the tenth day of that Interest Accrual Period). The "National Cost of Funds Index" means the National Monthly Median Cost of Funds Ratio to SAIF-Insured Institutions published by the Office of Thrift Supervision.[5] If, however, on the tenth day of the month in which any Interest Accrual Period begins, the most recently published National Cost of Funds Index value relates to a month prior to the fourth preceding month, from then on we will determine the interest rate for each COFI Class based on LIBOR (calculated under the BBA Method). Any change from the COFI Index will result in a change in the index level and could increase the volatility of the index level. This would be the case especially if LIBOR is the alternative index.

Our calculation of the rate of interest of each COFI Class on each Index Determination Date will be final and binding, absent manifest error.

[4] The Federal Home Loan Bank of San Francisco has stated in its Information Bulletin that the COFI Index for a given month "will be announced on or near the last working day" of the following month. However, it has also stated that it "cannot guarantee the announcement" of the COFI Index on an exact date.

[5] You can obtain general information about the National Cost of Funds Index by writing the Office of Thrift Supervision at 1700 G Street, N.W., Washington, D.C. 20552 or by calling (202) 906-6000. You can obtain the current National Cost of Funds Index value by calling (202) 906-6988.

Treasury Index

If a class of Certificates accrues interest based on a Treasury Index, we will be responsible for determining the Treasury Index for Treasury securities of the maturity and for the dates specified in the related prospectus supplement. Generally, the "Treasury Index" for any period means the yield for the specified date (or the average of the yield for each business day in the specified period) on U.S. Treasury securities adjusted to the "constant maturity" specified in the prospectus supplement (or, if the prospectus supplement does not specify a "constant maturity," U.S. Treasury securities trading in the secondary market having the maturity specified in the prospectus supplement). In either case, this yield, expressed as a percentage, is published by the Federal Reserve Board on Monday or Tuesday of each week in its Statistical Release No. H.15(519).[6] If we have not yet received the Statistical Release for a week, we will use the Statistical Release from the prior week. We understand that the Federal Reserve Board's current method of official publication of Statistical Release No. H.15(519) is by hard copy release, although the Federal Reserve Board does provide unofficial rates on its World Wide Web site and possibly by other means.

Yields on U.S. Treasury securities at "constant maturity" are derived from the U.S. Treasury's daily yield curve. This curve relates to the yield on a security to its time of maturity and is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations reported by five leading U.S. Government securities dealers to the Federal Reserve Bank of New York. This method provides a yield for a given maturity even if no security with that exact maturity is outstanding. In the event that the Treasury Index is no longer published, we will designate a new index based upon comparable data and methodology.

Our calculation of each Treasury Index-based interest rate on each Interest Determination Date will be final and binding, absent manifest error.

Prime Rate

If a class of Certificates accrues interest based on the Prime Rate, we will be responsible for ascertaining the Prime Rate on each Index Determination Date. Unless the prospectus supplement for a series specifies otherwise, "Prime Rate" means the Prime Rate as published in the "Money Rates" section of *The Wall Street Journal* on the related Index Determination Date. If *The Wall Street Journal* is not then published, we will choose another newspaper of general circulation. If a prime rate range is given, we will use the average of the range. If no Prime Rate is then being published, we will designate a new index based upon comparable data and methodology.

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[6] You can obtain it by writing the Publications Department at the Board of Governors of the Federal Reserve System, 21st and C Streets, Washington, D.C. 20551 or by calling (202) 452-3244.

Our calculation of each Prime Rate-based interest rate on each Interest Determination Date will be final and binding, absent manifest error.

Principal Payments on the Certificates

On each Distribution Date for a given series of Certificates, we will pay Certificateholders the amount of principal specified in the related prospectus supplement. We will pay the Certificateholders the outstanding principal balance of each class in full no later than the Final Distribution Date for that class.

Unless the prospectus supplement for the related series provides otherwise, we will pay Certificateholders on each Distribution Date an amount of principal equal to the sum of the following:

(i) (a) *if we issued and guaranteed the underlying securities*, the principal amount that we have paid on the underlying securities since the previous Distribution Date (or, in the case of the first Distribution Date, since the first day of the month in which we issued those Certificates); and

(b) *if Ginnie Mae issued and guaranteed the underlying securities*, the principal amount that Ginnie Mae expected to be paid on the underlying securities for the month in which that Distribution Date occurs (as calculated under the prospectus supplement for the series) plus any principal paid by Ginnie Mae during the month prior to the month in which that Distribution Date occurs that we have not yet passed through to the Certificateholders; and

(ii) *if the series contains Accrual classes*, interest on any Accrual classes that accrued during the previous Interest Accrual Period but is not distributable as interest on that Distribution Date.

The prospectus supplement for each series will specify how we determine the aggregate principal distribution for each Distribution Date and how that aggregate principal distribution is allocated among the classes of Certificates of that series. We will make principal payments on each class of Certificates of a series on a *pro rata* basis among all the Certificates of that class, unless the related prospectus supplement provides otherwise.

The Fannie Mae Guaranty

Our guaranty requires that we pay Certificateholders in a timely manner the amounts of principal and interest described in the related prospectus supplement. We also must pay the full outstanding principal amount of the Certificates of each class no later than the Final Distribution Date for that class. Our guaranty is effective whether or not sufficient funds are available in the Trust Account for the series. If we were unable to perform our guaranty obligations, Certificateholders of a series would receive only the amounts paid on the underlying securities of that series. If that happened, those amounts generally would be limited to borrower payments and other recoveries on the mortgage loans backing those underlying securities. As a result, delinquencies and defaults on the mortgage loans backing the underlying securities could directly affect the amounts that Certificateholders would receive each month.

Neither the Certificates nor interest on the Certificates are guaranteed by the United States, and they do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. We alone are responsible for making payments on our guaranty.

Distributions on Underlying Securities, Deposits in the Trust Account

The prospectus supplement for each series will specify the day(s) of each month on which we will make deposits into one or more accounts (collectively, the "Trust Account") for that series. Our deposit obligation will begin in the month of the initial Distribution Date of the series. The amount we deposit will equal the sum of the principal and interest payments on the underlying securities in the series trust.

Any amounts deposited into the Trust Account on a Distribution Date are generally available for payment to Certificateholders on the same day. Certain amounts that are still in the Trust Account after we have paid the required principal and interest to the Certificateholders will be used to pay administrative expenses of the related series trust. Certain remaining amounts will be paid to Holders of Residual Certificates. If the underlying securities of a series are Ginnie Mae Certificates, the prospectus supplement may provide that certain amounts on deposit in the Trust Account on a Distribution Date will not be paid to Certificateholders until the following Distribution Date. We will use any reinvestment earnings on these various deposits to pay expenses of the series trust. They will not be included in payments to Certificateholders.

The Trust Agreement permits us, as trustee, to maintain the Trust Account in one of two ways:

- as a trust account with an eligible depository institution (which account may contain other funds that we hold in a trust capacity), or
- as part of our general assets (with appropriate credit entries to the related REMIC trust).

We are required to hold all such appropriately credited funds in our general accounts (and all funds in each Trust Account that we have invested) for the related Certificateholders. Nevertheless, if a liquidation, reorganization or similar proceeding involving our assets were to occur, it is not clear what law would be applicable. As a result, we cannot render a legal opinion about the Certificateholders' rights to those funds in the event of a proceeding of this type.

Reports to Certificateholders

Unless we specify otherwise in the related prospectus supplement, we will publish the ''class factor'' for each class of Certificates on or shortly after the 11th calendar day of each month. If you multiply the class factor for a class of Certificates by the original principal balance (or notional balance) of that class of Certificates, you will obtain the current principal balance (or notional balance) of that class of Certificates, after giving effect to the current month's principal payment and after adding the current month's accrued interest to any Accrual class.

After the end of each calendar year, we will furnish to each person who was a Certificateholder at any time during that year any information required by the Internal Revenue Service.

We, or a special agent that we engage, will make all the necessary numerical calculations.

The Underlying Securities

In general, each underlying security will represent a direct or indirect beneficial ownership interest in a pool of mortgage loans. These pools may contain Conventional Mortgage Loans or Government Mortgage Loans. ''Conventional Mortgage Loans'' are not government insured or guaranteed. ''Government Mortgage Loans'' are insured by the Federal Housing Administration (''FHA'') or guaranteed by the Department of Veterans Affairs (''VA''), the Department of Housing and Urban Development (''HUD'') or the Rural Housing Service (''RHS''). In addition, up to 10% of the principal balance of the Fannie Mae-issued underlying securities backing a series may include any one of the following:

- relocation mortgage loans,
- cooperative share mortgage loans, or
- substantial buydown mortgage loans.

Moreover, up to 15% of the principal balance of the Fannie Mae-issued underlying securities backing a series may include more than one of the types of mortgage loans listed in the previous sentence.

For a description of the general characteristics of underlying securities that are Ginnie Mae Certificates, see ''Ginnie Mae and the Ginnie Mae Programs.'' Other disclosure documents that we may refer to in a prospectus supplement will describe the general characteristics of other types of underlying securities.

In addition, the prospectus supplement for a series of Certificates generally will include the following information:

- interest rates of the underlying securities,
- weighted average coupon (“WAC”) of the mortgage loans backing the underlying securities,
- weighted average calculated loan age (“CAGE”) of the mortgage loans backing the underlying securities or weighted average loan age (“WALA”) of the mortgage loans backing the underlying securities that are Ginnie Mae Certificates, and
- weighted average terms to maturity (“WAM”) of the mortgage loans backing the underlying securities or weighted average remaining term to maturity (“WARM”) of the mortgage loans backing the underlying securities that are Ginnie Mae Certificates.

Weighted Average Life and Final Distribution Date

The “weighted average life” of a class of Certificates refers to the average length of time, weighted by principal, that will elapse from the time we issue the Certificates until we pay you the full amount of outstanding principal. We determine the weighted average life of a class of Certificates by:

- first, calculating the amount of principal to be paid to the Holders of that class on each Distribution Date, based on the prepayment assumption specified in the related prospectus supplement;
- second, multiplying each of those amounts by the number of years from the Settlement Date for that series (as specified in the prospectus supplement) to the related Distribution Date;
- third, totaling the results; and
- fourth, dividing that total by the aggregate amount of principal payments that were calculated in the first step.

The weighted average life of a class of certificates will be affected by the rate at which principal payments are made on the underlying mortgage loans. Principal payments include scheduled principal payments, voluntary principal prepayments, liquidations due to default, casualty and condemnation, guaranty payments by us or by Ginnie Mae, and repurchases that we make. Each of these types of principal payments on the mortgage loans backing the underlying securities will be applied to payments of principal of the Certificates of the related series.

The “Final Distribution Date” for the Certificates of a particular class is the date by which we must pay the Holders the full outstanding principal balance of the Certificates. We determine the Final Distribution Dates for the classes of a given series based on the payments that we will receive on the underlying securities. We do not take our guaranty into account for this purpose.

In each prospectus supplement, we will provide a table showing the weighted average life of each class of Certificates of that series. The table also will show for each class of Certificates the percentage of the original principal balance that would be outstanding on specified Distribution Dates. In each case, this table will be based on certain assumptions, including prepayment assumptions, that we will specify in the prospectus supplement.

It is likely that we will pay the full outstanding principal balance of any class of Certificates earlier, and perhaps much earlier, than its Final Distribution Date. There are two reasons for this. First, the rate at which we pay principal on the Certificates will be affected by the rate at which borrowers pay principal on the mortgage loans backing the underlying securities. Second, some of the mortgage loans will have stated maturities that occur prior to the dates contained in the assumptions and have interest rates that are lower than the rates contained in the assumptions. We cannot predict whether the outstanding principal balance of any class of Certificates will be paid in full before its Final Distribution Date.

Unless a prospectus supplement provides otherwise, we will not terminate any series trust early by repurchasing the mortgage loans backing the underlying securities that are Fannie Mae Guaranteed Mortgage Pass-Through Certificates (“MBS”) unless (i) only one mortgage loan remains or (ii) the aggregate principal balance of the remaining mortgage loans is less than 1% of the original principal balance of the MBS pool. In addition, if we or any other party has the right to purchase the underlying securities and effectively terminate the related series trust, the prospectus supplement for the series will describe the terms and conditions of that right.

Prepayment Models

It is common to measure how mortgage loans prepay relative to a standard prepayment model. The prospectus supplement for each series will indicate which model it uses.

“PSA” is a prepayment model that was developed by The Bond Market Association. It represents an assumed rate at which a pool of new mortgage loans will prepay. When we refer to “100% PSA,” we mean an annual prepayment rate of 0.2% of the then unpaid principal balance of the pool in the first month after the origination of those mortgage loans and an additional 0.2% each month until the 30th month. (For example, the assumed annual prepayment rate would be 0.4% in month 2, 0.6% in month 3, and so on, and would level out at 6% at month 30 for the remaining term.) Beginning in month 30 and for all later months, “100% PSA” means a constant annual prepayment rate of 6%.

Multiples of PSA are calculated in the same way. Thus, “150% PSA” means an annual prepayment rate of 0.3% in month 1, 0.6% in month 2, 0.9% in month 3 and 9% in month 30 and afterwards. Similarly, ‘‘200% PSA’’ means an annual prepayment rate of 0.4% in month 1, 0.8% in month 2, 1.2% in month 3 and 12% in month 30 and afterwards.

Another model that is commonly used is the constant prepayment rate model (‘‘CPR’’). It represents the annual rate of prepayments relative to the then outstanding principal balance of a pool of new mortgage loans. Thus, ‘‘0% CPR’’ means no prepayments, ‘‘15% CPR’’ means an annual prepayment rate of 15%, and so forth.

These models do not predict the prepayment experience of the mortgage loans backing any underlying securities or describe the historic performance of any particular pool of mortgage loans.

Special Characteristics of Residual Certificates

No Residual Certificate may be transferred to a ‘‘disqualified organization’’ or to anyone acting on behalf of a disqualified organization. The term ‘‘transfer’’ can include any transfer of record ownership or of beneficial ownership, whether as a result of a sale, gift, pledge, default or otherwise. The term ‘‘disqualified organization’’ includes the United States, any State or other political subdivision, any foreign government, any international organization, or any agency or instrumentality of any of them (other than certain taxable instrumentalities), any cooperative organization furnishing electric energy or providing telephone service to persons in rural areas, or any organization (other than a farmers’ cooperative) that is exempt from federal income tax, unless such organization is subject to a tax on unrelated business income. Each person or entity to which a Residual Certificate is transferred will be required to execute an affidavit, acceptable to us, stating that:

- the transferee is not a disqualified organization;
- it is not acquiring the Residual Certificate for the account of a disqualified organization;
- it consents to any amendment of the Trust Agreement that we deem necessary (upon the advice of our counsel) to ensure that the Residual Certificate will not be owned directly or indirectly by a disqualified organization;
- it is not acquiring the Residual Certificate to avoid or impede the assessment or collection of tax;
- it understands that it may incur tax liabilities in excess of any cash that it will receive on the Residual Certificate;
- it intends to pay taxes on the Residual Certificate as they become due; and
- it will not transfer the Residual Certificate unless it has received from the new transferee an affidavit containing these same seven representations and it does not have actual knowledge that this other affidavit is false.

See "Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Residual Certificates*—Sales and Other Distributions of Residual Certificates—*Residual Certificates Transferred to or Held by Disqualified Organizations*." The transferee also must deliver a properly executed Internal Revenue Service Form W-9 with its taxpayer identification number. In addition, if a pass-through entity (including a nominee) holds a Residual Certificate, it may be subject to additional taxes if a disqualified organization is a record holder in the entity.

No Residual Certificate may be transferred to any person that is not a U.S. Person without our written consent. The term "U.S. Person" means

- a citizen or resident of the United States;
- a corporation, partnership or other entity created under the laws of the United States or any of its political subdivisions;
- an estate the income of which is subject to U.S. federal income tax regardless of the source of its income; or
- a trust if a court within the United States can exercise primary supervision over its administration, and one or more United States persons have the authority to control all substantial decisions of the trust.

Under regulations issued by the Treasury Department, if a "noneconomic residual interest" is transferred to a U.S. Person, the transfer will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. A Residual Certificate generally would be treated as constituting a noneconomic residual interest. The only exception would be if, at the time of the transfer, two conditions are met. First, the present value of the expected future payments on the Residual Certificate is no less than the product of the present value of the "anticipated excess inclusions" on that Certificate and the highest corporate rate of tax for the year in which the transfer occurs. Second, the transferor reasonably expects that the transferee will receive payments from the applicable REMIC trust in an amount sufficient to satisfy the liability for income tax on any "excess inclusions" at or after the time when the liability accrues. The term "anticipated excess inclusions" means excess inclusions that are anticipated to be allocated to each calendar quarter (or portion of a quarter) following the transfer of the Residual Certificate, determined as of the date the Residual Certificate is transferred and based on events that have occurred as of that date and on the prepayment assumptions. See "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*" and "—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions.*"

Under the Treasury regulations, the phrase "a significant purpose of the transfer to impede the assessment or collection of tax" means that the transferor of the Residual Certificate had "improper knowledge" at the time of the transfer. In other words, the transferor 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. A transferor is presumed not to have improper knowledge if two conditions are met. First, the transferor conducts, at the time of the transfer, a reasonable investigation of the financial condition of the transferee and, based on the results, finds that the transferee has historically paid its debts as they come due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future. Second, the transferee makes certain representations to the transferor in the affidavit relating to disqualified organizations discussed above. If you plan to transfer a Residual Certificate, you should consult your tax advisor for further information.

THE TRUST AGREEMENT

We summarize below certain provisions of the Trust Agreement that are not discussed elsewhere in this prospectus. However, you must understand that these summaries are not complete. If there is ever a conflict between the information in this prospectus and the actual terms of the Trust Agreement, the terms of the Trust Agreement will prevail.

Transfer of Underlying Securities to a Series Trust

The Trust Agreement for each series trust will contain a mortgage security schedule that will identify the underlying securities that are being transferred to that series trust. As trustee, we will hold (directly or indirectly) the underlying securities for the Holders of the Certificates of that series.

Certain Fannie Mae Matters

We may not resign from our duties under the Trust Agreement unless a change in law requires it. Even then, our resignation would not become effective until a successor has assumed our duties under the Trust Agreement. In no event, however, would any successor take over our guaranty obligations. Even if our other duties under the Trust Agreement should terminate, we would still be obligated under our guaranty.

We are not liable under the Trust Agreement to the series trust or to Certificateholders for our errors in judgment or for anything we do, or do not do, in good faith. This also applies to our directors, officers, employees and agents. Nevertheless, neither we nor they will be protected from liability that results from willful misfeasance, bad faith or gross negligence or as a result of a willful disregard of duties.

The Trust Agreement also provides that we are free to refuse involvement in any legal action that we think will expose us to expense or liability unless the action is related to our duties under the Trust Agreement. On the other hand, we may decide to participate in legal actions if we think our participation would be in the interests of the Certificateholders. In this case, we will pay our legal expenses and costs.

If we merge or consolidate with another corporation, the successor corporation will be our successor under the Trust Agreement.

Voting Under any Underlying Trust Indenture

If the underlying securities of a series are guaranteed by Fannie Mae, the holders of a certain minimum percentage ownership in those securities will have the right to terminate certain of our duties under the related indenture (the "Underlying Trust Indenture"), if there is an event of default under the Underlying Trust Indenture. Under the Trust Agreement, if there is an event of default under the Underlying Trust Indenture, the Certificateholders may vote their respective ownership shares in the underlying securities.

If the underlying securities of a series are guaranteed by Fannie Mae, the holders of a certain minimum percentage ownership in those securities may give their consent to an amendment or waiver of the Underlying Trust Indenture. The Trust Agreement, however, does not permit us, as trustee, to vote the underlying securities in favor of an amendment or waiver unless we have been directed to do so by holders of Certificates whose principal balances (or notional principal balances) together equal at least 66% of the aggregate balances of all the Certificates of that series.

Events of Default

Any of the following will be considered an "Event of Default" under the Trust Agreement:

- if we fail to pay Certificateholders of a class any required amount and our failure continues uncorrected for 15 days after Certificateholders owning at least 5% of that class have given us written notice;
- if we fail in a material way to fulfill any of our obligations under the Trust Agreement and our failure continues uncorrected for 60 days after Certificateholders owning at least 25% of any class have given us written notice; or
- if we become insolvent or unable to pay our debts or if other events of insolvency occur.

Rights upon Event of Default

If one of the Events of Default under the Trust Agreement for a particular series has occurred and continues uncorrected, Certificateholders who own at least 25% of any class have the right to terminate, in writing, all of our obligations under that Trust Agreement. These obligations include our duties as trustee as well as in our corporate capacity. However, the Fannie Mae guaranty will continue in effect. The same proportion of Certificateholders also may appoint, in writing, a successor to assume all of our terminated obligations. This successor will take legal title to the underlying securities and other assets of the related trust.

Amendment

We may amend the Trust Agreement for any trust, without notifying the Certificateholders or obtaining their consent, for any of the following purposes:

- to add to our duties;
- to evidence that another party has become our successor and has assumed our duties under the Trust Agreement as trustee or in our corporate capacity or both;
- to eliminate any of our rights in our corporate capacity under the Trust Agreement;
- to cure any ambiguity or correct or add to any provision in the Trust Agreement, so long as no Certificateholder is adversely affected; and
- to modify the Trust Agreement to maintain the legal status of each REMIC as a REMIC.

If Certificateholders who own at least 66% of each class give their consent, we may amend the Trust Agreement to eliminate, change or add to its terms or to waive our compliance with any of those terms. Nevertheless, we may not terminate or change our guaranty obligations or reduce the percentage of Certificateholders who must consent to the types of amendments listed in the previous sentence. In addition, unless each affected Certificateholder consents, no amendment may reduce or delay the funds that we must pay on any Certificate. Similarly, unless all affected Holders of the Residual Certificates give their consent, no amendment may adversely affect their rights.

Termination

Each series trust will terminate when we have paid the Certificateholders all required interest and principal amounts. If we or any other party has the right to purchase the underlying securities (and thus effectively terminate the series trust), the prospectus supplement will describe the terms and conditions of that right. Although the prospectus supplement for a given series may provide otherwise, we generally have agreed not to terminate any series trust early by repurchasing mortgage loans that underlie any MBS in that trust. An exception may be made, however, if only one mortgage loan remains in that MBS pool or the aggregate principal balance of the remaining mortgage loans is less than 1% of the aggregate original principal balance of the MBS pool.

GINNIE MAE AND THE GINNIE MAE PROGRAMS

Ginnie Mae

The Government National Mortgage Association (or Ginnie Mae) is a wholly-owned corporate instrumentality of the United States within HUD. Section 306(g) of Title III of the National Housing Act of 1934, as amended (the "Housing Act"), authorizes Ginnie Mae to guarantee the timely payment of principal and interest on certificates that are backed by a pool of mortgage loans insured or guaranteed by the FHA, VA or RHS.

Section 306(g) of the Housing Act provides that "the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." To meet these guaranty obligations, Ginnie Mae may borrow from the United States Treasury without limitation.

Ginnie Mae Programs

Each "Ginnie Mae Certificate" underlying a series of Certificates will be a "fully modified pass-through" mortgage-backed security issued and serviced by a mortgage banking company or other financial concern approved by Ginnie Mae as a seller-servicer. The mortgage loans backing each Ginnie Mae Certificate will be insured or guaranteed by the FHA, VA or RHS. Ginnie Mae Certificates are issued under the Ginnie Mae I program ("Ginnie Mae I Certificates") and the Ginnie Mae II program ("Ginnie Mae II Certificates"). Holders of Ginnie Mae I Certificates and Ginnie Mae II Certificates have essentially similar rights, although there are certain differences between the two programs.

Ginnie Mae I Program

Monthly payments will be made to the registered holder of the Ginnie Mae Certificate by the 15th of each month. An individual Ginnie Mae issuer assembles a pool of mortgage loans against which it issues and markets Ginnie Mae I Certificates. All mortgage loans underlying a particular Ginnie Mae I Certificate must be of the same type (for example, level payment, single-family mortgage loans) and have the same annual interest rate. The annual pass-through rate on each Ginnie Mae I Certificate will be 0.5% less than the annual interest rate on the mortgage loans included in the pool of mortgage loans backing that Ginnie Mae I Certificate.

Ginnie Mae II Program

Monthly payments will be made to the registered holder of the Ginnie Mae II Certificate through a paying agent (currently The Chase Manhattan Bank) by the 20th of each month. Mortgage pools may be formed through the aggregation of loan packages of more than one Ginnie Mae issuer. Under this option, packages submitted by various Ginnie Mae issuers for a particular issue date and pass-through rate are aggregated into a single pool which backs a single issue of Ginnie Mae II Certificates. Each Ginnie Mae II Certificate issued under a multiple issuer pool is backed by a proportionate interest in the entire pool rather than solely by the loan package contributed by any one Ginnie Mae issuer. In addition, single issuer pools also may be formed under the Ginnie Mae II program.

Each Ginnie Mae II Certificate pool generally consists entirely of fixed rate mortgages or entirely of adjustable rate mortgages. Fixed rate mortgages underlying a particular Ginnie

Mae II Certificate must be of the same type, but may have annual interest rates that vary by up to 1%. The annual pass-through rate on each Ginnie Mae II Certificate will be between 0.5% and 1.5% less than the highest annual interest rate on any mortgage loan included in the pool of mortgage loans backing that Ginnie Mae II Certificate.

Generally, adjustable rate mortgage loans underlying any particular Ginnie Mae II Certificate will have interest rates that adjust annually based on the weekly average of the U.S. Treasury one-year constant maturity index. Ginnie Mae pooling specifications require that all adjustable rate mortgage loans in a given pool have identical first adjustment dates, index reference dates and means of adjustment. All of the mortgage loans must have interest rates that are at least 0.5% but not more than 1.5% above the interest rate of the related Ginnie Mae II Certificate. In addition, the mortgage margin for any given mortgage loan must be at least 0.5% but not more than 1.5% greater than the margin for the related Ginnie Mae II Certificate. The mortgage loans and Ginnie Mae II Certificates will be subject to an annual interest rate adjustment cap of 1% and a lifetime interest rate cap of 5% above or below the initial interest rate. On each annual adjustment date, the payment amount of an adjustable rate mortgage loan will be reset so that the remaining principal balance of that mortgage loan would fully amortize in equal monthly payments over its remaining term to maturity, assuming its interest rate were to remain constant at the new rate. The new payment amount will be effective beginning in the month following the annual adjustment date.

CERTAIN 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 discussion describes certain U.S. federal income tax consequences to beneficial owners of Certificates. The discussion is general and does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. This discussion may not apply to your particular circumstances for one of the following, or other, reasons:

- This discussion is based on federal tax laws in effect as of the date of this prospectus. Changes to any of these laws after the date of this prospectus may affect the tax consequences discussed below.

- This discussion addresses only Certificates acquired at original issuance and held as "capital assets" (generally, property held for investment).

- This discussion does not address tax consequences to beneficial owners subject to special rules, such as dealers in securities, certain traders in securities, banks, tax-exempt organizations, life insurance companies, persons that hold Certificates as part of a hedging transaction or as a position in a straddle or conversion transaction, or persons whose functional currency is not the U.S. dollar.

- This discussion may be supplemented by a discussion in the applicable prospectus supplement.
- This discussion does not address taxes imposed by any state, local or foreign taxing jurisdiction.

For these reasons, you should consult your own tax advisors regarding the federal income tax consequences of holding and disposing of Certificates as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

The topics in this discussion are addressed in the order of the following captions:

- REMIC Election and Special Tax Attributes
- Taxation of Beneficial Owners of Regular Certificates
- Taxation of Beneficial Owners of Residual Certificates
- Taxes on a REMIC
- Reporting and Other Administrative Matters
- Backup Withholding
- Foreign Investors

REMIC Election and Special Tax Attributes

We will elect to treat the assets comprising each series trust as at least one REMIC (each, a "REMIC Trust") under the Internal Revenue Code of 1986, as amended (the "Code"). Qualification as a REMIC requires ongoing compliance with certain conditions. With respect to each series of Certificates, our special tax counsel, Arnold & Porter, will deliver its opinion that (unless otherwise limited in the applicable prospectus supplement), assuming compliance with the Trust Agreement, each REMIC Trust will be treated as a REMIC for federal income tax purposes. The Certificates of each class for a REMIC Trust will be designated as "regular interests" in the REMIC constituted by that REMIC Trust, except that a separate class will be designated as the "residual interest" in the REMIC constituted by that REMIC Trust. The prospectus supplement for each series of Certificates will state whether Certificates of each class will constitute Regular Certificates or Residual Certificates.

Regular and Residual Certificates will be "regular or residual interests in a REMIC" within the meaning of section 7701(a)(19)(C)(xi) of the Code and "real estate assets" within the meaning of section 856(c)(5)(B) of the Code. If at any time during a calendar year less than 95 percent of the assets of a REMIC consist of "qualified mortgages," then the portion of the Regular and Residual Certificates that are qualifying assets under those sections during the calendar year may be limited to the portion of the assets of the REMIC that are "qualified mortgages." Similarly, income on the Regular and Residual Certificates will be treated as "interest on obligations secured by mortgages on real property" within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. For purposes of applying this limitation, a REMIC should be treated as owning the assets represented by the underlying securities. In general, an underlying security will be a "qualified mortgage" if the mortgage loans underlying that security are "principally secured by an interest in real property" within the meaning of section 860G(a)(3) of the Code. The assets of a REMIC will include, in addition to underlying securities representing mortgage loans, payments on underlying securities held pending distribution on the Regular and Residual Certificates and any reinvestment income thereon.

Regular and Residual Certificates held by a financial institution (as referred to in section 582(c)(2) of the Code) will be treated as evidences of indebtedness for purposes of section 582(c)(1) of the Code. Regular Certificates will also be "qualified mortgages" within the meaning of section 860G(a)(3) of the Code with respect to other REMICs and "permitted assets" within the meaning of section 860L(c)(1) of the Code with respect to financial asset securitization investment trusts.

Taxation of Beneficial Owners of Regular Certificates

For federal income tax purposes, the Regular Certificates will be treated as debt instruments issued by a REMIC on the date the Certificates are first sold to the public (the "Settlement Date") and not as ownership interests in a REMIC or its assets. Interest, original issue discount and market discount with respect to a Regular Certificate will represent ordinary income to the beneficial owner of the Certificate (a "Regular Owner"). A Regular Owner must report interest on a Regular Certificate using an accrual method of accounting, regardless of whether it otherwise reports income using a cash method of accounting. Rules regarding original issue discount and market discount are discussed below.

Treatment of Original Issue Discount

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

Definition of Original Issue Discount

In general, a Regular Certificate will be considered to be issued with OID equal to the excess, if any, of its "stated redemption price at maturity" over its "issue price." The issue price of a Regular Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Regular Certificates was sold. The issue price also includes any accrued interest attributable to the period before the Settlement Date. The stated redemption price at maturity of a Regular Certificate generally is its stated principal amount, plus an amount equal to the excess (if any) of the interest payable on the first Distribution Date over the interest that accrues for the period from the Settlement Date to the first Distribution Date. The stated redemption price at maturity of a Regular Certificate of a Notional class or an Accrual class, however, is equal to the sum of all distributions to be made under that Regular Certificate.

Notwithstanding the general definition, OID on a Regular Certificate will be treated as zero if the discount is less than 0.25 percent of the stated redemption price at maturity of the Certificate multiplied by its weighted average life. The weighted average life of a Regular Certificate is apparently computed for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the Certificate, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the Settlement Date until the date on which each such distribution is expected to be made under the assumption that the mortgage loans backing the related underlying securities prepay at the rate specified in the applicable prospectus supplement (the "Prepayment Assumption") by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the Regular Certificate's stated redemption price at maturity. If OID is treated as zero under this rule, the actual amount of OID must be allocated to the principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized.

Daily Portions of Original Issue Discount

For Regular Certificates considered to be issued with OID, the daily portions of OID will be determined as follows. A calculation will first be made of the portion of OID that accrued during each "accrual period." OID accruing during any accrual period will then be allocated ratably to each day during the period to determine the daily portion of OID.

Final regulations issued by the Treasury Department relating to the tax treatment of debt instruments with OID (the "OID Regulations") provide that for purposes of measuring the accrual of OID on a debt instrument, a holder of the debt instrument may use an accrual period of any length, up to one year, as long as each distribution of principal or interest occurs on either the final day or the first day of an accrual period. Unless otherwise disclosed in the applicable prospectus supplement, we will report OID based on accrual periods of one month, beginning on a Distribution Date and ending on the day before the next Distribution Date.

The portion of OID treated as accruing for any accrual period will equal the excess, if any, of

(i) the sum of (A) the present values of all the distributions remaining to be made on the Regular Certificate, if any, as of the end of the accrual period and (B) the distribution made on the Certificate during the accrual period of amounts included in the stated redemption price at maturity, over

(ii) the adjusted issue price of the Certificate at the beginning of the accrual period.

The present value of the remaining distributions will be calculated based on the following:

- the yield to maturity of the Regular Certificate, calculated as of the Settlement Date, giving effect to the Prepayment Assumption,
- events (including actual prepayments) that have occurred prior to the end of the accrual period,
- the Prepayment Assumption, and
- in the case of a Regular Certificate calling for a variable rate of interest, an assumption that the value of the index upon which the variable rate is based remains the same as its value on the Settlement Date over the entire life of the Certificate.

The adjusted issue price of a Regular Certificate at any time will equal the issue price of the Certificate, increased by the aggregate amount of previously accrued OID with respect to the Certificate, and reduced by the amount of any distributions made on the Certificate as of that time of amounts included in the stated redemption price at maturity.

The Code requires that the Prepayment Assumption be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. The legislative history of this Code provision indicates that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. We anticipate that the Prepayment Assumption for each series of Regular Certificates will be consistent with this standard. We make no representation, however, that the mortgage loans backing the underlying securities for a given series will prepay at the rate reflected in the Prepayment Assumption for that series or at any other rate. You must make your own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the Certificates.

Subsequent Holders' Treatment of Original Issue Discount

If a Regular Certificate is issued with OID and a subsequent holder purchases the Certificate at a cost of less than its remaining stated redemption price at maturity, that holder also will be required to include in income the daily portion of OID with respect to the Certificate for each day it holds the Certificate. If the cost of the Certificate to the subsequent holder exceeds the adjusted issue price of the Certificate, however, the holder can reduce the daily accruals by an amount equal to the product of (i) the daily portion and (ii) a constant fraction. The numerator of the constant fraction is the excess of the purchase price over the adjusted issue price of the Certificate, and the denominator is the sum of the daily portions of OID on the Certificate for all days on or after the day of purchase.

Interest and Original Issue Discount on Floating Rate and Inverse Floating Rate Classes

The OID Regulations define and provide special rules applicable to variable rate debt instruments ("VRDIs"). Most Floating Rate and Inverse Floating Rate classes will be VRDIs under the OID Regulations. To be a VRDI, a Regular Certificate generally must satisfy three requirements. First, the issue price (including accrued interest) must not exceed the total noncontingent principal payments by more than (i) 1.5 percent of the product of the total noncontingent principal payments and the weighted average life, or (ii) 15 percent of the total noncontingent principal payments, whichever is smaller. Second, the Regular Certificate must bear interest at a "qualified floating rate" or an "objective rate," or certain combinations of such rates and possibly a fixed rate. Third, under the terms of the Regular Certificate, the qualified floating rate or objective rate must be based on a current value of the applicable interest index. An interest index (such as LIBOR, COFI, Treasury or the Prime Rate) and an interest index plus or minus a fixed rate generally are qualified floating rates. A floating or inverse floating rate equal to a positive or negative multiple of an interest index plus or minus a fixed rate is an objective rate and may be a qualified floating rate.

Under the OID Regulations, a debt instrument that provides for a variable rate of interest but that does not meet all three requirements is a contingent payment debt instrument. The regulations governing contingent payment debt instruments, however, do not apply to Regular Certificates. Therefore, in the absence of further guidance and unless otherwise stated in the applicable prospectus supplement, we will compute accruals of interest and OID on all Floating Rate and Inverse Floating Rate classes by applying the principles of the OID Regulations applicable to VRDIs.

Regular Certificates Purchased at a Premium

If a Regular Owner purchases a Certificate for an amount (net of accrued interest) greater than its remaining stated redemption price at maturity, the Owner will have premium with respect to the Certificate (a "Premium Certificate") in the amount of the excess. Such a purchaser need not include in income any remaining OID and may elect, under section 171(c)(2) of the Code, to treat the premium as "amortizable bond premium."

If a Regular Owner makes this election, the amount of any interest payment that must be included in the Regular Owner's income for each period ending on a Distribution Date will be reduced by the portion of the premium allocable to the period based on the Premium

Certificate's yield to maturity. In addition, the legislative history of the Tax Reform Act of 1986 states that premium should be amortized under principles analogous to those governing the accrual of market discount (as discussed below under "—Regular Certificates Purchased with Market Discount"). The election will also apply to all bonds (as well as all REMIC regular interests) the interest on which is not excludible from gross income ("fully taxable bonds") held by the Regular Owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by it. A Regular Owner may revoke the election only with the consent of the IRS.

If the election is not made, (i) a Regular Owner must include the full amount of each interest payment in income as it accrues, and (ii) the premium must be allocated to the principal distributions on the Premium Certificate and, when each principal distribution is received, a loss equal to the premium allocated to the distribution will be recognized. Any tax benefit from the premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the Premium Certificate.

Some Regular Certificates may provide for only nominal distributions of principal in comparison to distributions of interest. It is possible that the IRS or the Treasury Department may issue guidance excluding such Certificates from the rules generally applicable to debt instruments issued at a premium. In particular, it is possible that such a REMIC interest will be treated as having OID equal to the excess of the total payments to be received thereon over its issue price. Unless and until the Treasury Department or the IRS publishes specific guidance relating to the tax treatment of such Certificates, we intend to furnish tax information to Holders of such Certificates in accordance with the rules described in the preceding paragraph.

Regular Certificates Purchased with Market Discount

A Regular Owner that purchases a Regular Certificate at a price that is less than the remaining stated redemption price at maturity of the Certificate (or in the case of a Regular Certificate issued with OID, less than the adjusted issue price of the Certificate) has market discount with respect to the Certificate in the amount of the difference. In general, three consequences arise if a Regular Owner acquires a Regular Certificate with market discount. First, the Regular Owner must treat any principal payment with respect to a Regular Certificate acquired with market discount as ordinary income to the extent of the market discount that accrued while the Regular Owner held the Certificate. Second, the Regular Owner must treat gain on the disposition or retirement of such a Certificate as ordinary income under the circumstances discussed below under "—Sales and Other Dispositions of Regular Certificates." Third, a Regular Owner that incurs or continues indebtedness to acquire a Regular Certificate at a market discount may be required to defer the deduction of all or a portion of the interest on the indebtedness until the corresponding amount of market discount is included in income. Alternatively, a Regular Owner may elect to include market discount in income on a current basis as it accrues, in which case the three consequences discussed above will not apply. If a Regular Owner makes this election, the Regular Owner must also apply the election to all debt instruments the Regular Owner acquires on or after the beginning of the first taxable year to which the election applies. A Regular Owner may revoke the election only with the consent of the IRS.

The legislative history to the Tax Reform Act of 1986 states that market discount on a Regular Certificate may be treated as accruing in proportion to remaining accruals of OID, if any, or, if none, in proportion to remaining distributions of interest on a Regular Certificate. A beneficial owner may instead elect to determine the accrual of market discount under a constant yield method. We will make available to Holders information necessary to compute the accrual of market discount, in the manner and form as required by the IRS.

Notwithstanding the above rules, market discount on a Regular Certificate will be considered to be zero if the discount is less than 0.25 percent of the remaining stated redemption price at maturity of the Certificate multiplied by its weighted average remaining life. Weighted average remaining life presumably would be calculated in a manner similar to weighted average life, taking into account payments (including prepayments) prior to the date of acquisition of the Regular Certificate by the subsequent purchaser. If market discount on a Regular Certificate is treated as zero under this rule, the actual amount of market discount must be allocated to the remaining principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized.

Special Election

For any Regular Certificate acquired on or after April 4, 1994, the OID Regulations permit a Regular Owner to elect to include in gross income all "interest" that accrues on the Regular Certificate by using a constant yield method. For purposes of the election, the term "interest" includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. You should consult your own tax advisor regarding the time and manner of making and the scope of the election and the implementation of the constant yield method.

Sales and Other Dispositions of Regular Certificates

Upon the sale, exchange, retirement or other disposition of a Regular Certificate, the beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner's adjusted basis in the Certificate. In addition, the Code requires the recognition of gain upon the "constructive sale of an appreciated financial position." In general, a constructive sale of an appreciated financial position occurs if a taxpayer enters into certain transactions or series of transactions with respect to a financial instrument that have the effect of substantially eliminating the taxpayer's risk of loss and opportunity for gain with respect to the financial instrument. These provisions only apply to Certificates of a Notional class.

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

The gain or loss, if any, will be capital gain or loss, provided the Certificate is held as a "capital asset" (generally, property held for investment) within the meaning of section 1221 of the Code and none of the following apply. First, gain that might otherwise be capital gain will be treated as ordinary income to the extent that the gain does not exceed the excess, if any, of (i) the amount that would have been includible in the income of the Regular Owner had income accrued at a rate equal to 110 percent of the "applicable Federal rate" (generally, an average of current yields on Treasury securities) as of the date of purchase over (ii) the amount actually includible in the Regular Owner's income. Second, gain recognized by a Regular Owner who purchased a Regular Certificate at a market discount will be taxable as ordinary income in an amount not exceeding the portion of the market discount that accrued during the period the Certificate was held by the Regular Owner, reduced by any market discount includible in income under the rules described above under "—Regular Certificates Purchased with Market Discount." Third, any gain or loss resulting from a sale or exchange described in section 582(c) of the Code (which generally applies to banks) will be taxable as ordinary income or loss.

Termination

In general, no special tax consequences will apply to a Regular Owner upon the termination of a series trust by virtue of the final payment or liquidation of the last mortgage loan that backs the last underlying security remaining in the series trust.

Taxation of Beneficial Owners of Residual Certificates

Daily Portions

Except as indicated below, a beneficial owner of a Residual Certificate with respect to a REMIC (a "Residual Owner") generally will be required to report its daily portion of the taxable income or net loss of the REMIC for each day during a calendar quarter that the Residual Owner owns the Residual Certificate. For this purpose, the daily portion is determined by allocating to each day in the calendar quarter its ratable portion of the taxable income or net loss of the REMIC for the quarter and then allocating that amount among the Residual Owners in accordance with their percentage interests on that day. Daily portions of income or loss allocated to a Residual Owner will be treated as ordinary income or loss. A Residual Owner must continue to report its daily portion of the taxable income or net loss of the REMIC until no Certificates of any class are outstanding, even though the Residual

Owner may have received full payment of any stated interest and principal on its Residual Certificate.

Taxable Income or Net Loss of a REMIC

The taxable income or net loss of a REMIC will be the income from the ''qualified mortgages'' it holds and any reinvestment earnings less deductions allowed to the REMIC. In general, an underlying security will be a ''qualified mortgage'' if the mortgage loans backing that security are ''principally secured by an interest in real property'' within the meaning of section 860G(a)(3) of the Code or if that security is a regular interest in another REMIC.

The taxable income or net loss for a given calendar quarter will be determined in the same manner as for an individual having the calendar year as the taxable year and using the accrual method of accounting, with the following modifications and limitations:

- A deduction will be allowed for accruals of interest (including any OID, but without regard to the investment interest limitation in section 163(d) of the Code) on the Regular Certificates (but not the Residual Certificates).
- Market discount equal to any excess of the total Stated Principal Balances of the qualified mortgages over the REMIC's basis in these mortgages generally will be included in income by the REMIC as it accrues under a constant yield method, taking into account the Prepayment Assumption.
- If a REMIC is treated as having acquired qualified mortgages at a premium, the premium also will be amortized using a constant yield method.
- No item of income, gain, loss or deduction allocable to a prohibited transaction (see ''—*Taxes on a REMIC*—Prohibited Transactions'' below) will be taken into account.
- A REMIC generally may not deduct any item that would not be allowed in calculating the taxable income of a partnership by virtue of section 703(a)(2) of the Code.
- The limitation on miscellaneous itemized deductions imposed on individuals by section 67 of the Code will not be applied at the REMIC level to any administrative fees, such as servicing and guaranty fees. (See, however, ''—Pass-Through of Servicing and Guaranty Fees to Individuals'' below.)
- No deduction is allowed for any expenses incurred in connection with the formation of a REMIC and the issuance of the Regular and Residual Certificates.
- Any gain or loss to a REMIC from the disposition of any asset, including a qualified mortgage or ''permitted investment'' as defined in section 860G(a)(5) of the Code), will be treated as ordinary gain or loss.

A REMIC's basis in qualified mortgages is the aggregate of the issue prices of all the Regular and Residual Certificates in the REMIC on the Settlement Date. If, however, the amount sold to the public of any class of Regular or Residual Certificates is not substantial, then the fair market value of all the Regular or Residual Certificates in that class as of the date of the prospectus supplement should be substituted for the issue price. If the deductions allowed to the REMIC exceed its gross income for a calendar quarter, the excess will be a net loss for the REMIC for that calendar quarter.

For purposes of determining the taxable income or net loss of a REMIC, OID will be calculated by taking into account the following. First, if all the regular interests of a REMIC are issued to another REMIC, the regular interests will be treated as a single debt instrument because they were issued to a single holder in a single transaction. Second, if a REMIC holds a regular interest as a qualified mortgage (an "Underlying Certificate"), the REMIC will elect to include in gross income all interest that accrues on the Underlying Certificate by using a constant yield method. See "—*Taxation of Beneficial Owners of Regular Certificates*—Special Election" above. Third, if a REMIC holds an Underlying Certificate, the accruals of OID on the Underlying Certificate will be determined using the same Prepayment Assumption used to calculate the accruals of OID on the related regular interests in the REMIC as specified in the applicable prospectus supplement. The IRS, however, could take the position that the proper Prepayment Assumption to be used is the Prepayment Assumption originally established for the Underlying Certificate.

A Residual Owner may be required to recognize taxable income without being entitled to receive a corresponding amount of cash. This could occur, for example, if the mortgage loans are considered to be purchased by the REMIC at a discount, some or all of the Regular Certificates are issued at a discount, and the discount included as a result of a prepayment on a mortgage loan that is used to pay principal on the Regular Certificates exceeds the REMIC's deduction for unaccrued original issue discount relating to the Regular Certificates. Taxable income may also be greater in earlier years because interest expense deductions, expressed as a percentage of the outstanding principal amount of the Regular Certificates, may increase over time as the earlier classes of Regular Certificates are paid, whereas interest income of the REMIC from each mortgage loan, expressed as a percentage of the outstanding principal amount of that mortgage loan, may remain constant over time.

Basis Rules and Distributions

A Residual Owner has an initial basis in its Residual Certificate equal to the amount paid for the Residual Certificate. The basis is increased by amounts included in the income of the Residual Owner and decreased by distributions and by any net loss taken into account with respect to the Residual Certificate. A distribution on a Residual Certificate to a Residual Owner is not included in gross income to the extent it does not exceed the Residual Owner's basis in the Residual Certificate (adjusted as described above) and, to the extent it exceeds the adjusted basis of the Residual Certificate, is treated as gain from the sale of the Residual Certificate.

A Residual Owner is not allowed to take into account any net loss for a calendar quarter to the extent the net loss exceeds the Residual Owner's adjusted basis in its Residual Certificate as of the close of that calendar quarter (determined without regard to that net loss). Any loss disallowed by reason of this limitation may be carried forward indefinitely to future calendar quarters and, subject to the same limitation, may be used only to offset income from the Residual Certificate.

Treatment of Excess Inclusions

Any excess inclusions with respect to a Residual Certificate are subject to certain special tax rules. With respect to a Residual Owner, the excess inclusion for any calendar quarter is defined as the excess (if any) of the daily portions of taxable income over the sum of the "daily accruals" for each day during the quarter that the Residual Certificate was held by the Residual Owner. (The determination of daily accruals is discussed below.) The Treasury Department has the authority to issue regulations that would treat all taxable income of a REMIC as excess inclusions if the Residual Certificate does not have "significant value." The Treasury Department has not yet exercised this authority, but may do so in the future.

Any excess inclusions cannot be offset by losses from other activities. For Residual Owners that are subject to tax only on unrelated business taxable income (as defined in section 511 of the Code), an excess inclusion of the Residual Owner is treated as unrelated business taxable income. With respect to variable contracts (within the meaning of section 817 of the Code), a life insurance company cannot adjust its reserve to the extent of any excess inclusion, except as provided in regulations. If a Residual Owner is a member of an affiliated group filing a consolidated income tax return, the taxable income of the affiliated group cannot be less than the sum of the excess inclusions attributable to all residual interests in REMICs held by members of the affiliated group. For purposes of the alternative minimum tax, taxable income does not include excess inclusions, the alternative minimum taxable income cannot be less than excess inclusions, and excess inclusions are disregarded in computing the alternative tax net operating loss deduction. For a discussion of the effect of excess inclusions on certain foreign investors that own Residual Certificates, see "—*Foreign Investors*—Residual Certificates" below.

In the case of any Residual Certificates that are held by a real estate investment trust, the aggregate excess inclusions with respect to the Residual Certificates reduced (but not below zero) by the real estate investment trust taxable income (within the meaning of section 857(b)(2) of the Code, excluding any net capital gain) would, under regulations yet to be prescribed, be allocated among the shareholders of the trust in proportion to the dividends received by the shareholders from the trust, and any amount so allocated would be treated as an excess inclusion with respect to a Residual Certificate as if held directly by the shareholder. Similar rules would apply in the case of regulated investment companies, common trust funds and certain cooperatives that hold a Residual Certificate.

Determination of Daily Accruals

The daily accruals are determined by allocating to each day during a calendar quarter its ratable portion of the product of the "adjusted issue price" of the Residual Certificate at the beginning of the calendar quarter and 120 percent of the "Federal long-term rate" in effect on the Settlement Date, based on quarterly compounding and properly adjusted for the length of the quarter. The Federal long-term rate is a blend of current yields on Treasury securities having a maturity of more than nine years computed and published monthly by the IRS. For each series of Certificates, if the Federal long-term rate based on quarterly compounding that will be in effect on the Settlement Date is available as of the date of the related prospectus supplement, 120 percent of that rate will be set forth in the prospectus supplement.

The adjusted issue price of a Residual Certificate as of the beginning of any calendar quarter is equal to the issue price of the Residual Certificate, increased by the amount of daily accruals for all prior quarters and decreased by any distributions made with respect to the Residual Certificate before the beginning of the quarter. The issue price of a Residual Certificate generally is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Residual Certificates was sold.

Pass-Through of Servicing and Guaranty Fees to Individuals

A Residual Owner who is an individual will be required to include in income a share of the administrative fees of the REMIC, including the servicing and guaranty fees imposed at the level of the underlying securities. See, for example, "Description of Certificates—Servicing Through Lenders" and "Certain Federal Income Tax Consequences" in our MBS prospectus. A deduction for such fees generally will be allowed to such a Residual Owner only to the extent that such fees, along with certain of the Residual Owner's other miscellaneous itemized deductions, exceed 2 percent of the Residual Owner's adjusted gross income. In addition, such a Residual Owner may not be able to deduct any portion of such fees in computing the Residual Owner's alternative minimum tax liability. A Residual Owner's share of such fees generally will be determined by (i) allocating the amount of such expenses for each calendar quarter on a *pro rata* basis to each day in the calendar quarter, and (ii) allocating the daily amount among the Residual Owners in proportion to their respective holdings on that day. Similar rules apply in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Residual Certificate through an investment in a "pass-through entity." Pass-through entities include partnerships, S corporations, grantor trusts and non-publicly offered regulated investment companies, but do not include estates, trusts other than grantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies.

Sales and Other Dispositions of Residual Certificates

Upon the sale, exchange or other disposition of a Residual Certificate, the Residual Owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the Residual Owner's adjusted basis in the Certificate. The adjusted basis of a Residual Certificate is determined as described above under "—Basis Rules and Distributions." Except as provided in section 582(c) of the Code, the gain or loss, if any, will be capital gain or loss, provided the Certificate is held as a capital asset.

If a Residual Owner sells or otherwise disposes of its Residual Certificate at a loss, the loss will not be recognized if, within six months before or after the sale or other disposition of the Residual Certificate, the Residual Owner purchases another residual interest in any REMIC or any interest in a taxable mortgage pool (as defined in section 7701(i) of the Code) comparable to a residual interest in a REMIC. The disallowed loss would be allowed upon the sale or other disposition of the other residual interest (or comparable interest) if the rule referred to in the preceding sentence does not apply to that sale or other disposition. While this rule may be modified by Treasury regulations, no such regulations have yet been published.

Residual Certificates Transferred to or Held by Disqualified Organizations

Section 860E(e) of the Code imposes a substantial tax, payable by the transferor (or, if a transfer is through a broker, nominee, or other middleman as the transferee's agent, payable by that agent) upon any transfer of a Residual Certificate to a "disqualified organization." A transfer includes any transfer of record or beneficial ownership, whether pursuant to a purchase, a default under a secured lending agreement or otherwise. The term "disqualified organization" is defined above under "Description of the Certificates—Special Characteristics of Residual Certificates." A transferor of a Residual Certificate (or an agent of a transferee of a Residual Certificate, as the case may be) will be relieved of this tax liability if (i) the transferee furnishes to the transferor (or the transferee's agent) an affidavit that the transferee is not a disqualified organization, and (ii) the transferor (or the transferee's agent) does not have actual knowledge that the affidavit is false at the time of the transfer.

In addition, a tax may be imposed upon a pass-through entity (including a regulated investment company, real estate investment trust, common trust fund, partnership, trust, estate and nominee and certain cooperatives) that owns a Residual Certificate if the pass-through entity has a disqualified organization as a record holder. For this purpose, all interests in an electing large partnership are treated as held by disqualified organizations. No such tax will be imposed on a pass-through entity for a period with respect to an interest therein owned by a disqualified organization if (i) the record holder of the interest furnishes to the pass-through entity an affidavit that it is not a disqualified organization, (ii) during that period, the pass-through entity has no actual knowledge that the affidavit is false and (iii) the entity is not an electing large partnership.

Other Transfers of Residual Certificates

A transfer of a Residual Certificate that has tax avoidance potential is disregarded for federal income tax purposes if the transferee is not a U.S. Person (a "Non-U.S. Person"), unless the transferee's income from the Certificate is otherwise subject to U.S. income tax. A Residual Certificate has tax avoidance potential unless, at the time of the transfer, the transferor reasonably expects that, for each excess inclusion, the REMIC will pay to the transferee an amount that will equal at least 30 percent of the excess inclusion, and that each amount will be paid at or after the time at which the excess inclusion accrues and not later than the close of the calendar year following the calendar year of accrual. Certain transfers by a Non-U.S. Person to a U.S. Person or another Non-U.S. Person are also disregarded if the transfer has the effect of allowing the transferor to avoid tax on accrued excess inclusions. See "Description of the Certificates—Special Characteristics of Residual Certificates" for a discussion of additional provisions applicable to transfers of Residual Certificates.

Amounts Paid to a Transferee of a Residual Certificate

The federal income tax consequences of any consideration paid to a transferee on the transfer of a Residual Certificate are unclear. You should consult your own tax advisor regarding the tax consequences of receiving such consideration.

Termination

Although the matter is not entirely free from doubt, it appears that a Residual Owner will be entitled to a loss if:

- the REMIC terminates by virtue of the final payment or liquidation of the last mortgage loan that backs the last underlying security remaining in the REMIC and
- the Residual Owner's adjusted basis in its Residual Certificate at the time the termination occurs exceeds the amount of cash distributed to the Residual Owner in liquidation of its interest.

The amount of the loss will equal the amount by which the Residual Owner's adjusted basis exceeds the amount of cash distributed to the Residual Owner in liquidation of its interest.

Taxes on a REMIC

A REMIC will not be subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below. It is not anticipated that a series trust will engage in any transactions that will give rise to a tax on a related REMIC. In any event, pursuant to our guaranty obligations, we will make distributions on the Regular Certificates and Residual Certificates without offset or deduction for any tax imposed on the related REMIC.

Prohibited Transactions

The Code imposes a tax on a REMIC equal to 100 percent of the net income derived from "prohibited transactions." In general, the term "prohibited transaction" means the disposition of a qualified mortgage other than pursuant to certain specified exceptions, the receipt of investment income from a source other than a qualified mortgage or certain other permitted investments, the receipt of compensation for services, or the disposition of a "cash flow investment" as defined in Section 8606(a)(6) of the Code.

Contributions to a REMIC After the Startup Day

The Code imposes a tax on a REMIC equal to 100 percent of the value of any property contributed to the REMIC after the "startup day" (generally the same as the Settlement Date). Exceptions are provided for cash contributions to a REMIC if made (i) during the three-month period beginning on the startup day, (ii) to a qualified reserve fund by a holder of a residual interest, (iii) in the nature of a guarantee, or (iv) to facilitate a qualified liquidation or clean-up call.

Net Income from Foreclosure Property

The Code imposes a tax on a REMIC equal to the highest corporate rate on "net income from foreclosure property." The terms "foreclosure property" (which includes property acquired by deed in lieu of foreclosure) and "net income from foreclosure property" are defined by reference to the rules applicable to real estate investment trusts. Generally, foreclosure property would be treated as such until the close of the third taxable year following the taxable year in which the acquisition occurs, with possible extensions. Net income from foreclosure property generally means gain from the sale of foreclosure property that is inventory property and gross income from foreclosure property other than qualifying rents and other qualifying income for a real estate investment trust, net of deductions directly connected with the production of such income.

Reporting and Other Administrative Matters

For purposes of the administrative provisions of the Code, each REMIC will be treated as a partnership and the Residual Owners will be treated as partners. We will prepare, sign and file federal income tax returns for each REMIC, which returns are subject to audit by the IRS. We do not intend to register any REMIC as a tax shelter pursuant to section 6111 of the Code. We will also act as the tax matters partner for each REMIC, either as a beneficial owner of a Residual Certificate or as a fiduciary for the Residual Owner. Each Residual Owner, by the acceptance of its Residual Certificate, agrees that we will act as its fiduciary in the performance of any duties required of it in the event that it is the tax matters partner.

Within a reasonable time after the end of each calendar year, we will furnish to each Holder that received a distribution during that year a statement setting forth the portions of any distributions that constitute interest distributions, OID and any other information as is required by Treasury regulations and, with respect to Holders of Residual Certificates, information necessary to compute the daily portions of the taxable income (or net loss) of the REMIC for each day during that year.

If there is more than one Residual Owner for a taxable year, each Residual Owner is required to treat items on its return consistently with the treatment on the return of the REMIC, unless the Residual Owner either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the REMIC. The IRS may assert a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the REMIC level.

Backup Withholding

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

Foreign Investors

Regular Certificates

Distributions made on a Regular Certificate to, or on behalf of, a Regular Owner that is a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, provided (a) the Regular Owner is not subject to U.S. tax as a result of a connection to the United States other than ownership of the Certificate, (b) the Regular Owner signs a statement under penalties of perjury that certifies that the Regular Owner is a Non-U.S. Person, and provides the name and address of the Regular Owner, and (c) the last U.S. Person in the chain of payment to the Regular Owner receives the statement from the Regular Owner or a financial institution holding on its behalf and does not have actual knowledge that the statement is false. You should be aware that the IRS might take the position that this exemption does not apply to a Regular Owner that also owns 10 percent or more of the Residual Certificates or of the voting stock of Fannie Mae, or to a Regular Owner that is a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code.

Residual Certificates

Amounts distributed to a Residual Owner that is a Non-U.S. Person generally will be treated as interest for purposes of applying the 30 percent (or lower treaty rate) withholding tax on income that is not effectively connected with a U.S. trade or business. Amounts not constituting excess inclusions that are distributed on a Residual Certificate to a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, subject to the same conditions applicable to distributions on Regular Certificates, as described above, but only to the extent that the obligations directly underlying the REMIC that issued the Residual Certificate (*e.g.*, mortgage loans or regular interests in another REMIC) were issued after July 18, 1984. In no case will any portion of REMIC income that constitutes an excess inclusion be entitled to any exemption from the withholding tax or a reduced treaty rate for withholding. See "*—Taxation of Beneficial Owners of Residual Certificates—* Treatment of Excess Inclusions" above.

LEGAL INVESTMENT CONSIDERATIONS

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities, you may be subject to restrictions on investment in certain classes of the Certificates of a series. If you are a financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the Treasury or other federal or state agencies with similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing or pledging the Certificates of a series. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Certificate. **Investors should consult their own legal advisors in determining whether and to what extent the Certificates of a series constitute legal investments or are subject to restrictions on investment and whether and to what extent the Certificates of a series can be used as collateral for various types of borrowings.**

LEGAL OPINION

If you purchase Certificates of a series, we will send you, upon request, an opinion of our General Counsel (or one of our Deputy General Counsels) as to the validity of the Certificates and the related Trust Agreement.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code impose certain requirements on employee benefit plans subject to ERISA (such as employer-sponsored retirement plans) and upon other types of benefit plans and arrangements subject to section 4975 of the Code (such as individual retirement accounts). ERISA and the Code also impose these requirements on certain entities in which the benefit plans or arrangements that are subject to ERISA and the Code invest. We refer to these plans, arrangements and entities as "Plans." Any person who is a fiduciary of a Plan also is subject to the requirements imposed by ERISA and the Code. Before a Plan invests in any Certificate, the Plan fiduciary must consider whether the governing instruments for the Plan would permit the investment, whether the Certificates would be a prudent and appropriate investment for the Plan under its investment policy and whether such an investment might result in a prohibited transaction under ERISA or the Code for which no exemption is available.

On November 13, 1986, the U.S. Department of Labor issued a final regulation covering the acquisition by a Plan of a "guaranteed governmental mortgage pool certificate," defined to include certificates which are "backed by, or evidencing an interest in specified mortgages or participation interests therein" and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a Plan in a "guaranteed governmental mortgage pool certificate" does not cause the assets of the Plan to include the mortgages underlying the certificate or cause the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgages in the pool. Our counsel, Brown & Wood LLP, has advised us that the Certificates qualify under the definition of "guaranteed governmental mortgage pool certificates" and, as a result, the purchase and holding of Certificates by Plans will not cause the underlying mortgage loans or the assets of Fannie Mae to be subject to the fiduciary requirements of ERISA or to the prohibited transaction requirements of ERISA and the Code.

PLAN OF DISTRIBUTION

Pursuant to a Fannie Mae commitment, we will deliver the Certificates of a series to one or more securities dealers (each, a "Dealer") in exchange for the assets specified in the related prospectus supplement, unless the prospectus supplement provides otherwise. Each Dealer will offer the Certificates as specified in the prospectus supplement. Each Dealer may, in turn, offer the Certificates to or through other dealers. These Dealers engage in transactions with us and perform services for us in the ordinary course of their business. We, the Dealers or other parties may receive compensation, trading gain or other benefits in connection with these transactions. We typically receive a fee from the Dealer or Dealers for each offering. We reserve the right to acquire Certificates for our own account at the time they are issued or subsequently in the secondary market and may retain or dispose of any Certificates that we acquire.

INDEX OF DEFINED TERMS

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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$1,120,261,187 (Approximate)

FannieMae®

Guaranteed Pass-Through Certificates Fannie Mae Trust 2001-79

PROSPECTUS SUPPLEMENT

Bear, Stearns & Co. Inc.

Edward D. Jones & Co., L.P.

November 19, 2001