

\$344,582,207



FannieMae®

**Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 2006-40**

The Certificates

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

Payments to Certificateholders

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

- interest accrued on the balance of your certificate (except in the case of the accrual class), and
- principal to the extent available for payment on your class.

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

The Fannie Mae Guaranty

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

The Trust and its Assets

The trust will own Fannie Mae MBS.

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

Class	Group	Original Class Balance	Principal Type	Interest Rate	Interest Type	CUSIP Number	Final Distribution Date
F	1	\$100,000,000	PAC	(1)	FLT	31395DB B 4	May 2036
SI(2)	1	100,000,000(3)	NTL	(1)	INV/IO	31395DB C 2	May 2036
PO(2)	1	16,666,667	PAC	(4)	PO	31395DB D 0	May 2036
DS(2)	1	33,612,844	SUP	(5)	T	31395DB E 8	December 2034
DF(2)	1	7,002,676	SUP	(5)	T	31395DB F 5	December 2034
ES(2)	1	18,003,130	SUP	(5)	T	31395DB G 3	May 2036
EF(2)	1	4,500,783	SUP	(5)	T	31395DB H 1	May 2036
EH(2)	2	62,090,884	SEQ	5.50%	FIX	31395DB J 7	May 2033
EY(2)	2	5,174,240(3)	NTL	6.00	FIX/IO	31395DB K 4	May 2033
EU	2	20,000,000	SEQ	6.00	FIX	31395DB L 2	May 2036
AP	3	50,000,000	SEQ	5.75	FIX	31395DB M 0	July 2032
AG	3	8,333,334	SEQ	4.00	FIX	31395DB N 8	July 2032
VA(2)	3	8,224,426	SEQ/AD	5.50	FIX	31395DB P 3	April 2017
VB(2)	3	6,033,129	SEQ/AD	5.50	FIX	31395DB Q 1	June 2022
AZ(2)	3	10,114,334	SEQ	5.50	FIX/Z	31395DB R 9	May 2036
R		0	NPR	0	NPR	31395DB S 7	May 2036
RL		0	NPR	0	NPR	31395DB T 5	May 2036

- (1) Based on LIBOR.
(2) Exchangeable classes.
(3) Notional balances. These classes are interest only classes. See page S-8 for a description of how their notional balances are calculated.
(4) Principal only class.
(5) These classes are toggle classes. See page S-7 for a description of their interest rates.

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 SA, LA, LB, ED, EG, V and AU Classes are the RCR classes, as further described in this prospectus supplement.

The dealer will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be April 28, 2006.

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.

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.



The date of this Prospectus Supplement is April 6, 2006.

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AVAILABLE INFORMATION

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

- our Prospectus for Fannie Mae Guaranteed REMIC Pass-Through Certificates dated May 1, 2002 (the “REMIC Prospectus”);
- our Prospectus for Fannie Mae Guaranteed Mortgage Pass-Through Certificates (Single-Family Residential Mortgage Loans) dated January 1, 2006 (the “MBS Prospectus”); and
- any information incorporated by reference in this prospectus supplement as discussed below under the heading “Incorporation by Reference.”

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).

In addition, the Disclosure Documents, together with the class factors, are available on our corporate Web site at www.fanniemae.com.

You also can obtain copies of the Disclosure Documents by writing or calling the dealer at:

HSBC Securities (USA) Inc.
Mortgage Backed Securities Department
425 Fifth Avenue, 10th Floor
New York, New York 10018
(telephone 212-525-0747)

INCORPORATION BY REFERENCE

In this prospectus supplement, we are incorporating by reference the MBS Prospectus described above. In addition, we are incorporating by reference the documents listed below. This means that we are disclosing information to you by referring you to these documents. These documents are considered part of this prospectus supplement, so you should read this prospectus supplement, and any applicable supplements or amendments, together with these documents.

You should rely only on the information provided or incorporated by reference in this prospectus supplement, the REMIC Prospectus and the MBS Prospectus and any applicable supplements or amendments.

We incorporate by reference the following documents we have filed, or may file, with the Securities and Exchange Commission (“SEC”):

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (“Form 10-K”);
- all other reports we have filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 since the end of the fiscal year covered by the Form 10-K until the date of this prospectus supplement, excluding any information “furnished” to the SEC on Form 8-K; and
- all proxy statements that we file with the SEC and all documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 subsequent to the date of this prospectus supplement and prior to the completion of the offering of the certificates, excluding any information we “furnish” to the SEC on Form 8-K.

Any information incorporated by reference in this prospectus supplement is deemed to be modified or superseded for purposes of this prospectus supplement to the extent information contained or incorporated by reference in this prospectus supplement modifies or supersedes such information. In such case, the information will constitute a part of this prospectus supplement only as so modified or superseded.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can obtain copies of the periodic reports we file with the SEC without charge by calling or writing our Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, NW, Washington, DC 20016, telephone: (202) 752-7115. The periodic and current reports that we file with the SEC are also available on our Web site. Information appearing on our Web site is not incorporated in this prospectus supplement except as specifically stated in this prospectus supplement.

In addition, you may read our SEC filings and other information about Fannie Mae at the offices of the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Exchange. Our SEC filings are also available at the SEC's Web site at www.sec.gov. We are providing the address of the SEC's Web site solely for the information of prospective investors. Information appearing on the SEC's Web site is not incorporated in this prospectus supplement except as specifically stated in this prospectus supplement.

RECENT DEVELOPMENTS

Our safety and soundness regulator, the Office of Federal Housing Enterprise Oversight ("OFHEO"), announced in July 2003 that it was conducting a special examination of our accounting policies and practices, and in September 2004 issued a preliminary report of its findings to date. This report raised questions about Fannie Mae's application of certain accounting practices. OFHEO subsequently identified additional accounting and internal control issues in February 2005.

On December 22, 2004, we reported that the Audit Committee of our Board of Directors (the "Board") had determined that our previously filed interim and audited financial statements and the independent auditor's reports thereon for the period from January 2001 through the second quarter of 2004 should no longer be relied upon because such financial statements were prepared using accounting principles that did not comply with U.S. generally accepted accounting principles ("GAAP"). We have subsequently initiated an extensive restatement and re-audit of our financial statements with our new independent auditor, Deloitte & Touche LLP. We anticipate that the impact of the restatement will be material to Fannie Mae's financial statements for many, if not all, of the periods involved.

Our Board and management have initiated numerous internal and external reviews of our accounting processes and controls, our financial reporting processes, and our application of GAAP. Investigations into our accounting policies and practices and our financial reporting also continue to be ongoing with OFHEO, the U.S. Securities and Exchange Commission (the "SEC"), and the U.S. Attorney's Office for the District of Columbia. See "Risk Factors—There are numerous ongoing internal reviews and external investigations of Fannie Mae" in the MBS Prospectus. One of these external investigations was conducted by the law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP ("Paul Weiss"), under the direction of former U.S. Senator Warren Rudman. On February 23, 2006, the Paul Weiss report to the Special Committee of the Board was publicly released, and included numerous findings about Fannie Mae's accounting policies, practices and systems, compensation practices, corporate governance, and internal controls. On February 24, 2006, we filed a Form 8-K with the SEC that includes the Paul Weiss report.

We have not filed Quarterly Reports on Form 10-Q for the third quarter of 2004 or the first, second and third quarters of 2005, nor have we filed our Annual Report on Form 10-K for the years ended December 31, 2004 or December 31, 2005. As we most recently reported in a Current Report on Form 8-K filed with the SEC on March 13, 2006, we estimate that it is unlikely we will complete our

Annual Report on Form 10-K for the year ended December 31, 2004, which will include our restated results, prior to the second half of 2006. See “Risk Factors—There is a lack of financial information about us available in the market” in the MBS Prospectus.

Forms 8-K that we file with the SEC prior to the completion of the offering of the certificates are incorporated by reference in this prospectus supplement. This means that we are disclosing information to you by referring you to those documents. You should refer to “Incorporation by Reference” above for further details on the information that we incorporate by reference in this prospectus supplement and where to find it.

REFERENCE SHEET

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

Assets Underlying Each Group of Classes

<u>Group</u>	<u>Assets</u>
1	Group 1 MBS
2	Group 2 MBS
3	Group 3 MBS

Assumed Characteristics of the Mortgage Loans Underlying the MBS (as of April 1, 2006)

	<u>Approximate Principal Balance</u>	<u>Original Term to Maturity (in months)</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Approximate Weighted Average Loan Age (in months)</u>	<u>Approximate Weighted Average Coupon</u>
Group 1 MBS	\$179,786,100	360	357	2	6.45%
Group 2 MBS	\$ 82,090,884	360	334	24	6.45%
Group 3 MBS	\$ 82,705,223	360	331	24	5.95%

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

Class Factors

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

Settlement Date

We expect to issue the certificates on April 28, 2006.

Distribution Dates

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

Book-Entry and Physical Certificates

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

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

<u>Fed Book-Entry</u>	<u>Physical</u>
All classes of certificates other than the R and RL Classes	R and RL 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 the available combinations of the certificates eligible for exchange and the related RCR certificates.

Interest Rates

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

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:

<u>Class</u>	<u>Initial Interest Rate</u>	<u>Maximum Interest Rate</u>	<u>Minimum Interest Rate</u>	<u>Formula for Calculation of Interest Rate (1)</u>
F	5.130%	7.00000%	0.30%	LIBOR + 30 basis points
SI	1.870%	6.70000%	0.00%	6.7% – LIBOR
DS	7.250%	7.25000%	0.00%	(2)
DF	0.000%	34.79999%	0.00%	(3)
ES	7.500%	7.50000%	0.00%	(4)
EF	0.000%	29.99999%	0.00%	(5)
SA	8.415%	30.15000%	0.00%	30.15% – (4.5 × LIBOR)

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

(2) The applicable interest rate for the DS Class during each interest accrual period will be determined as follows:

<u>If LIBOR is:</u>	<u>Applicable Rate</u>
Less than 7.25%	7.25%
Greater than or equal to 7.25%	0.0%

(3) The applicable interest rate for the DF Class during each interest accrual period will be determined as follows:

<u>If LIBOR is:</u>	<u>Applicable Rate</u>
Less than 7.25%	0.0%
Greater than or equal to 7.25%	34.79999%

(4) The applicable interest rate for the ES Class during each interest accrual period will be determined as follows:

<u>If LIBOR is:</u>	<u>Applicable Rate</u>
Less than 7.0%	7.5%
Greater than or equal to 7.0%	0.0%

(5) The applicable interest rate for the EF Class during each interest accrual period will be determined as follows:

<u>If LIBOR is:</u>	<u>Applicable Rate</u>
Less than 7.0%	0.0%
Greater than or equal to 7.0%	29.99999%

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:

<u>Class</u>	
SI	100% of the F Class
EY	8.3333333333% of the EH Class

Distributions of Principal

Group 1 Principal Distribution Amount

1. To the Aggregate Group to its Planned Balance.
2. To the DS and DF Classes, pro rata, to zero.
3. To the ES and EF Classes, pro rata, to zero.
4. To the Aggregate Group to zero.

For a description of the Aggregate Group, see “Description of the Certificates—Distributions of Principal—*Group 1 Principal Distribution Amount*” in this prospectus supplement.

Group 2 Principal Distribution Amount

To the EH and EU Classes, in that order, to zero.

Group 3 Principal Distribution Amount

AZ Accrual Amount

To the VA and VB Classes, in that order, to zero, and thereafter to the AZ Class.

Group 3 Cash Flow Distribution Amount

1. To the AP and AG Classes, pro rata, to zero.
2. To the VA, VB and AZ Classes, in that order, to zero.

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

Weighted Average Lives (years) *

<u>Group 1 Classes</u>	<u>PSA Prepayment Assumption</u>					
	<u>0%</u>	<u>100%</u>	<u>225%</u>	<u>300%</u>	<u>400%</u>	<u>500%</u>
F, SI, PO and SA	17.0	7.0	7.0	7.0	5.7	4.8
DS, DF and LA	27.1	15.9	2.9	2.0	1.6	1.3
ES, EF and LB	29.3	25.5	14.1	4.9	3.1	2.5
<u>Group 2 Classes</u>	<u>PSA Prepayment Assumption</u>					
	<u>0%</u>	<u>100%</u>	<u>225%</u>	<u>300%</u>	<u>400%</u>	<u>500%</u>
EH, EY, ED and EG	18.3	6.7	3.5	2.6	2.0	1.5
EU	28.6	21.1	13.8	10.9	8.3	6.5

<u>Group 3 Classes</u>	<u>PSA Prepayment Assumption</u>					
	<u>0%</u>	<u>100%</u>	<u>176%</u>	<u>250%</u>	<u>400%</u>	<u>500%</u>
AP and AG	17.3	6.0	3.8	2.8	1.8	1.4
VA	6.0	6.0	5.9	5.2	3.9	3.2
VB	13.6	13.2	10.4	8.2	5.6	4.5
AZ	28.2	20.2	16.6	13.6	9.4	7.6
V	9.2	9.1	7.8	6.5	4.6	3.8
AU	28.2	19.8	15.1	11.7	7.6	6.0

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

ADDITIONAL RISK FACTORS

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

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

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

- if you 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.

Recent hurricanes in the Gulf Coast region may present risk of increased mortgage loan prepayments. In August and September 2005, Hurricane Katrina and Hurricane Rita and related events caused catastrophic damage to extensive areas along the Gulf Coast of the United States, including portions of coastal and inland Alabama, Florida, Louisiana, Mississippi and Texas. Hundreds of thousands of people have been displaced and interruptions in the regional economy have been significant. Although the long-term effects are unclear, these events could lead to a general economic downturn in the Gulf Coast region, including job losses and declines in real estate values. Accordingly, defaults on any mortgage loans in

the affected areas may increase, in turn resulting in early payments of principal of the certificates backed by those mortgage loans. Additionally, casualty losses on mortgaged properties with hurricane or flood damage may result in early payment of principal of the related certificates.

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

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

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.

Slight changes in LIBOR may significantly affect the interest rates of the toggle classes. The toggle classes may be extremely sensitive to certain changes in monthly LIBOR values. In particular, they may experience dramatic declines in their interest rates and yields as a result of certain changes in LIBOR, even if those changes are slight. For an illustration of this sensitivity, see the related yield tables in this prospectus supplement.

Delay classes have lower yields and market values. Since certain classes do not receive interest immediately following each interest accrual period those classes have lower yields and lower market values than they would if there were no such delay.

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

Unpredictable timing of last payment affects yields on certificates. The actual final payment of your class is likely to occur earlier, and could occur much earlier, than the final distribution date listed on the cover page 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.

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.

Terrorist activities and related military and political actions by the U.S. government could cause reductions in investor confidence and substantial market volatility in real estate and securities markets. It is impossible to predict the extent to which terrorist activities may occur or, if they do occur, the extent of the effect on the certificates. Moreover, it is uncertain what effects any past or future terrorist activities or any related military or political actions on the part of the United States government and others will have on the United States and world financial markets, local, regional and national economies, real estate markets across the United States, or particular business sectors, including those affecting the performance of mortgage loan borrowers. Among other things, reduced investor confidence could result in substantial volatility in securities markets and a decline in real estate-related investments. In addition, defaults on the mortgage loans could increase, causing early payments of principal to you and, regardless of the performance of the underlying mortgage loans, the liquidity and market value of the certificates may be impaired.

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 REMIC Trust specified on the cover of this prospectus supplement (the “Trust”) and a separate trust (the “Lower Tier REMIC”) pursuant to a trust agreement dated as of April 1, 2006 (the “Issue Date”). We will issue the Guaranteed REMIC Pass-Through Certificates (the “REMIC Certificates”) pursuant to that trust agreement. We will issue the Combinable and Recombinable REMIC Certificates (the “RCR Certificates” and, together with the REMIC Certificates, the “Certificates”) pursuant to a separate trust agreement dated as of the Issue Date (together with the trust agreement relating to the REMIC Certificates, the “Trust Agreement”). We will execute the Trust Agreement in our corporate capacity and as trustee (the

“Trustee”). In general, the term “Classes” includes the Classes of REMIC Certificates and RCR Certificates.

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

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

The assets of the Trust will consist of the Lower Tier Regular Interests.

The assets of the Lower Tier REMIC will consist of three groups of Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the “Group 1 MBS,” “Group 2 MBS” and “Group 3 MBS” and, together, the “MBS”).

Each MBS represents a beneficial ownership interest in a pool of first lien, one- to four-family (“single-family”), fixed-rate residential mortgage loans (the “Mortgage Loans”) having the characteristics described in this prospectus supplement.

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

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

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

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

Our guarantees are not backed by the full faith and credit of the United States. See “Description of Certificates—The Fannie Mae Guaranty” in the REMIC Prospectus and “Description of the Certificates—Fannie Mae Guaranty” in the MBS Prospectus.

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

We will issue the R and RL Certificates in fully registered, certificated form. The “Holder” or “Certificateholder” of the R or RL Certificate is its registered owner. The R or RL 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. U.S. Bank National Association (“US Bank”) in Boston, Massachusetts will be the initial Transfer Agent. We may impose a service charge for any registration of transfer of the R or RL Certificate and may require payment to cover any tax or other governmental charge. See also “—Characteristics of the R and RL Classes” below.

The Holder of the R Class will receive the proceeds of any remaining assets of the Trust, 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. US Bank will be the initial Paying Agent.

Authorized Denominations. We will issue the Certificates in the following denominations:

<u>Classes</u>	<u>Denomination</u>
The Principal Only, Interest Only, Inverse Floating Rate and Toggle Classes	\$100,000 minimum plus whole dollar increments
All other Classes (except the R and RL Classes)	\$1,000 minimum plus whole dollar increments

We will issue the R and RL Classes as single Certificates with no principal balances.

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

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

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

No Optional Termination. We have no option to effect an early termination of the Lower Tier REMIC or the Trust. Further, we will not repurchase the Mortgage Loans underlying any MBS in a “clean-up call.” See “Description of the Certificates—Termination” in the MBS Prospectus.

Combination and Recombination

General. You are permitted to exchange all or a portion of the SI, PO, DS, DF, ES, EF, EH, EY, VA, VB, and AZ Classes of REMIC Certificates for a proportionate interest in the related RCR Certificates in the combinations shown on Schedule 1. You also may exchange all or a portion of the RCR Certificates for the related REMIC Certificates in the same manner. This process may occur repeatedly.

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

The Classes of REMIC Certificates and RCR Certificates that are outstanding at any given time, and the outstanding principal balances (or notional principal balances) of these Classes, will depend upon any related distributions of principal, as well as any exchanges that occur. REMIC Certificates and RCR Certificates may be exchanged only 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 REMIC 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 REMIC Certificates used to form those RCR Certificates. You should also consider a number of factors that will limit a Certificateholder's ability to exchange REMIC Certificates for RCR Certificates or vice versa:

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

The MBS

The following table contains certain information about the MBS. The MBS included in each specified Group will have the aggregate unpaid principal balance and Pass-Through Rate shown below and the general characteristics described in the MBS Prospectus. The MBS provide that principal and interest on the related Mortgage Loans are passed through monthly. The Mortgage Loans underlying the MBS are conventional, fixed-rate, fully-amortizing 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, Maturity, and Prepayment Considerations" in the MBS Prospectus.

We expect the characteristics of the MBS and the related Mortgage Loans as of the Issue Date to be as follows:

Group 1 MBS

Aggregate Unpaid Principal Balance	\$179,786,100
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	357 months
Approximate Weighted Average WALA (weighted average loan age)	2 months

Group 2 MBS

Aggregate Unpaid Principal Balance	\$82,090,884
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	334 months
Approximate Weighted Average WALA	24 months

Group 3 MBS

Aggregate Unpaid Principal Balance	\$82,705,223
MBS Pass-Through Rate	5.50%
Range of WACs (annual percentages)	5.75% to 8.00%
Range of WAMs	241 months to 360 months
Approximate Weighted Average WAM	331 months
Approximate Weighted Average WALA	24 months

Final Data Statement

After issuing the Certificates, we will prepare a Final Data Statement containing certain information, including the Pool number, the current WAC (or original WAC, if the current WAC is not available) and the current WAM (or Adjusted WAM, if the current WAM is not available) of the Mortgage Loans underlying each of the 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 MBS as of the Issue Date. You may obtain the Final Data Statement by telephoning us at 1-800-237-8627. In addition, the Final Data Statement is available on our corporate Web site at www.fanniemae.com.

Distributions of Interest*Categories of Classes*

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

<u>Interest Type*</u>	<u>Classes</u>
Group 1 Classes	
Floating Rate	F
Inverse Floating Rate	SI
Toggle†	DS, DF, ES and EF
Interest Only	SI
Principal Only	PO
RCR**	SA, LA and LB
Group 2 Classes	
Fixed Rate	EH, EY and EU
Interest Only	EY
RCR**	ED and EG

Interest Type***Classes****Group 3 Classes**

Fixed Rate

AP, AG, VA, VB and AZ

Accrual

AZ

RCR**

V and AU

No Payment Residual

R and RL

* 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.

† The “Toggle” or “T” designation refers to a class whose interest rate changes significantly if the designated index meets one or more thresholds. For example, when the index meets a threshold, the interest rate may shift from a predetermined rate or formula to a different predetermined rate or formula. Accordingly, the change in interest rate may not be a continuous function of changes in the index.

General. We will pay interest on the Certificates at the applicable annual interest rates specified on the cover or described in this prospectus supplement. We calculate interest based on an assumed 360-day year consisting of twelve 30-day months. We pay interest monthly (except in the case of the Accrual Class) on each Distribution Date, beginning in the month after the Settlement Date specified in the Reference Sheet.

Interest to be paid on each Certificate (or added to principal, in the case of the Accrual Class) on a Distribution Date will consist of one month’s interest on the outstanding balance of that Certificate immediately prior to that Distribution Date. For a description of the Accrual Class, see “—*Accrual Class*” below.

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”).

<u>Classes</u>	<u>Interest Accrual Periods</u>
All Fixed Rate and Toggle Classes (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs
All other 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 PO Class as a Delay Class for the sole purpose of facilitating trading.

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

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

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

Floating Rate, Inverse Floating Rate and Toggle Classes. During each Interest Accrual Period, the Floating Rate, Inverse Floating Rate and Toggle 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.

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 4.83%.

Distributions of Principal

Categories of Classes

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

<u>Principal Type*</u>	<u>Classes</u>
Group 1 Classes	
PAC	F and PO
Support	DS, DF, ES and EF
Notional	SI
RCR**	SA, LA and LB
Group 2 Classes	
Sequential Pay	EH and EU
Notional	EY
RCR**	ED and EG
Group 3 Classes	
Sequential Pay	AP, AG, VA, VB and AZ
Accretion Directed	VA and VB
RCR**	V and AU
No Payment Residual	R and RL

* 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 MBS (the “Group 1 Principal Distribution Amount”),
- the principal then paid on the Group 2 MBS (the “Group 2 Principal Distribution Amount”),
- and

- the principal then paid on the Group 3 MBS (the “Group 3 Cash Flow Distribution Amount”) plus any interest then accrued and added to the principal balance of the AZ Class (the “AZ Accrual Amount,” and together with the Group 3 Cash Flow Distribution Amount, the “Group 3 Principal Distribution Amount”).

Group 1 Principal Distribution Amount

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

- | | |
|--|-------------------|
| (i) to the Aggregate Group (described below), until the Aggregate Balance (described below) is reduced to its Planned Balance for that Distribution Date; | } PAC Group |
| (ii) concurrently, to the DS and DF Classes, pro rata (or 82.7586203501% and 17.2413796499%, respectively), until their principal balances are reduced to zero; | |
| (iii) concurrently, to the ES and EF Classes, pro rata (or 79.9999982225% and 20.0000017775%, respectively), until their principal balances are reduced to zero; and | } Support Classes |
| (iv) to the Aggregate Group, without regard to its Planned Balance and until the Aggregate Balance is reduced to zero. | |

The “Aggregate Group” consists of the F and PO Classes. On each Distribution Date, we will apply payments of principal of the Aggregate Group, concurrently, to the F and PO Classes, pro rata (or 85.7142854694% and 14.2857145306%, respectively), until their principal balances are reduced to zero.

The “Aggregate Balance” is equal to the aggregate principal balance of the Classes in the Aggregate Group.

Group 2 Principal Distribution Amount

On each Distribution Date, we will pay the Group 2 Principal Distribution Amount, sequentially, as principal of the EH and EU Classes, in that order, until their principal balances are reduced to zero.	} Sequential Pay Classes
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Group 3 Principal Distribution Amount

AZ Accrual Amount

On each Distribution Date, we will pay the AZ Accrual Amount, sequentially, as principal of the VA and VB Classes, in that order, until their principal balances are reduced to zero. Thereafter, we will pay the AZ Accrual Amount as principal of the AZ Class.	} Accretion Directed Classes and Accrual Class
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Group 3 Cash Flow Distribution Amount

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

- | | |
|--|--------------------------|
| (i) concurrently, to the AP and AG Classes, pro rata (or 85.7142847347% and 14.2857152653%, respectively), until their principal balances are reduced to zero; and | } Sequential Pay Classes |
| (ii) sequentially, to the VA, VB and AZ Classes, in that order, until their principal balances are reduced to zero. | |

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

Structuring Assumptions

Pricing Assumptions. Except where otherwise noted, the information in the tables in this prospectus supplement has been prepared based on the following assumptions (the “Pricing Assumptions”):

- the Mortgage Loans underlying the MBS have the original terms to maturity, remaining terms to maturity, WALAs and interest rates specified under “Reference Sheet—Assumed Characteristics of the Mortgage Loans Underlying the MBS” in this prospectus supplement;
- the Mortgage Loans prepay at the constant percentages of PSA specified in the related table;
- the settlement date for the sale of the Certificates is April 28, 2006; and
- each Distribution Date occurs on the 25th day of a month.

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

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

<u>Principal Balance Schedule References</u>	<u>Related Group (1)</u>	<u>Structuring Range</u>
Planned Balances	Aggregate Group	Between 100% and 300% PSA

(1) The Structuring Range for the Aggregate Group is associated with the related Aggregate Balance but not with the individual balances of the related Classes.

We cannot assure you that the balance of the Aggregate Group will conform on any Distribution Date to the specified balance in the Principal Balance Schedule. As a result, we cannot assure you that payments of principal of the Aggregate Group will begin or end on the Distribution Dates specified in the Principal Balance Schedule. We will distribute any excess of principal payments over the amount needed to reduce the Aggregate Group to its scheduled balance on a Distribution Date. Accordingly, the ability to reduce the Aggregate Group to its scheduled balance will not be improved by the averaging of high and low principal payments from month to month. In addition, even if the related Mortgage Loans prepay at a rate falling within the Structuring Range, principal distributions may be insufficient to reduce the Aggregate Group to its scheduled balances if the prepayments do not occur at a *constant* PSA rate. Moreover, because of the diverse remaining terms to maturity of the related Mortgage Loans, which may include recently originated Mortgage Loans, the Aggregate Group might not be reduced to its scheduled balances, even if prepayments occur at a *constant* rate within the Structuring Range.

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

<u>Group</u>	<u>Initial Effective Range</u>
Aggregate Group	Between 100% and 300% PSA

The actual Effective Range at any time will be based upon the actual characteristics of the related Mortgage Loans at that time, which are likely to vary (and may vary considerably) from the Pricing

Assumptions. The actual Effective Range calculated on the basis of the actual characteristics is likely to differ from the Initial Effective Range. As a result, the Aggregate Group might not be reduced to its scheduled balances even if prepayments were to occur at a *constant* PSA rate within the Initial Effective Range. This is so particularly if the rate were at the lower or higher end of this range. In addition, even if prepayments occur at a rate falling within the actual Effective Range, principal distributions may be insufficient to reduce the Aggregate Group to its scheduled balances if such prepayments do not occur at a *constant* PSA rate. It is highly unlikely that the related Mortgage Loans will prepay at any *constant* PSA rate. In general, the actual Effective Range may narrow, widen or shift upward or downward to reflect actual prepayment experience over time.

The stability in principal payment of the Classes specified below will be supported by the corresponding supporting Classes as indicated in the follow table:

<u>Classes</u>	<u>Supporting Classes</u>
Group 1	
PAC	Support

When the supporting Classes are retired, the Classes they support, if still outstanding, may no longer have Effective Ranges and will be more sensitive to prepayments.

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 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. Moreover, it is unlikely that

- the Mortgage Loans will prepay at a constant PSA 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 and Toggle Classes. **The yields on the Inverse Floating Rate and Toggle 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 table below, it is possible that investors in the SI Class 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 and Toggle 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 original principal balance) are as follows:

<u>Class</u>	<u>Price*</u>
SI	6.0%
DS	100.0%
DF	99.0%
ES	100.0%
EF	98.0%
SA	100.0%

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

<u>LIBOR</u>	<u>PSA Prepayment Assumption</u>					
	<u>50%</u>	<u>100%</u>	<u>225%</u>	<u>300%</u>	<u>400%</u>	<u>500%</u>
2.83%	65.7%	61.9%	61.9%	61.9%	60.8%	58.6%
4.83%	26.1%	21.4%	21.4%	21.4%	18.6%	14.6%
6.70%	*	*	*	*	*	*

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

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

<u>LIBOR</u>	<u>PSA Prepayment Assumption</u>					
	<u>50%</u>	<u>100%</u>	<u>225%</u>	<u>300%</u>	<u>400%</u>	<u>500%</u>
Below 7.25%	7.3%	7.3%	7.2%	7.1%	7.0%	7.0%
7.25% and above	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

<u>LIBOR</u>	<u>PSA Prepayment Assumption</u>					
	<u>50%</u>	<u>100%</u>	<u>225%</u>	<u>300%</u>	<u>400%</u>	<u>500%</u>
Below 7.25%	0.0%	0.1%	0.3%	0.5%	0.6%	0.8%
7.25% and above.....	36.8%	36.8%	36.4%	36.1%	35.9%	35.7%

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

<u>LIBOR</u>	<u>PSA Prepayment Assumption</u>					
	<u>50%</u>	<u>100%</u>	<u>225%</u>	<u>300%</u>	<u>400%</u>	<u>500%</u>
Below 7.00%	7.6%	7.6%	7.6%	7.5%	7.4%	7.4%
7.00% and above.....	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

<u>LIBOR</u>	<u>PSA Prepayment Assumption</u>					
	<u>50%</u>	<u>100%</u>	<u>225%</u>	<u>300%</u>	<u>400%</u>	<u>500%</u>
Below 7.00%	0.1%	0.1%	0.1%	0.4%	0.6%	0.8%
7.00% and above.....	31.9%	31.9%	31.9%	31.8%	31.8%	31.8%

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

<u>LIBOR</u>	<u>PSA Prepayment Assumption</u>					
	<u>50%</u>	<u>100%</u>	<u>225%</u>	<u>300%</u>	<u>400%</u>	<u>500%</u>
2.83%	17.9%	17.9%	17.9%	17.9%	17.8%	17.8%
4.83%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
6.70%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

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

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

<u>Class</u>	<u>Price</u>
PO	72.0%

Sensitivity of the PO Class to Prepayments

	<u>PSA Prepayment Assumption</u>					
	<u>50%</u>	<u>100%</u>	<u>225%</u>	<u>300%</u>	<u>400%</u>	<u>500%</u>
Pre-Tax Yields to Maturity	3.7%	5.2%	5.2%	5.2%	6.2%	7.4%

The Fixed Rate Interest Only Class. The yield to investors in the Fixed Rate Interest Only Class will be very sensitive to the rate of principal payments (including prepayments) of the related Mortgage Loans. The Mortgage Loans generally can be prepaid at any time without penalty. On the basis of the assumptions described below, the yield to maturity on the Fixed Rate Interest Only Class would be 0% if prepayments of the related Mortgage Loans were to occur at the following constant rate:

<u>Class</u>	<u>% PSA</u>
EY	329%

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 Fixed Rate Interest Only Class would lose money on their initial investments.

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

<u>Class</u>	<u>Price*</u>
EY	14.0%

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

Sensitivity of the EY Class to Prepayments

	<u>PSA Prepayment Assumption</u>					
	<u>50%</u>	<u>100%</u>	<u>225%</u>	<u>300%</u>	<u>400%</u>	<u>500%</u>
Pre-Tax Yields to Maturity	38.0%	32.6%	16.4%	4.7%	(12.5)%	(30.9)%

Weighted Average Lives of the Certificates

The weighted average life of a Certificate is determined by

- multiplying the amount of the reduction, if any, of the principal balance of 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,
- 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 Classes, and
- in the case of the Group 1 Classes, the payment of principal of certain Classes in accordance with the Principal Balance Schedules.

See “—Distributions of Principal” above.

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

<u>Mortgage Loans Relating to Trust Assets Specified Below</u>	<u>Original Terms to Maturity</u>	<u>Remaining Terms to Maturity</u>	<u>Interest Rates</u>
Group 1 MBS	360 months	360 months	8.50%
Group 2 MBS	360 months	360 months	8.50%
Group 3 MBS	360 months	360 months	8.00%

It is unlikely

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

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

Percent of Original Principal Balances Outstanding

Date	F, SI†, PO and SA Classes						DS, DF and LA Classes						ES, EF and LB Classes					
	PSA Prepayment Assumption						PSA Prepayment Assumption						PSA Prepayment Assumption					
	0%	100%	225%	300%	400%	500%	0%	100%	225%	300%	400%	500%	0%	100%	225%	300%	400%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2007	99	96	96	96	96	96	100	100	91	85	78	70	100	100	100	100	100	100
April 2008	98	88	88	88	88	88	100	100	70	52	29	6	100	100	100	100	100	100
April 2009	96	78	78	78	78	76	100	100	45	14	0	0	100	100	100	100	56	0
April 2010	95	68	68	68	66	52	100	100	25	0	0	0	100	100	100	74	0	0
April 2011	93	59	59	59	49	36	100	100	10	0	0	0	100	100	100	39	0	0
April 2012	91	50	50	50	37	25	100	100	0	0	0	0	100	100	99	17	0	0
April 2013	89	42	42	42	28	17	100	100	0	0	0	0	100	100	87	5	0	0
April 2014	87	35	35	35	21	12	100	100	0	0	0	0	100	100	80	*	0	0
April 2015	85	28	28	28	15	8	100	99	0	0	0	0	100	100	75	*	0	0
April 2016	82	22	22	22	11	5	100	96	0	0	0	0	100	100	70	*	0	0
April 2017	80	18	18	18	8	4	100	90	0	0	0	0	100	100	64	*	0	0
April 2018	77	14	14	14	6	3	100	84	0	0	0	0	100	100	58	*	0	0
April 2019	74	11	11	11	5	2	100	76	0	0	0	0	100	100	52	*	0	0
April 2020	70	9	9	9	3	1	100	68	0	0	0	0	100	100	46	*	0	0
April 2021	66	7	7	7	2	1	100	59	0	0	0	0	100	100	40	*	0	0
April 2022	62	6	6	6	2	1	100	50	0	0	0	0	100	100	35	*	0	0
April 2023	58	4	4	4	1	*	100	41	0	0	0	0	100	100	30	*	0	0
April 2024	53	3	3	3	1	*	100	32	0	0	0	0	100	100	25	*	0	0
April 2025	47	3	3	3	1	*	100	23	0	0	0	0	100	100	21	*	0	0
April 2026	41	2	2	2	*	*	100	14	0	0	0	0	100	100	18	*	0	0
April 2027	35	1	1	1	*	*	100	5	0	0	0	0	100	100	15	*	0	0
April 2028	28	1	1	1	*	*	100	0	0	0	0	0	100	95	12	*	0	0
April 2029	21	1	1	1	*	*	100	0	0	0	0	0	100	81	9	*	0	0
April 2030	13	1	1	1	*	*	100	0	0	0	0	0	100	67	7	*	0	0
April 2031	4	*	*	*	*	*	100	0	0	0	0	0	100	54	6	*	0	0
April 2032	*	*	*	*	*	*	82	0	0	0	0	0	100	42	4	*	0	0
April 2033	*	*	*	*	*	*	52	0	0	0	0	0	100	30	3	*	0	0
April 2034	*	*	*	*	*	*	19	0	0	0	0	0	100	18	2	*	0	0
April 2035	*	*	*	*	*	*	0	0	0	0	0	0	70	8	1	*	0	0
April 2036	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	17.0	7.0	7.0	7.0	5.7	4.8	27.1	15.9	2.9	2.0	1.6	1.3	29.3	25.5	14.1	4.9	3.1	2.5

Date	EH, EY†, ED and EG Classes						EU Class						AP and AG Classes					
	PSA Prepayment Assumption						PSA Prepayment Assumption						PSA Prepayment Assumption					
	0%	100%	225%	300%	400%	500%	0%	100%	225%	300%	400%	500%	0%	100%	176%	250%	400%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2007	99	91	81	76	68	61	100	100	100	100	100	100	99	90	84	78	66	58
April 2008	98	82	65	55	43	32	100	100	100	100	100	100	98	80	69	58	39	27
April 2009	97	73	50	38	24	12	100	100	100	100	100	100	96	71	55	42	18	5
April 2010	95	65	38	25	10	0	100	100	100	100	100	94	95	62	43	28	3	0
April 2011	94	58	27	13	0	0	100	100	100	100	97	65	93	54	33	16	0	0
April 2012	93	51	18	5	0	0	100	100	100	100	73	45	91	46	24	7	0	0
April 2013	91	44	11	0	0	0	100	100	100	91	54	30	89	39	15	0	0	0
April 2014	89	38	4	0	0	0	100	100	100	73	40	21	87	32	8	0	0	0
April 2015	87	32	0	0	0	0	100	100	94	59	30	14	85	26	2	0	0	0
April 2016	85	26	0	0	0	0	100	100	79	47	22	10	83	20	0	0	0	0
April 2017	83	21	0	0	0	0	100	100	67	37	16	7	80	14	0	0	0	0
April 2018	80	16	0	0	0	0	100	100	56	29	12	4	77	9	0	0	0	0
April 2019	77	12	0	0	0	0	100	100	46	23	9	3	74	4	0	0	0	0
April 2020	74	7	0	0	0	0	100	100	38	18	6	2	71	0	0	0	0	0
April 2021	71	3	0	0	0	0	100	100	32	14	5	1	67	0	0	0	0	0
April 2022	67	0	0	0	0	0	100	98	26	11	3	1	63	0	0	0	0	0
April 2023	64	0	0	0	0	0	100	87	21	9	2	1	59	0	0	0	0	0
April 2024	59	0	0	0	0	0	100	76	17	7	2	*	54	0	0	0	0	0
April 2025	55	0	0	0	0	0	100	66	14	5	1	*	49	0	0	0	0	0
April 2026	50	0	0	0	0	0	100	57	11	4	1	*	44	0	0	0	0	0
April 2027	44	0	0	0	0	0	100	48	8	3	1	*	38	0	0	0	0	0
April 2028	38	0	0	0	0	0	100	40	6	2	*	*	32	0	0	0	0	0
April 2029	32	0	0	0	0	0	100	32	5	1	*	*	25	0	0	0	0	0
April 2030	25	0	0	0	0	0	100	24	3	1	*	*	18	0	0	0	0	0
April 2031	17	0	0	0	0	0	100	18	2	1	*	*	10	0	0	0	0	0
April 2032	9	0	0	0	0	0	100	11	1	*	*	*	1	0	0	0	0	0
April 2033	0	0	0	0	0	0	100	5	1	*	*	*	0	0	0	0	0	0
April 2034	0	0	0	0	0	0	69	0	0	0	0	0	0	0	0	0	0	0
April 2035	0	0	0	0	0	0	36	0	0	0	0	0	0	0	0	0	0	0
April 2036	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	18.3	6.7	3.5	2.6	2.0	1.5	28.6	21.1	13.8	10.9	8.3	6.5	17.3	6.0	3.8	2.8	1.8	1.4

* 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.

Date	VA Class						VB Class						AZ Class					
	PSA Prepayment Assumption						PSA Prepayment Assumption						PSA Prepayment Assumption					
	0%	100%	176%	250%	400%	500%	0%	100%	176%	250%	400%	500%	0%	100%	176%	250%	400%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2007	93	93	93	93	93	93	100	100	100	100	100	100	106	106	106	106	106	106
April 2008	86	86	86	86	86	86	100	100	100	100	100	100	112	112	112	112	112	112
April 2009	78	78	78	78	78	78	100	100	100	100	100	100	118	118	118	118	118	118
April 2010	70	70	70	70	70	3	100	100	100	100	100	100	125	125	125	125	125	125
April 2011	61	61	61	61	2	0	100	100	100	100	100	0	132	132	132	132	132	128
April 2012	52	52	52	52	0	0	100	100	100	100	7	0	139	139	139	139	139	88
April 2013	42	42	42	30	0	0	100	100	100	100	0	0	147	147	147	147	106	60
April 2014	32	32	32	0	0	0	100	100	100	61	0	0	155	155	155	155	79	41
April 2015	21	21	21	0	0	0	100	100	100	0	0	0	164	164	164	158	58	28
April 2016	10	10	0	0	0	0	100	100	73	0	0	0	173	173	173	130	43	19
April 2017	0	0	0	0	0	0	97	97	7	0	0	0	183	183	183	107	31	13
April 2018	0	0	0	0	0	0	80	80	0	0	0	0	193	193	161	88	23	9
April 2019	0	0	0	0	0	0	62	62	0	0	0	0	204	204	138	72	17	6
April 2020	0	0	0	0	0	0	43	36	0	0	0	0	216	216	118	58	12	4
April 2021	0	0	0	0	0	0	22	0	0	0	0	0	228	212	101	47	9	3
April 2022	0	0	0	0	0	0	1	0	0	0	0	0	241	188	85	38	6	2
April 2023	0	0	0	0	0	0	0	0	0	0	0	0	241	166	71	30	5	1
April 2024	0	0	0	0	0	0	0	0	0	0	0	0	241	145	59	24	3	1
April 2025	0	0	0	0	0	0	0	0	0	0	0	0	241	125	49	19	2	*
April 2026	0	0	0	0	0	0	0	0	0	0	0	0	241	107	40	14	2	*
April 2027	0	0	0	0	0	0	0	0	0	0	0	0	241	90	32	11	1	*
April 2028	0	0	0	0	0	0	0	0	0	0	0	0	241	74	25	8	1	*
April 2029	0	0	0	0	0	0	0	0	0	0	0	0	241	58	19	6	*	*
April 2030	0	0	0	0	0	0	0	0	0	0	0	0	241	44	13	4	*	*
April 2031	0	0	0	0	0	0	0	0	0	0	0	0	241	31	9	2	*	*
April 2032	0	0	0	0	0	0	0	0	0	0	0	0	241	18	5	1	*	*
April 2033	0	0	0	0	0	0	0	0	0	0	0	0	191	7	2	*	*	*
April 2034	0	0	0	0	0	0	0	0	0	0	0	0	133	0	0	0	0	0
April 2035	0	0	0	0	0	0	0	0	0	0	0	0	69	0	0	0	0	0
April 2036	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	6.0	6.0	5.9	5.2	3.9	3.2	13.6	13.2	10.4	8.2	5.6	4.5	28.2	20.2	16.6	13.6	9.4	7.6

Date	V Class						AU Class					
	PSA Prepayment Assumption						PSA Prepayment Assumption					
	0%	100%	176%	250%	400%	500%	0%	100%	176%	250%	400%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100
April 2007	96	96	96	96	96	96	100	100	100	100	100	100
April 2008	92	92	92	92	92	92	100	100	100	100	100	100
April 2009	87	87	87	87	87	87	100	100	100	100	100	100
April 2010	83	83	83	83	83	44	100	100	100	100	100	78
April 2011	78	78	78	78	43	0	100	100	100	100	80	53
April 2012	72	72	72	72	3	0	100	100	100	100	59	36
April 2013	67	67	67	60	0	0	100	100	100	96	44	25
April 2014	61	61	61	26	0	0	100	100	100	79	33	17
April 2015	55	55	55	0	0	0	100	100	100	66	24	12
April 2016	48	48	31	0	0	0	100	100	90	54	18	8
April 2017	41	41	3	0	0	0	100	100	78	44	13	5
April 2018	34	34	0	0	0	0	100	100	67	36	10	4
April 2019	26	26	0	0	0	0	100	100	57	30	7	2
April 2020	18	15	0	0	0	0	100	98	49	24	5	2
April 2021	9	0	0	0	0	0	100	88	42	20	4	1
April 2022	*	0	0	0	0	0	100	78	35	16	3	1
April 2023	0	0	0	0	0	0	100	69	30	12	2	*
April 2024	0	0	0	0	0	0	100	60	25	10	1	*
April 2025	0	0	0	0	0	0	100	52	20	8	1	*
April 2026	0	0	0	0	0	0	100	44	16	6	1	*
April 2027	0	0	0	0	0	0	100	37	13	5	*	*
April 2028	0	0	0	0	0	0	100	31	10	3	*	*
April 2029	0	0	0	0	0	0	100	24	8	2	*	*
April 2030	0	0	0	0	0	0	100	18	6	2	*	*
April 2031	0	0	0	0	0	0	100	13	4	1	*	*
April 2032	0	0	0	0	0	0	100	8	2	1	*	*
April 2033	0	0	0	0	0	0	79	3	1	*	*	*
April 2034	0	0	0	0	0	0	55	0	0	0	0	0
April 2035	0	0	0	0	0	0	29	0	0	0	0	0
April 2036	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	9.2	9.1	7.8	6.5	4.6	3.8	28.2	19.8	15.1	11.7	7.6	6.0

* 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.

Characteristics of the R and RL Classes

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

A Residual Certificate will be subject to certain transfer restrictions. We will not permit transfer of record or beneficial ownership of a Residual Certificate to a “disqualified organization.” In addition, we will not permit transfer of record or beneficial ownership of a Residual 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 a Residual 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 a Residual 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 and RL 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 amended the Regulations to provide additional requirements that a transferor must satisfy to avail itself of the safe harbor regarding the presumed lack of improper knowledge. For transfers occurring on or after August 19, 2002, a transferor of a Residual Certificate is presumed not to have improper knowledge if, in addition to meeting the two conditions discussed in the REMIC Prospectus, both (i) the transferee represents that it will not cause income from the Residual Certificate to be attributed to a foreign permanent establishment or fixed base of the transferee or another taxpayer and (ii) the transfer satisfies either the “asset test” or the “formula test.” The representation described in (i) will be included in the affidavit discussed above. 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.

A transfer satisfies the asset test if (i) 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), (ii) the transferee is an “eligible corporation” and the transferee agrees in writing that any subsequent transfer of the Residual Certificate will be to an eligible corporation and will comply with the safe harbor and satisfy the asset test, and (iii) the facts and circumstances known to the transferor do not reasonably indicate that the

taxes associated with the Residual Certificate will not be paid. A transfer satisfies the formula test 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 Regulations contain additional details regarding their application and you should consult your own tax advisor regarding the application of the Regulations to a transfer of a Residual Certificate.

The Holder of the R Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Trust, and the Holder of the RL Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Lower Tier REMIC. 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 or RL Class that may be required under the Code.

CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES

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

U.S. Treasury Circular 230 Notice

The tax discussions contained in the REMIC Prospectus (including the sections entitled “Certain Federal Income Tax Consequences” and “ERISA Considerations”) and this prospectus supplement were not intended or written to be used, and cannot be used, for the purpose of avoiding United States federal tax penalties. These discussions were written to support the promotion or marketing of the transactions or matters addressed in this prospectus supplement. You should seek advice based on your particular circumstances from an independent tax advisor.

REMIC Elections and Special Tax Attributes

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

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

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

<u>Group</u>	<u>Prepayment Assumption</u>
1	225% PSA
2	225% PSA
3	176% PSA

See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Regular Certificates—Treatment of Original Issue Discount—Daily Portions of Original Issue Discount*” in the REMIC Prospectus. No representation is made as to whether the Mortgage Loans underlying the MBS will prepay at 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 the Trust (or the Lower Tier REMIC) that generally will not be treated as excess inclusions, the rate to be used is 5.64% (which is 120% of the “federal long-term rate”). See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Residual Certificates—Treatment of Excess Inclusions*” and “—*Foreign Investors—Residual Certificates*” in the REMIC Prospectus.

The Treasury Department recently issued Regulations providing that, to clearly reflect income, an inducement fee paid to a transferee of a noneconomic residual interest in a REMIC must be included in income over a period that is reasonably related to the period during which the applicable REMIC is expected to generate taxable income or net loss allocable to the transferee. The Regulations set forth two safe harbor methods under which a taxpayer’s accounting for the inducement fee will be considered to clearly reflect income for these purposes. In addition, under the Regulations an inducement fee shall be treated as income from sources within the United States. The Regulations, which are effective for taxable years ending on or after May 11, 2004, contain additional details regarding their application. You should consult your own tax advisor regarding the application of the Regulations to the transfer of a Residual Certificate.

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” above 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.

Tax Return Disclosure Requirements

Treasury Department Regulations that are directed at “tax shelters” could be read to apply to transactions generally not considered to be tax shelters. These Regulations require that taxpayers that participate in a “reportable transaction” disclose such transaction on their tax returns by attaching IRS Form 8886 and retain information related to the transaction. A transaction may be a “reportable transaction” based upon any of several indicia, one or more of which may be present with respect to the Certificates. You should consult your own tax advisor concerning any possible disclosure obligation with respect to your investment in the Certificates.

PLAN OF DISTRIBUTION

General. We are obligated to deliver the Certificates to HSBC Securities (USA) Inc. (the “Dealer”) in exchange for the MBS. The Dealer proposes to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect these transactions to or through other dealers.

Increase in Certificates. Before the Settlement Date, we and the Dealer may agree to offer Classes in addition to those contemplated as of the date of this prospectus supplement. In this event, we will increase the related MBS in principal balance, but we expect that all these additional MBS will have the same characteristics as described under “Description of the Certificates—The MBS” in this prospectus supplement. The proportion that the original principal balance of each Group 1, 2 or 3 Class bears to the aggregate original principal balance of all Group 1, 2 or 3 Classes, respectively, will remain the same. In addition, the dollar amounts shown in the Principal Balance Schedule will be increased to correspond to the increase of the principal balances of the applicable Classes.

LEGAL MATTERS

Sidley Austin LLP will provide legal representation for Fannie Mae. McKee Nelson LLP will provide legal representation for the Dealer.

Available Recombinations (1) (2)

REMIC Certificates		RCR Certificates						
Classes	Original Principal or Notional Principal Balances	RCR Class	Original Principal Balance	Interest Rate	Interest Type (3)	Principal Type (3)	CUSIP Number	Final Distribution Date
Recombination 1								
PO	\$16,666,667	SA	\$16,666,667	(5)	INV	PAC	31395DBU2	May 2036
SI	75,000,000 (4)							
Recombination 2								
DS	33,612,844	LA	40,615,520	6.00%	FIX	SUP	31395DBV0	December 2034
DF	7,002,676							
Recombination 3								
ES	18,003,130	LB	22,503,913	6.00	FIX	SUP	31395DBW8	May 2036
EF	4,500,783							
Recombination 4								
EH	62,090,884	ED	62,090,884	6.00	FIX	SEQ	31395DBX6	May 2033
EY	5,174,240 (4)							
Recombination 5								
EH	62,090,884	EG	62,090,884	5.75	FIX	SEQ	31395DBY4	May 2033
EY	2,587,120 (4)							
Recombination 6								
VA	8,224,426	V	14,257,555	5.50	FIX	SEQ/AD	31395DBZ1	June 2022
VB	6,033,129							
Recombination 7								
VA	8,224,426	AU(6)	24,371,889	5.50	FIX	SEQ	31395DCA5	May 2036
VB	6,033,129							
AZ	10,114,334							

(1) REMIC Certificates and RCR Certificates in Recombinations 1 through 5 may be exchanged only in the proportions shown in this Schedule 1. In any exchange under Recombination 6 or 7, the relative proportions of the REMIC Certificate to be delivered (or if applicable, received) in such exchange will equal the proportions reflected by the outstanding principal or notional principal balances of the related REMIC Classes at the time of exchange.

(2) If, as a result of a proposed exchange, a Certificateholder would hold a REMIC Certificate or RCR Certificate of a Class in an amount less than the applicable minimum denomination for that Class, the Certificateholder will be unable to effect the proposed exchange. See “Description of the Certificates—General—*Authorized Denominations*,” in this prospectus supplement.

(3) 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.

(4) Notional principal balance.

(5) For a description of this interest rate, see “Description of the Certificates—Distributions of Interest” in this prospectus supplement.

(6) Principal payments on the REMIC Certificates in Recombination 7 from the AZ Accrual Amount will be paid as interest on the related RCR Certificates and thus will not reduce the principal balances of those RCR Certificates.

Principal Balance Schedule

Aggregate Group Planned Balances

<u>Distribution Date</u>	<u>Planned Balance</u>	<u>Distribution Date</u>	<u>Planned Balance</u>	<u>Distribution Date</u>	<u>Planned Balance</u>
Initial Balance	\$116,666,667.00	December 2010	\$ 72,013,909.83	August 2015	\$ 30,034,954.56
May 2006	116,409,373.80	January 2011	71,139,189.81	September 2015	29,483,925.09
June 2006	116,121,308.84	February 2011	70,268,931.75	October 2015	28,942,582.57
July 2006	115,802,553.25	March 2011	69,403,112.71	November 2015	28,410,760.91
August 2006	115,453,204.07	April 2011	68,541,709.85	December 2015	27,888,296.81
September 2006	115,073,374.22	May 2011	67,684,700.44	January 2016	27,375,029.74
October 2006	114,663,192.49	June 2011	66,832,061.89	February 2016	26,870,801.88
November 2006	114,222,803.44	July 2011	65,983,771.71	March 2016	26,375,458.06
December 2006	113,752,367.37	August 2011	65,139,807.52	April 2016	25,888,845.76
January 2007	113,252,060.22	September 2011	64,300,147.07	May 2016	25,410,815.00
February 2007	112,722,073.48	October 2011	63,464,768.22	June 2016	24,941,218.38
March 2007	112,162,614.11	November 2011	62,633,648.94	July 2016	24,479,910.95
April 2007	111,573,904.36	December 2011	61,806,767.32	August 2016	24,026,750.25
May 2007	110,956,181.69	January 2012	60,984,101.55	September 2016	23,581,596.18
June 2007	110,309,698.60	February 2012	60,165,629.95	October 2016	23,144,311.06
July 2007	109,634,722.47	March 2012	59,351,330.93	November 2016	22,714,759.51
August 2007	108,931,535.38	April 2012	58,541,183.03	December 2016	22,292,808.44
September 2007	108,200,433.94	May 2012	57,735,164.89	January 2017	21,878,327.04
October 2007	107,441,729.07	June 2012	56,933,255.27	February 2017	21,471,186.67
November 2007	106,655,745.81	July 2012	56,135,433.02	March 2017	21,071,260.90
December 2007	105,842,823.05	August 2012	55,341,677.12	April 2017	20,678,425.44
January 2008	105,003,313.36	September 2012	54,551,966.66	May 2017	20,292,558.09
February 2008	104,137,582.68	October 2012	53,766,280.80	June 2017	19,913,538.72
March 2008	103,246,010.09	November 2012	52,984,598.86	July 2017	19,541,249.26
April 2008	102,328,987.53	December 2012	52,206,900.22	August 2017	19,175,573.60
May 2008	101,386,919.51	January 2013	51,433,164.40	September 2017	18,816,397.64
June 2008	100,420,222.83	February 2013	50,663,371.00	October 2017	18,463,609.19
July 2008	99,429,326.25	March 2013	49,897,499.75	November 2017	18,117,097.96
August 2008	98,414,670.18	April 2013	49,135,530.46	December 2017	17,776,755.55
September 2008	97,405,196.00	May 2013	48,377,443.06	January 2018	17,442,475.37
October 2008	96,400,877.04	June 2013	47,623,217.57	February 2018	17,114,152.66
November 2008	95,401,686.78	July 2013	46,872,834.14	March 2018	16,791,684.43
December 2008	94,407,598.84	August 2013	46,126,272.98	April 2018	16,474,969.44
January 2009	93,418,586.96	September 2013	45,383,514.44	May 2018	16,163,908.18
February 2009	92,434,625.04	October 2013	44,644,538.94	June 2018	15,858,402.80
March 2009	91,455,687.10	November 2013	43,909,327.04	July 2018	15,558,357.13
April 2009	90,481,747.28	December 2013	43,177,859.35	August 2018	15,263,676.64
May 2009	89,512,779.88	January 2014	42,450,116.62	September 2018	14,974,268.40
June 2009	88,548,759.31	February 2014	41,726,079.69	October 2018	14,690,041.05
July 2009	87,589,660.13	March 2014	41,005,729.48	November 2018	14,410,904.79
August 2009	86,635,457.02	April 2014	40,289,047.03	December 2018	14,136,771.36
September 2009	85,686,124.79	May 2014	39,576,013.47	January 2019	13,867,553.96
October 2009	84,741,638.38	June 2014	38,866,610.02	February 2019	13,603,167.32
November 2009	83,801,972.87	July 2014	38,160,833.89	March 2019	13,343,527.58
December 2009	82,867,103.44	August 2014	37,467,392.77	April 2019	13,088,552.32
January 2010	81,937,005.43	September 2014	36,786,075.91	May 2019	12,838,160.53
February 2010	81,011,654.29	October 2014	36,116,676.10	June 2019	12,592,272.56
March 2010	80,091,025.60	November 2014	35,458,989.63	July 2019	12,350,810.14
April 2010	79,175,095.06	December 2014	34,812,816.24	August 2019	12,113,696.31
May 2010	78,263,838.51	January 2015	34,177,959.01	September 2019	11,880,855.44
June 2010	77,357,231.89	February 2015	33,554,224.36	October 2019	11,652,213.18
July 2010	76,455,251.29	March 2015	32,941,421.97	November 2019	11,427,696.43
August 2010	75,557,872.91	April 2015	32,339,364.75	December 2019	11,207,233.38
September 2010	74,665,073.07	May 2015	31,747,868.72	January 2020	10,990,753.39
October 2010	73,776,828.21	June 2015	31,166,753.05	February 2020	10,778,187.07
November 2010	72,893,114.90	July 2015	30,595,839.93	March 2020	10,569,466.18

Aggregate Group (Continued)

<u>Distribution Date</u>	<u>Planned Balance</u>	<u>Distribution Date</u>	<u>Planned Balance</u>	<u>Distribution Date</u>	<u>Planned Balance</u>
April 2020	\$ 10,364,523.67	February 2025	\$ 3,146,122.27	December 2029	\$ 773,847.16
May 2020	10,163,293.61	March 2025	3,078,186.21	January 2030	752,612.58
June 2020	9,965,711.22	April 2025	3,011,545.97	February 2030	731,821.22
July 2020	9,771,712.81	May 2025	2,946,178.27	March 2030	711,464.77
August 2020	9,581,235.78	June 2025	2,882,060.25	April 2030	691,535.04
September 2020	9,394,218.60	July 2025	2,819,169.44	May 2030	672,024.00
October 2020	9,210,600.80	August 2025	2,757,483.75	June 2030	652,923.77
November 2020	9,030,322.92	September 2025	2,696,981.49	July 2030	634,226.60
December 2020	8,853,326.53	October 2025	2,637,641.34	August 2030	615,924.87
January 2021	8,679,554.22	November 2025	2,579,442.36	September 2030	598,011.13
February 2021	8,508,949.53	December 2025	2,522,363.96	October 2030	580,478.02
March 2021	8,341,456.97	January 2026	2,466,385.91	November 2030	563,318.34
April 2021	8,177,022.01	February 2026	2,411,488.36	December 2030	546,525.01
May 2021	8,015,591.06	March 2026	2,357,651.75	January 2031	530,091.08
June 2021	7,857,111.43	April 2026	2,304,856.93	February 2031	514,009.72
July 2021	7,701,531.34	May 2026	2,253,085.02	March 2031	498,274.23
August 2021	7,548,799.90	June 2026	2,202,317.51	April 2031	482,878.01
September 2021	7,398,867.08	July 2026	2,152,536.20	May 2031	467,814.61
October 2021	7,251,683.72	August 2026	2,103,723.21	June 2031	453,077.66
November 2021	7,107,201.49	September 2026	2,055,860.97	July 2031	438,660.94
December 2021	6,965,372.91	October 2026	2,008,932.21	August 2031	424,558.32
January 2022	6,826,151.29	November 2026	1,962,919.98	September 2031	410,763.79
February 2022	6,689,490.75	December 2026	1,917,807.60	October 2031	397,271.43
March 2022	6,555,346.21	January 2027	1,873,578.72	November 2031	384,075.45
April 2022	6,423,673.34	February 2027	1,830,217.23	December 2031	371,170.16
May 2022	6,294,428.59	March 2027	1,787,707.35	January 2032	358,549.95
June 2022	6,167,569.15	April 2027	1,746,033.53	February 2032	346,209.34
July 2022	6,043,052.94	May 2027	1,705,180.52	March 2032	334,142.94
August 2022	5,920,838.62	June 2027	1,665,133.34	April 2032	322,345.44
September 2022	5,800,885.54	July 2027	1,625,877.25	May 2032	310,811.65
October 2022	5,683,153.76	August 2027	1,587,397.80	June 2032	299,536.47
November 2022	5,567,604.04	September 2027	1,549,680.76	July 2032	288,514.88
December 2022	5,454,197.78	October 2027	1,512,712.17	August 2032	277,741.96
January 2023	5,342,897.07	November 2027	1,476,478.32	September 2032	267,212.87
February 2023	5,233,664.65	December 2027	1,440,965.72	October 2032	256,922.87
March 2023	5,126,463.91	January 2028	1,406,161.14	November 2032	246,867.30
April 2023	5,021,258.83	February 2028	1,372,051.57	December 2032	237,041.59
May 2023	4,918,014.07	March 2028	1,338,624.22	January 2033	227,441.24
June 2023	4,816,694.85	April 2028	1,305,866.55	February 2033	218,061.84
July 2023	4,717,267.01	May 2028	1,273,766.22	March 2033	208,899.07
August 2023	4,619,696.97	June 2028	1,242,311.11	April 2033	199,948.67
September 2023	4,523,951.75	July 2028	1,211,489.32	May 2033	191,206.48
October 2023	4,429,998.93	August 2028	1,181,289.17	June 2033	182,668.38
November 2023	4,337,806.62	September 2028	1,151,699.15	July 2033	174,330.36
December 2023	4,247,343.52	October 2028	1,122,708.00	August 2033	166,188.48
January 2024	4,158,578.85	November 2028	1,094,304.62	September 2033	158,238.85
February 2024	4,071,482.38	December 2028	1,066,478.13	October 2033	150,477.67
March 2024	3,986,024.37	January 2029	1,039,217.84	November 2033	142,901.20
April 2024	3,902,175.62	February 2029	1,012,513.22	December 2033	135,505.77
May 2024	3,819,907.43	March 2029	986,353.97	January 2034	128,287.79
June 2024	3,739,191.60	April 2029	960,729.95	February 2034	121,243.72
July 2024	3,660,000.40	May 2029	935,631.20	March 2034	114,370.09
August 2024	3,582,306.60	June 2029	911,047.92	April 2034	107,663.49
September 2024	3,506,083.44	July 2029	886,970.53	May 2034	101,120.58
October 2024	3,431,304.60	August 2029	863,389.57	June 2034	94,738.09
November 2024	3,357,944.24	September 2029	840,295.78	July 2034	88,512.78
December 2024	3,285,976.97	October 2029	817,680.05	August 2034	82,441.50
January 2025	3,215,377.82	November 2029	795,533.44	September 2034	76,521.14

Aggregate Group (Continued)

<u>Distribution Date</u>		<u>Planned Balance</u>	<u>Distribution Date</u>		<u>Planned Balance</u>	<u>Distribution Date</u>		<u>Planned Balance</u>
October 2034	\$	70,748.66	April 2035	\$	39,055.60	October 2035	\$	11,978.52
November 2034		65,121.07	May 2035		34,237.57	November 2035		7,875.56
December 2034		59,635.43	June 2035		29,545.01	December 2035		3,883.32
January 2035		54,288.86	July 2035		24,975.32	January 2036 and thereafter		0.00
February 2035		49,078.54	August 2035		20,525.99			
March 2035		44,001.70	September 2035		16,194.53			

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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\$344,582,207



**Guaranteed REMIC
Pass-Through Certificates
Fannie Mae REMIC Trust 2006-40**

PROSPECTUS SUPPLEMENT



April 6, 2006