

\$615,031,579



**Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 2008-40**

The Certificates

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

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 will pay principal at rates that may 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 available for distribution to investors on time.

The Trust and its Assets

The trust will own

- Fannie Mae MBS backed by first lien, single-family fixed-rate loans and
- Fannie Mae MBS backed by first lien, single-family adjustable-rate loans.

Class	Group	Original Class Balance	Principal Type(1)	Interest Rate	Interest Type(1)	CUSIP Number	Final Distribution Date
AN	1	\$100,000,000	SEQ	4.45%	FIX	31397LMF3	January 2023
IO	1	7,777,777(2)	NTL	4.50	FIX/IO	31397LMG1	January 2023
AH	1	100,000,000	SEQ	4.20	FIX	31397LMH9	January 2023
AC(3) . . .	1	34,938,441	SEQ	4.50	FIX	31397LMJ5	January 2023
B(3)	1	9,375,232	SEQ	4.50	FIX	31397LMK2	May 2023
KA(3) . . .	2	15,656,332	SEQ	4.50	FIX	31397LML0	October 2018
KB(3) . . .	2	624,768	SEQ	4.50	FIX	31397LMM8	January 2019
A	3	214,436,806	PT	(4)	WAC	31397LMN6	May 2038
AI	3	214,436,806(2)	NTL	1.20(5)	FIX/AFC/IO	31397LMP1	August 2012
LA(3) . . .	4	120,000,000	SEQ/AD	4.50	FIX	31397LMQ9	March 2031
LI(3) . . .	4	30,000,000(2)	NTL	6.00	FIX/IO	31397LMR7	March 2031
LZ	4	20,000,000	SEQ	6.00	FIX/Z	31397LMS5	May 2038
R		0	NPR	0	NPR	31397LMT3	May 2038
RL		0	NPR	0	NPR	31397LMU0	May 2038

- (1) See "Description of the Certificates—Class Definitions and Abbreviations" in the REMIC prospectus.
 (2) Notional balances. These classes are interest only classes. See page S-6 for a description of how their notional balances are calculated.
 (3) Exchangeable classes.
 (4) Based on the weighted average pass-through rate of the related Fannie Mae MBS as further described in this prospectus supplement.
 (5) Subject to the limitations described in this prospectus supplement.

If you own certificates of certain classes, you can exchange them for certificates of the corresponding RCR classes to be delivered at the time of exchange. The BD, DA, DI, DB, EA, EI, EB, GA, GI, GD, GE, LB, LC and LD Classes are the RCR classes. For a more detailed description of the RCR classes, see Schedule 1 attached to this prospectus supplement and "Description of the Certificates—Combination and Re-combination" in the REMIC prospectus.

The dealer will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be April 30, 2008.

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

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

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

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

Merrill Lynch & Co.

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AVAILABLE INFORMATION

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

- our Prospectus for Fannie Mae Guaranteed REMIC Pass-Through Certificates dated August 1, 2007 (the “REMIC Prospectus”);
- our Prospectus for Fannie Mae Guaranteed Mortgage Pass-Through Certificates (Single-Family Residential Mortgage Loans) dated January 1, 2006 (for all MBS issued prior to June 1, 2007) or dated April 1, 2008 (for all other MBS) (as applicable, the “MBS Prospectus”); and
- any information incorporated by reference in this prospectus supplement as discussed below and under the heading “Incorporation by Reference” in the REMIC Prospectus.

The MBS Prospectus is incorporated by reference in this prospectus supplement. This means that we are disclosing information in that document by referring you to it. That document is considered part of this prospectus supplement, so you should read this prospectus supplement, and any applicable supplements or amendments, together with that document.

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 REMIC Prospectus and the MBS Prospectus by writing or calling the dealer at:

Merrill Lynch, Pierce, Fenner & Smith Incorporated
Prospectus Department
4413 Colonial Drive
Piscataway, New Jersey 08854
(telephone 732-885-2760).

SUMMARY

This summary contains only limited information about the certificates. Statistical information in this summary is provided as of April 1, 2008. You should purchase the certificates only after reading this prospectus supplement and each of the additional disclosure documents listed on page S-3. In particular, please see the discussion of risk factors that appears in each of those additional disclosure documents.

Assets Underlying Each Group of Classes

<u>Group</u>	<u>Assets</u>
1	Group 1 MBS
2	Group 2 MBS
3	Group 3 MBS
4	Group 4 MBS

Group 1, Group 2 and Group 4

Characteristics of the Fixed Rate MBS

	<u>Approximate Principal Balance</u>	<u>Pass- Through Rate</u>	<u>Range of Weighted Average Coupons or WACs (annual percentages)</u>	<u>Range of Weighted Average Remaining Terms to Maturity or WAMs (in months)</u>
Group 1 MBS	\$244,313,673	4.50%	4.75% to 7.00%	117 to 180
Group 2 MBS	\$ 16,281,100	4.50%	4.75% to 7.00%	117 to 180
Group 4 MBS*	\$140,000,000	6.00%	6.25% to 8.50%	241 to 360

* As further described in this prospectus supplement, the mortgage loans underlying the Group 4 MBS provide for interest only periods that may range from at least 7 to no more than 10 years following origination. The assumed remaining term to expiration of the interest only periods for these mortgage loans is set forth below.

Assumed Characteristics of the Underlying Mortgage Loans

	<u>Principal Balance</u>	<u>Original Term to Maturity (in months)</u>	<u>Remaining Term to Maturity (in months)</u>	<u>Loan Age (in months)</u>	<u>Interest Rate</u>	<u>Remaining Term to Expiration of Interest Only Period (in months)</u>
Group 1 MBS	\$244,313,673	180	116	59	4.94230%	N/A
Group 2 MBS	\$ 16,281,100	180	121	54	4.99365%	N/A
Group 4 MBS	\$140,000,000	360	350	10	6.55742%	110

The actual remaining terms to maturity, loan ages, interest rates and, if applicable, remaining terms to expiration of interest only period of most of the mortgage loans underlying the Group 1, Group 2 and Group 4 MBS will differ from those shown above, perhaps significantly.

Group 3

The table in Exhibit A of this prospectus supplement lists certain assumed characteristics of the mortgage loans underlying the adjustable-rate MBS. The assumed characteristics appearing in Exhibit A are derived from multiple MBS pools on an aggregate basis and do not reflect the actual characteristics of the individual adjustable-rate mortgage loans included in the related pools. The actual characteristics of most of the related mortgage loans will differ from those specified in Exhibit A, perhaps significantly.

Settlement Date

We expect to issue the certificates on April 30, 2008.

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.

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.

Book-Entry and Physical Certificates

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 certificates of a class designated as “exchangeable” on the cover of this prospectus supplement, you will be able to exchange them for a proportionate interest in the related RCR certificates as shown on Schedule 1. We will deliver the RCR certificates upon such exchange. You can exchange your certificates by notifying us and paying an exchange fee. Schedule 1 lists the available combinations of the certificates eligible for exchange and the related RCR certificates.

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

Interest Rates

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

During each interest accrual period, the Group 3 Classes will bear interest at the applicable annual interest rates described under the headings “Description of the Certificates—Distributions of Interest—*The A Class*” and “—*The AI Class*” in this prospectus supplement.

Notional Classes

The notional principal balances of the notional classes will equal the percentages of the outstanding balances specified below immediately before the related distribution date:

Class

IO	3.8888885000%	of the <i>sum</i> of the AN and AH Classes
AI	100%	of the Group 3 MBS*
LI	25%	of the LA Class
EI	11.1111111111%	of the AC Class
DI	11.1111082724%	of the KA Class
GI	11.1111102327%	of the <i>sum</i> of the AC and KA Classes

* After the first 52 interest accrual periods, the notional principal balance of the AI Class will be equal to zero.

Distributions of Principal

For a description of the principal payment priorities, see “Description of the Certificates—Distributions of Principal” in this prospectus supplement.

Weighted Average Lives (years) *

<u>Group 1 Classes</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>188%</u>	<u>300%</u>	<u>375%</u>
AN, IO, AH, AC, EA, EB and EI	8.6	4.1	3.4	2.7	2.4
B	14.8	9.4	9.2	8.9	8.5

<u>Group 2 Classes</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>188%</u>	<u>300%</u>	<u>375%</u>
KA, DA, DB and DI	5.8	4.3	3.5	2.8	2.4
KB	10.5	9.8	9.6	9.2	8.8

<u>Group 1/Group 2 Classes</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>188%</u>	<u>300%</u>	<u>375%</u>
BD(1)	14.6	9.5	9.3	8.9	8.5
GA, GD, GE and GI(2)	7.7	4.2	3.5	2.8	2.4

<u>Group 3 Classes</u>	<u>CPR Prepayment Assumption</u>					
	<u>0%</u>	<u>5%</u>	<u>10%</u>	<u>15%</u>	<u>20%</u>	<u>25%</u>
A	20.9	12.6	8.3	5.9	4.4	3.5
AI	4.3	3.9	3.5	3.1	2.8	2.5

<u>Group 4 Classes</u>	<u>PSA Prepayment Assumption</u>					
	<u>0%</u>	<u>100%</u>	<u>300%</u>	<u>432%</u>	<u>675%</u>	<u>900%</u>
LA, LI, LB, LC and LD	15.8	7.5	3.5	2.6	1.8	1.4
LZ	26.8	21.0	12.4	9.1	5.9	4.2

* Determined as specified under “Yield, Maturity and Prepayment Considerations—Weighted Average Lives and Final Distribution Dates” in the REMIC Prospectus.

(1) The BD Class is an RCR class formed from the B Class in Group 1 and the KB Class in Group 2.

(2) The GA, GI, GD and GE Classes are RCR classes formed from the AC Class in Group 1 and the KA Class in Group 2.

DESCRIPTION OF THE CERTIFICATES

The material under this heading describes the principal 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”) pursuant to a trust agreement dated as of August 1, 2007 and a supplement thereto dated as of April 1, 2008 (the “Issue Date”). We will issue the Guaranteed REMIC Pass-Through Certificates (the “REMIC Certificates”) pursuant to that trust agreement and supplement. 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 August 1, 2007 and a supplement thereto dated as of the Issue Date (together with the trust agreement and supplement 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 assets of the Trust will include:

- three groups of Fannie Mae Guaranteed Mortgage Pass-Through Certificates having fixed pass-through rates (the “Group 1 MBS,” “Group 2 MBS” and “Group 4 MBS”), and
- certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates having variable pass-through rates (the “Group 3 MBS,” and together with the Group 1, Group 2 and Group 4 MBS, the “MBS”).

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

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

The following chart contains information about the assets, the “regular interests” and the “residual interests” of each REMIC. The Certificates other than the R and RL Classes are collectively referred to as the “Regular Classes” or “Regular Certificates,” and the R and RL Classes are referred to as the “Residual Classes” or “Residual Certificates.”

<u>REMIC Designation</u>	<u>Assets</u>	<u>Regular Interests</u>	<u>Residual Interest</u>
Lower Tier REMIC	MBS	Interests in the Lower Tier REMIC other than the RL Class (the “Lower Tier Regular Interests”)	RL
Upper Tier REMIC	Lower Tier Regular Interests	All Classes of REMIC Certificates other than the R and RL Classes	R

Fannie Mae Guaranty. For a description of our guaranties of the Certificates and the MBS, see “Description of the Certificates—Fannie Mae Guaranty” in the REMIC Prospectus and “Description of the Certificates—Fannie Mae Guaranty” in the MBS Prospectus. Our guaranties are not backed by the full faith and credit of the United States.

Characteristics of Certificates. Except as specified below, we will issue the Certificates in book-entry form on the book-entry system of the U.S. Federal Reserve Banks. Entities whose names appear on the book-entry records of a Federal Reserve Bank as having had Certificates deposited in their accounts are “Holders” or “Certificateholders.”

We will issue each Residual Certificate in fully registered, certificated form. The “Holder” or “Certificateholder” of a Residual Certificate is its registered owner. A Residual 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 a Residual Certificate and may require payment to cover any tax or other governmental charge. See also “—Characteristics of the Residual Classes” below.

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

<u>Classes</u>	<u>Denominations</u>
Interest Only Classes	\$100,000 minimum plus whole dollar increments
All other Classes (except the R and RL Classes)	\$1,000 minimum plus whole dollar increments

The Group 1, Group 2 and Group 4 MBS (Backed by Fixed-Rate Loans)

The Group 1, Group 2 and Group 4 MBS provide that principal and interest on the related Mortgage Loans are passed through monthly. The Mortgage Loans underlying the Group 1, Group 2 and Group 4 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 15 years in the case of the Group 1 and Group 2 MBS and up to 30 years in the case of the Group 4 MBS.

In addition, the scheduled monthly payments on the Mortgage Loans underlying the Group 4 MBS represent accrued interest only for periods that may range from at least seven to no more than ten years following origination. Beginning with the first monthly payment following the expiration of the applicable interest only period, the scheduled monthly payment on each of those Mortgage Loans will be increased by an amount sufficient to pay accrued interest and to fully amortize the Mortgage Loan by its scheduled maturity date. See “Risk Factors—Prepayment Factors—*Refinance Environment*—Fixed-rate and adjustable-rate mortgage loans with long initial interest-only periods may be more likely to be refinanced than other mortgage loans” in the MBS Prospectus.

For additional information, see “Summary—Group 1, Group 2 and Group 4—Characteristics of the Fixed Rate MBS” and “—Assumed Characteristics of the Underlying Mortgage Loans” in this prospectus supplement and “The Mortgage Pools” and “Yield, Maturity, and Prepayment Considerations” in the MBS Prospectus.

The Group 3 MBS (Backed by Hybrid ARM Loans)

General

We assume the Mortgage Loans underlying the Group 3 MBS (the “Hybrid ARM Loans”) will have the characteristics listed on Exhibit A to this prospectus supplement and the general characteristics described in the MBS Prospectus. The principal and interest on the Hybrid ARM Loans are passed through monthly, beginning in the month after we issue the Group 3 MBS. The Hybrid ARM Loans are conventional, adjustable-rate mortgage loans secured by first mortgages or deeds of trust on single-family residential properties. The Hybrid ARM Loans have original maturities of up to 30 years. See “Description of the Certificates,” “The Mortgage Pools,” “The Mortgage Loans—Adjustable Rate Mortgages (ARMs)” and “Yield, Maturity, and Prepayment Considerations” in the MBS Prospectus.

In addition, the scheduled monthly payments on approximately 1.2% and 98.8% of the Hybrid ARM Loans represent accrued interest only for a period of up to seven years and ten years, respectively. Beginning with the first monthly payment following the expiration of the applicable interest only period, the scheduled monthly payment on each of the Hybrid ARM Loans will be increased by an amount sufficient to pay accrued interest at the then current rate and to fully amortize that loan by its scheduled maturity date. See “Risk Factors—Prepayment Factors—*Refinance Environment*—Fixed-rate and adjustable-rate mortgage loans with long initial interest-only periods may be more likely to be refinanced than other mortgage loans” in the MBS Prospectus.

Finally, we note that approximately 31% of the Hybrid ARM Loans (by principal balance at the Issue Date) have a minimum annual servicing fee of 0.125%. See “The Mortgage Loans—Adjustable-Rate Mortgages (ARMs)—*Minimum servicing fee on ARM Pools*” in the MBS Prospectus.

Characteristics of the Hybrid ARM Loans

Initial Fixed-Rate Period

For an initial period of five or seven years from origination, the interest rate for each Hybrid ARM Loan is fixed (the “Initial ARM Rate”).

Applicable Indices

After the initial fixed-rate period, the interest rate (the “ARM Rate”) for the Hybrid ARM Loans will adjust

- in the case of approximately 98.8% of the Hybrid ARM Loans (by principal balance as of the Issue Date), annually based on the One-Year WSJ LIBOR Index (the “One-Year LIBOR ARM Loans”) as available 45 days prior to the related interest rate adjustment date; or
- in the case of approximately 1.2% of the Hybrid ARM Loans (by principal balance as of the Issue Date), semi-annually based on the Six-Month WSJ LIBOR Index (the “Six-Month LIBOR ARM Loans”) as available as of the first business day of the month immediately prior to the month of the interest rate adjustment date.

See “The Mortgage Loans—Adjustable-Rate Mortgages (ARMs)—*ARM Indices*” in the MBS Prospectus for descriptions of these indices. If any of these indices becomes unavailable, an alternative index will be determined in accordance with the terms of the related mortgage note.

ARM Rate Changes

After the initial fixed-rate period, the ARM Rate of each Hybrid ARM Loan is set annually or semi-annually, as applicable, subject to the caps and floor described below, to equal the *sum* of (i) the applicable index value *plus* (ii) a specified percentage amount (the “ARM Margin”) that the lender established when the Hybrid ARM Loan was originated.

Initial ARM Rate Change Cap

When, after the initial fixed-rate period, the ARM Rate for each ARM Hybrid Loan is first calculated to equal the applicable index value *plus* the ARM Margin, the ARM Rate may not deviate by more than 5 percentage points from the Initial ARM Rate for that loan.

Subsequent ARM Rate Change Caps

On each annual ARM Rate adjustment date thereafter, in the case of the One-Year LIBOR ARM Loans, the ARM Rate may not deviate by more than 2 percentage points from the applicable ARM Rate in effect immediately prior to that adjustment date. On each semi-annual ARM Rate adjustment date thereafter, in the case of the Six-Month LIBOR ARM Loans, the ARM Rate may not deviate by

more than 1 percentage point from the applicable ARM Rate in effect immediately prior to that adjustment date.

Lifetime Cap and Floor

The ARM Rate for each Hybrid ARM Loan, when adjusted on its annual or semi-annual interest rate adjustment date, may not be greater than the maximum ARM Rate (lifetime rate cap) or less than its minimum ARM Rate (lifetime floor), as specified in the related mortgage note.

Monthly Payments

After the initial fixed-rate period, the amount of a borrower's monthly payment is subject to change

- in the case of the One-Year LIBOR ARM Loans, on each anniversary of the date specified in the related mortgage note or
- in the case of the Six-Month LIBOR ARM Loans, at six-month intervals after the date specified in the related mortgage note.

Each new monthly payment amount will be calculated to equal an amount necessary to pay interest at the new ARM Rate, adjusted as described above, and, except in the case of any loan that may still be in its initial interest only payment period, to fully amortize the outstanding principal balance of the Hybrid ARM Loan on a level debt service basis over the remainder of its term.

Prepayment Premiums

Approximately 12% of the Hybrid ARM Loans (by principal balance as of the Issue Date) are subject to prepayment premiums if the borrower makes a full or partial prepayment during prepayment premium periods of 12 months from the applicable origination date. The prepayment premium is generally equal to six months' interest on that portion of all prepayments during the prepayment premium period in excess of 20% of the original principal amount of the loan.

Distributions of Interest

General. The Certificates will bear interest at the rates specified in this prospectus supplement on a 30/360 basis. 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.

Delay Classes and No-Delay Classes. The "delay" Classes and "no-delay" Classes are set forth in the following table:

<u>Delay Classes</u>	<u>No-Delay Classes</u>
Fixed Rate and Weighted Average Coupon Classes	—

See "Description of the Certificates—Distributions on Certificates—*Interest Distributions*" in the REMIC Prospectus.

Accrual Class. The LZ 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.

The A Class. On each Distribution Date, we will pay interest on the A Class at an annual rate equal to the *product* of

- a fraction, expressed as a percentage, the numerator of which is the *excess* of
 - the aggregate amount of interest then paid on the Group 3 MBS*over*
 - the interest payable on the AI Class with respect to that Distribution Date,and the denominator of which is the principal balance of the A Class immediately preceding that Distribution Date,

multiplied by

- 12.

During the initial Interest Accrual Period, the A Class is expected to bear interest at an annual rate of approximately 4.55344%.

Our determination of the interest rate for the A Class 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.

The AI Class. On each Distribution Date through and including the Distribution Date in August 2012, we will pay interest on the AI Class at an annual rate equal to the lesser of (i) the weighted average of the then current MBS pass-through rates of the Group 3 MBS and (ii) 1.2%.

The notional principal balance of the AI Class will be equal to zero following the first 52 Interest Accrual Periods. As a result, no distributions will be made on that Class following the Distribution Date in August 2012.

Our determination of the interest rates for the AI Class 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.

Distributions of Principal

On the Distribution Date in each month, we will make payments of principal on the Certificates as described below.

- *Group 1*

The Group 1 Principal Distribution Amount in the following priority:

1. —85.1286827088% to AN and AH, pro rata, until retired, and
—14.8713172912% to AC until retired.
2. To B until retired.

} Sequential
Pay Classes

The “Group 1 Principal Distribution Amount” is the principal then paid on the Group 1 MBS.

- *Group 2*

The Group 2 Principal Distribution Amount to KA and KB, in that order, until retired.

} Sequential
Pay Classes

The “Group 2 Principal Distribution Amount” is the principal then paid on the Group 2 MBS.

- *Group 3*

The Group 3 Principal Distribution Amount to A until retired.

} Pass-Through
Class

The “Group 3 Principal Distribution Amount” is the principal then paid on the Group 3 MBS.

- *Group 4*

The Group 4 Principal Distribution Amount to LA and LZ, in that order, until retired.

} Sequential
Pay Classes

The “Group 4 Principal Distribution Amount” is the *sum* of the principal then paid on the Group 4 MBS *plus* any interest then accrued and added to principal of the LZ Class.

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 Group 1, Group 2 and Group 4 MBS have the original terms to maturity, remaining terms to maturity, loan ages and interest rates specified under “Summary—Group 1, Group 2 and Group 4—Assumed Characteristics of the Underlying Mortgage Loans” in this prospectus supplement;
- all of the Mortgage Loans underlying the Group 4 MBS have the remaining terms to expiration of their interest only periods specified under “Summary—Group 1, Group 2 and Group 4—Assumed Characteristics of the Underlying Mortgage Loans” in this prospectus supplement;
- the Hybrid ARM Loans have the characteristics set forth in Exhibit A to this prospectus supplement;
- with respect to the Hybrid ARM Loans, the One-Year WSJ LIBOR Index and Six-Month WSJ LIBOR ARM Index were and remain 2.5738% and 2.6869%, respectively;
- the Mortgage Loans prepay at the constant percentages of PSA or CPR, as applicable, specified in the related tables;
- the settlement date for the Certificates is April 30, 2008; and
- each Distribution Date occurs on the 25th day of a month.

Prepayment Assumptions. The prepayment model used in this prospectus supplement with respect to the Group 1, Group 2 and Group 4 Classes is PSA. For a description of PSA, see “Yield, Maturity and Prepayment Considerations—Prepayment Models” in the REMIC Prospectus.

The prepayment model used in this prospectus supplement with respect to the Group 3 Classes is CPR. For a description of CPR, see “Yield, Maturity and Prepayment Considerations—Prepayment Models” in the REMIC Prospectus.

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

Yield Tables

General. The tables below illustrate the sensitivity of the pre-tax corporate bond equivalent yields to maturity of the applicable Classes to various constant percentages of PSA or CPR, as applicable. 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, because some of the Mortgage Loans are likely to have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the principal payments on the Certificates are likely to differ from those assumed. This would be the case even if all Mortgage Loans prepay at the indicated constant percentages of PSA or CPR, as applicable. Moreover, it is unlikely that

- the Mortgage Loans will prepay at a constant PSA or CPR rate, as applicable, until maturity, or
- all of the Mortgage Loans will prepay at the same rate.

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

<u>Class</u>	<u>% PSA</u>
IO	345% PSA
LI	560% PSA
DI	314% PSA
EI	303% PSA
GI	307% PSA

For any Fixed Rate Interest Only Class specified above, 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 that Class would lose money on their initial investments.

The information shown in the following yield tables has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase prices of the Fixed Rate Interest Only

Classes specified below (expressed in each case as a percentage of the original principal balance) are as follows:

<u>Class</u>	<u>Price*</u>
IO	11.0703125%
LI	12.0000000%
DI	12.0000000%
EI	12.0000000%
GI	12.0000000%

* 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 IO Class to Prepayments

	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>188%</u>	<u>300%</u>	<u>375%</u>
Pre-Tax Yields to Maturity	23.8%	20.1%	13.3%	4.0%	(2.8)%

Sensitivity of the LI Class to Prepayments

	<u>PSA Prepayment Assumption</u>					
	<u>50%</u>	<u>100%</u>	<u>300%</u>	<u>432%</u>	<u>675%</u>	<u>900%</u>
Pre-Tax Yields to Maturity	48.3%	44.4%	26.7%	13.4%	(12.3)%	(36.1)%

Sensitivity of the DI Class to Prepayments

	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>188%</u>	<u>300%</u>	<u>375%</u>
Pre-Tax Yields to Maturity	21.0%	17.3%	10.6%	1.3%	(5.5)%

Sensitivity of the EI Class to Prepayments

	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>188%</u>	<u>300%</u>	<u>375%</u>
Pre-Tax Yields to Maturity	19.9%	16.3%	9.5%	0.3%	(6.5)%

Sensitivity of the GI Class to Prepayments

	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>188%</u>	<u>300%</u>	<u>375%</u>
Pre-Tax Yields to Maturity	20.3%	16.6%	9.9%	0.6%	(6.2)%

The AI Class. The yield to investors in the AI Class will be very sensitive to the rate of principal payments (including prepayments) of the Hybrid ARM Loans. Approximately 88% of the Hybrid ARM Loans (by principal balance at the Issue Date) can be prepaid at any time without penalty; the remainder provide for the payment of prepayment premiums as described under “—The Group 3 MBS (Backed by Hybrid ARM Loans)—Characteristics of the Hybrid ARM Loans—Prepayment Premiums” above. On the basis of the assump-

tions described below, the yield to maturity on the AI Class would be at or about 0% if prepayments of the Hybrid ARM Loans were to occur at the following constant rate:

<u>Class</u>	<u>% CPR</u>
AI	36% CPR

If the actual prepayment rate of the Hybrid ARM Loans were to exceed the level specified for as little as one month while equaling the level for the remaining months, the investors in the AI Class would lose money on their initial investments.

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

<u>Class</u>	<u>Price*</u>
AI	2.25%

* 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 AI Class to Prepayments

	<u>CPR Prepayment Assumption</u>					
	<u>2%</u>	<u>5%</u>	<u>10%</u>	<u>15%</u>	<u>20%</u>	<u>25%</u>
Pre-Tax Yields to Maturity	45.0%	41.4%	35.2%	28.9%	22.4%	15.6%

Weighted Average Lives of the Certificates

For a description of how the weighted average life of a Certificate is determined, see “Yield, Maturity and Prepayment Considerations—Weighted Average Lives and Final Distribution Dates” 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 distributions, and
- the priority sequences of distributions of principal of the Group 1, Group 2 and Group 4 Classes.

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 or CPR rates, as applicable, and the corresponding weighted average lives of those Classes. The tables have been prepared on the basis of the Pricing Assumptions.

In the case of the information set forth for each Group 1, Group 2 and Group 4 Class under 0% PSA, however, we assumed that the 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	180 months	180 months	7.00%
Group 2 MBS	180 months	128 months	7.00%
Group 4 MBS	360 months	360 months(1)	8.50%

(1) In addition, we have assumed that the Mortgage Loans underlying the Group 4 MBS have remaining interest only periods of 120 months.

It is unlikely that all of the Mortgage Loans will have the interest rates, loan ages, remaining terms to maturity or, if applicable, remaining interest only periods assumed or that the Mortgage Loans will prepay at any *constant* PSA or CPR level, as applicable.

In addition, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal distributions than indicated in the tables at the specified constant PSA or CPR rates, as applicable, even if the weighted average remaining term to maturity and the weighted average loan age of the Mortgage Loans are identical to the weighted averages specified in the Pricing Assumptions. This is the case because pools of loans with identical weighted averages are nonetheless likely to reflect differing dispersions of the related characteristics.

Percent of Original Principal Balances Outstanding

Date	AN, IO+, AH, AC, EA, EB and EI+ Classes					B Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	188%	300%	375%	0%	100%	188%	300%	375%
Initial Percent	100	100	100	100	100	100	100	100	100	100
April 2009	96	86	81	74	70	100	100	100	100	100
April 2010	92	72	64	54	48	100	100	100	100	100
April 2011	87	60	50	38	32	100	100	100	100	100
April 2012	82	48	37	26	20	100	100	100	100	100
April 2013	77	37	27	17	12	100	100	100	100	100
April 2014	71	27	18	10	6	100	100	100	100	100
April 2015	65	18	11	4	2	100	100	100	100	100
April 2016	58	9	4	*	0	100	100	100	100	71
April 2017	51	1	0	0	0	100	100	76	37	22
April 2018	43	0	0	0	0	100	0	0	0	0
April 2019	35	0	0	0	0	100	0	0	0	0
April 2020	26	0	0	0	0	100	0	0	0	0
April 2021	17	0	0	0	0	100	0	0	0	0
April 2022	7	0	0	0	0	100	0	0	0	0
April 2023	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	8.6	4.1	3.4	2.7	2.4	14.8	9.4	9.2	8.9	8.5

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

** Determined as specified under "Yield, Maturity and Prepayment Considerations—Weighted Average Lives and Final Distribution Dates" in the REMIC Prospectus.

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

Date	KA, DA, DB and DI† Classes					KB Class					BD Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	188%	300%	375%	0%	100%	188%	300%	375%	0%	100%	188%	300%	375%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2009	93	86	81	75	70	100	100	100	100	100	100	100	100	100	100
April 2010	86	73	65	55	48	100	100	100	100	100	100	100	100	100	100
April 2011	78	61	51	39	32	100	100	100	100	100	100	100	100	100	100
April 2012	70	50	39	27	21	100	100	100	100	100	100	100	100	100	100
April 2013	61	39	28	18	12	100	100	100	100	100	100	100	100	100	100
April 2014	51	29	20	11	7	100	100	100	100	100	100	100	100	100	100
April 2015	41	20	12	5	2	100	100	100	100	100	100	100	100	100	100
April 2016	30	12	6	1	0	100	100	100	100	85	100	100	100	71	
April 2017	18	4	1	0	0	100	100	100	58	35	100	100	77	39	23
April 2018	5	0	0	0	0	100	15	8	4	2	100	1	1	*	*
April 2019	0	0	0	0	0	0	0	0	0	0	94	0	0	0	0
April 2020	0	0	0	0	0	0	0	0	0	0	94	0	0	0	0
April 2021	0	0	0	0	0	0	0	0	0	0	94	0	0	0	0
April 2022	0	0	0	0	0	0	0	0	0	0	94	0	0	0	0
April 2023	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	5.8	4.3	3.5	2.8	2.4	10.5	9.8	9.6	9.2	8.8	14.6	9.5	9.3	8.9	8.5

Date	GA, GD, GE and GI† Classes					A Class						AI† Class					
	PSA Prepayment Assumption					CPR Prepayment Assumption						CPR Prepayment Assumption					
	0%	100%	188%	300%	375%	0%	5%	10%	15%	20%	25%	0%	5%	10%	15%	20%	25%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2009	95	86	81	74	70	100	95	90	85	80	75	100	95	90	85	80	75
April 2010	90	73	64	54	48	100	90	81	72	64	56	100	90	81	72	64	56
April 2011	84	60	50	39	32	100	86	73	61	51	42	100	86	73	61	51	42
April 2012	78	49	38	27	20	100	81	66	52	41	32	100	81	66	52	41	32
April 2013	72	38	27	17	12	100	77	59	44	33	24	0	0	0	0	0	0
April 2014	65	28	19	10	6	100	73	53	38	26	18	0	0	0	0	0	0
April 2015	57	19	11	5	2	100	70	48	32	21	13	0	0	0	0	0	0
April 2016	49	10	5	1	0	100	66	43	27	17	10	0	0	0	0	0	0
April 2017	41	2	*	0	0	100	63	39	23	13	7	0	0	0	0	0	0
April 2018	31	0	0	0	0	98	59	34	19	11	6	0	0	0	0	0	0
April 2019	24	0	0	0	0	95	54	30	16	8	4	0	0	0	0	0	0
April 2020	18	0	0	0	0	91	49	26	13	6	3	0	0	0	0	0	0
April 2021	12	0	0	0	0	88	45	22	11	5	2	0	0	0	0	0	0
April 2022	5	0	0	0	0	84	41	19	9	4	2	0	0	0	0	0	0
April 2023	0	0	0	0	0	81	37	17	7	3	1	0	0	0	0	0	0
April 2024	0	0	0	0	0	77	34	14	6	2	1	0	0	0	0	0	0
April 2025	0	0	0	0	0	72	30	12	5	2	1	0	0	0	0	0	0
April 2026	0	0	0	0	0	68	27	10	4	1	*	0	0	0	0	0	0
April 2027	0	0	0	0	0	63	24	9	3	1	*	0	0	0	0	0	0
April 2028	0	0	0	0	0	59	21	7	2	1	*	0	0	0	0	0	0
April 2029	0	0	0	0	0	53	18	6	2	*	*	0	0	0	0	0	0
April 2030	0	0	0	0	0	48	16	5	1	*	*	0	0	0	0	0	0
April 2031	0	0	0	0	0	42	13	4	1	*	*	0	0	0	0	0	0
April 2032	0	0	0	0	0	37	11	3	1	*	*	0	0	0	0	0	0
April 2033	0	0	0	0	0	30	8	2	1	*	*	0	0	0	0	0	0
April 2034	0	0	0	0	0	24	6	2	*	*	*	0	0	0	0	0	0
April 2035	0	0	0	0	0	17	4	1	*	*	*	0	0	0	0	0	0
April 2036	0	0	0	0	0	10	2	1	*	*	*	0	0	0	0	0	0
April 2037	0	0	0	0	0	3	1	*	*	*	*	0	0	0	0	0	0
April 2038	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	7.7	4.2	3.5	2.8	2.4	20.9	12.6	8.3	5.9	4.4	3.5	4.3	3.9	3.5	3.1	2.8	2.5

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

** Determined as specified under “Yield, Maturity and Prepayment Considerations—Weighted Average Lives and Final Distribution Dates” in the REMIC Prospectus.

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

Date	LA, LI†, LB, LC and LD Classes						LZ Class					
	PSA Prepayment Assumption						PSA Prepayment Assumption					
	0%	100%	300%	432%	675%	900%	0%	100%	300%	432%	675%	900%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100
April 2009	99	95	87	82	73	64	106	106	106	106	106	106
April 2010	98	88	69	57	38	22	113	113	113	113	113	113
April 2011	97	80	52	36	14	0	120	120	120	120	120	113
April 2012	95	73	38	21	0	0	127	127	127	127	120	52
April 2013	94	66	26	8	0	0	135	135	135	135	72	24
April 2014	93	59	16	0	0	0	143	143	143	137	43	11
April 2015	91	53	7	0	0	0	152	152	152	102	25	5
April 2016	90	47	0	0	0	0	161	161	160	75	15	2
April 2017	88	41	0	0	0	0	171	171	131	56	9	1
April 2018	86	33	0	0	0	0	182	182	105	41	5	*
April 2019	82	26	0	0	0	0	193	193	84	29	3	**
April 2020	78	19	0	0	0	0	205	205	67	21	2	*
April 2021	73	12	0	0	0	0	218	218	53	15	1	*
April 2022	68	5	0	0	0	0	231	231	42	11	1	*
April 2023	62	0	0	0	0	0	245	237	33	8	*	*
April 2024	56	0	0	0	0	0	261	213	26	5	*	*
April 2025	49	0	0	0	0	0	277	190	20	4	*	*
April 2026	42	0	0	0	0	0	294	169	16	3	*	*
April 2027	35	0	0	0	0	0	312	149	12	2	*	*
April 2028	26	0	0	0	0	0	331	130	9	1	*	*
April 2029	18	0	0	0	0	0	351	112	7	1	*	*
April 2030	8	0	0	0	0	0	373	95	5	1	*	*
April 2031	0	0	0	0	0	0	384	79	4	*	*	*
April 2032	0	0	0	0	0	0	342	64	3	*	*	*
April 2033	0	0	0	0	0	0	296	50	2	*	*	*
April 2034	0	0	0	0	0	0	246	37	1	*	*	0
April 2035	0	0	0	0	0	0	192	25	1	*	*	0
April 2036	0	0	0	0	0	0	134	13	*	*	*	0
April 2037	0	0	0	0	0	0	70	2	*	*	*	0
April 2038	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	15.8	7.5	3.5	2.6	1.8	1.4	26.8	21.0	12.4	9.1	5.9	4.2

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

** Determined as specified under “Yield, Maturity and Prepayment Considerations—Weighted Average Lives and Final Distribution Dates” in the REMIC Prospectus.

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

Characteristics of the Residual Classes

A Residual Certificate will be subject to certain transfer restrictions. See “Description of the Certificates—Special Characteristics of the Residual Certificates” and “Material Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates” in the REMIC Prospectus.

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. A Residual Certificate will constitute a noneconomic residual interest under the Regulations. Having a significant purpose to impede the assessment or collection of tax means that the transferor of a Residual Certificate had “improper knowledge” at the time of the transfer. See “Description of the Certificates—Special Characteristics of the Residual Certificates” in the REMIC Prospectus. You should consult your own tax advisor regarding the application of the Regulations to a transfer of a Residual Certificate.

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 “Material 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 “Material 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 make a REMIC election with respect to each REMIC set forth in the table under “Description of the Certificates—General—*Structure*.” The Regular Classes will be designated as “regular interests” and the Residual Classes will be designated as the “residual interests” in the REMICs as set forth in that table. Thus, 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 Residual Classes, as “qualified mortgages” for other REMICs. See “Material Federal Income Tax Consequences—REMIC Election and Special Tax Attributes” in the REMIC Prospectus.

Taxation of Beneficial Owners of Regular Certificates

The Notional Classes and the Accrual Class will be issued with original issue discount (“OID”), and certain other Classes of REMIC Certificates may be issued with OID. If a Class is issued with OID, a beneficial owner of a Certificate of that Class generally must recognize some taxable income in advance of the receipt of the cash attributable to that income. See “Material 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 “Material 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	188% PSA
2	188% PSA
3	15% CPR
4	432% PSA

See “Material Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Treatment 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 “Yield, Maturity and Prepayment Considerations—Weighted Average Lives and Final Distribution Dates” in the REMIC Prospectus.

Taxation of Beneficial Owners of Residual Certificates

The Holder of a Residual Certificate will be considered to be the holder of the “residual interest” in the related REMIC. Such Holder generally will be required to report its daily portion of the taxable income or net loss of the REMIC to which that Certificate relates. In certain periods, a Holder of a

Residual Certificate may be required to recognize taxable income without being entitled to receive a corresponding amount of cash. Pursuant to the Trust Agreement, we will be obligated to provide to the Holder of a Residual Certificate (i) information necessary to enable it to prepare its federal income tax returns and (ii) any reports regarding the Residual Class that may be required under the Code. See “Material Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates” in the REMIC Prospectus.

Taxation of Beneficial Owners of RCR Certificates

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 Regular Certificates that are exchanged for RCR Certificates set forth in Schedule 1 (including any exchanges effective on the Settlement Date) will be the assets of the trust, and the RCR Certificates will represent an ownership interest of the underlying Regular Certificates. For a general discussion of the federal income tax treatment of beneficial owners of Regular Certificates, see “Material Federal Income Tax Consequences” in the REMIC Prospectus.

Generally, the ownership interest represented by an RCR certificate will be one of two types. A certificate of a Strip RCR Class (a “Strip RCR Certificate”) will represent the right to receive a disproportionate part of the principal or interest payments on one or more underlying Regular Certificates. A certificate of a Combination RCR Class (a “Combination RCR Certificate”) will represent beneficial ownership of undivided interests in two or more underlying Regular Certificates. The Certificates of the BD, GE, LB, LC and LD Classes are Combination RCR Certificates, and the Certificates of the DA, DI, DB, EA, EI, EB, GA, GI and GD Classes are Strip RCR Certificates. See “Material Federal Income Tax Consequences—Taxation of Beneficial Owners of RCR Certificates” in the REMIC Prospectus for a general discussion of the federal income tax treatment of beneficial owners of RCR Certificates.

PLAN OF DISTRIBUTION

We are obligated to deliver the Certificates to Merrill Lynch, Pierce, Fenner & Smith Incorporated (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.

LEGAL MATTERS

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

Assumed Characteristics of the Hybrid ARM Loans Underlying the Group 3 MBS
(As of April 1, 2008)

Issue Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate* (%)	Weighted Average Mortgage Rate (%)	Weighted Average Original Term (in Months)	Weighted Average Remaining Term to Maturity (in Months) ("WARMT")	Weighted Average Loan Age (in Months) ("WALA")	Weighted Average Margin (%)	Weighted Average Initial Reset Cap (%)	Weighted Average Periodic Rate Cap (%)	Weighted Average Lifetime Rate Cap (%)	Weighted Average Lifetime Floor (%)	Weighted Average Months to Rate Change	Rate Reset Frequency (in Months)	Payment Reset Frequency (in Months)	Weighted Average Remaining Interest Only Period (in Months)	Index**
\$24,001,732.90	5.705	6.205	360	350	10	2.250	5.000	2.000	11.2052	2.250	50	12	12	110	WSJ 1-YEAR LIBOR
22,195,228.81	5.610	6.271	360	352	8	2.270	5.000	2.000	11.2714	2.270	52	12	12	112	WSJ 1-YEAR LIBOR
26,924,835.36	5.639	6.538	360	352	8	2.250	5.000	2.000	11.5378	2.250	52	12	12	112	WSJ 1-YEAR LIBOR
18,533,910.59	5.749	6.386	360	352	8	2.259	5.000	2.000	11.3864	2.259	52	12	12	112	WSJ 1-YEAR LIBOR
18,431,972.83	5.823	6.373	360	352	8	2.258	5.000	2.000	11.3729	2.258	52	12	12	112	WSJ 1-YEAR LIBOR
39,852,993.90	5.845	6.418	360	352	8	2.256	5.000	2.000	11.4179	2.256	52	12	12	112	WSJ 1-YEAR LIBOR
21,541,954.85	5.737	6.368	360	353	7	2.241	5.000	2.000	11.3682	2.241	53	12	12	113	WSJ 1-YEAR LIBOR
40,378,657.87	5.842	6.332	360	354	6	2.250	5.000	2.000	11.3317	2.250	54	12	12	114	WSJ 1-YEAR LIBOR
2,575,519.26	5.504	5.964	360	334	26	2.000	5.000	1.000	10.9639	2.000	58	6	6	58	WSJ 6-MONTH LIBOR

* The "Net Mortgage Rate" of a Hybrid ARM Loan is equal to its then current interest rate less the sum of the related servicing fee and our guaranty fee (expressed in each case as an annual percentage).

** For a description of each specified index, see "The Mortgage Loans—Adjustable-Rate Mortgages (ARMs)—ARM Indices" in the MBS Prospectus.

Available Recombinations (1)

REMIC Certificates		RCR Certificates							Final
Classes	Original Balances	RCR Classes	Original Balances	Principal Type (2)	Interest Rate	Interest Type (2)	CUSIP Number	Distribution Date	
Recombination 1									
B	\$ 9,375,232	BD(3)	\$ 10,000,000	SEQ	4.50%	FIX	31397LMV8	May 2023	
KB	624,768								
Recombination 2									
KA	15,656,332	DA	15,656,332	SEQ	4.00	FIX	31397LMZ9	October 2018	
		DI	1,739,592(4)	NTL	4.50	FIX/IO	31397LNB1	October 2018	
Recombination 3									
KA	15,656,332	DB	15,656,332	SEQ	4.25	FIX	31397LNA3	October 2018	
		DI	869,796(4)	NTL	4.50	FIX/IO	31397LNB1	October 2018	
Recombination 4									
AC	34,938,441	EA	34,938,441	SEQ	4.00	FIX	31397LMW6	January 2023	
		EI	3,882,049(4)	NTL	4.50	FIX/IO	31397LMY2	January 2023	
Recombination 5									
AC	34,938,441	EB	34,938,441	SEQ	4.25	FIX	31397LMX4	January 2023	
		EI	1,941,024(4)	NTL	4.50	FIX/IO	31397LMY2	January 2023	
Recombination 6									
KA	15,656,332	GA(5)	50,594,773	SEQ	4.00	FIX	31397LNC9	January 2023	
AC	34,938,441	GI(5)	5,621,641(4)	NTL	4.50	FIX/IO	31397LNF2	January 2023	
Recombination 7									
KA	15,656,332	GD(5)	50,594,773	SEQ	4.25	FIX	31397LND7	January 2023	
AC	34,938,441	GI(5)	2,810,820(4)	NTL	4.50	FIX/IO	31397LNF2	January 2023	
Recombination 8									
KA	15,656,332	GE(5)	50,594,773	SEQ	4.50	FIX	31397LNE5	January 2023	
AC	34,938,441								
Recombination 9									
LA	120,000,000	LB	120,000,000	SEQ/AD	5.00	FIX	31397LNG0	March 2031	
LI	10,000,000(4)								

REMIC Certificates		RCR Certificates						
Classes	Original Balances	RCR Classes	Original Balances	Principal Type (2)	Interest Rate	Interest Type (2)	CUSIP Number	Final Distribution Date
Recombination 10								
LA	\$120,000,000	LC	\$120,000,000	SEQ/AD	5.50%	FIX	31397LNH8	March 2031
LI	20,000,000 (4)							
Recombination 11								
LA	120,000,000	LD	120,000,000	SEQ/AD	6.00	FIX	31397LJ4	March 2031
LI	30,000,000 (4)							

(1) REMIC Certificates and RCR Certificates in each Recombination may be exchanged only in the proportions of *original* principal or notional principal balances for the related Classes shown in this Schedule 1 (disregarding any retired Classes). For example, if a particular Recombination includes two REMIC Classes and one RCR Class whose *original* principal balances shown in the schedule reflect a 1:1:2 relationship, the same 1:1:2 relationship among the *original* principal balances of those REMIC and RCR Classes must be maintained in any exchange. This is true even if, as a result of the applicable payment priority sequence, the relationship between their *current* principal balances has changed over time. Moreover, 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.

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

(3) The BD Class is an RCR Class formed from the B Class in Group 1 and the KB Class in Group 2.

(4) Notional balances. These Classes are Interest Only Classes. See page S-6 for a description of how their notional balances are calculated.

(5) The GA, GI, GD and GE Classes are RCR Classes formed from the AC Class in Group 1 and the KA Class in Group 2.

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.

\$615,031,579



**Guaranteed REMIC
Pass-Through
Certificates**

Fannie Mae REMIC Trust 2008-40

PROSPECTUS SUPPLEMENT

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Merrill Lynch & Co.

April 24, 2008
