

\$202,500,000

Federal National Mortgage Association



Guaranteed REMIC Pass-Through Certificates, Fannie Mae REMIC Trust 1992-G67

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "REMIC Certificates") represent beneficial ownership interests in one of two trust funds. The REMIC Certificates, other than the Class 67-RL REMIC Certificate, represent beneficial ownership interests in Fannie Mae REMIC Trust 1992-G67 (the "Trust"). The assets of the Trust consist of the "regular interests" in a separate trust fund (the "Lower Tier REMIC"). The assets of the Lower Tier REMIC consist of a single principal only Fannie Mae Stripped Mortgage-Backed Security and a single interest only Fannie Mae Stripped Mortgage-Backed Security, each evidencing an interest in Fannie Mae Stripped Mortgage-Backed Securities Trust 000193-GN (the "SMBS Certificates"). The Fannie Mae Guaranteed MBS Pass-Through Certificate underlying the SMBS Certificates (the "Mega Certificate") evidences the entire beneficial interest in distributions of principal and interest made in respect of certain "fully modified pass-through" mortgage-backed securities ("GNMA Certificates") guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA"). Each GNMA Certificate is based on and backed by a pool of first lien, single-family, fixed-rate residential mortgage loans (the "Mortgage Loans") which are either insured by the Federal Housing Administration ("FHA") or partially guaranteed by the Department of Veterans Affairs ("VA"). See "GNMA and the GNMA Programs" herein. The REMIC Certificates are offered by Fannie Mae pursuant to this Prospectus, its Prospectus for Stripped Mortgage-Backed Securities (the "SMBS Prospectus") and its Prospectus for Guaranteed MBS Pass-Through Certificates (the "Mega Prospectus"), each available as described herein. Morgan Stanley & Co. Incorporated ("Morgan Stanley") is to receive the REMIC Certificates in exchange for the GNMA Certificates pursuant to a Fannie Mae commitment and will sell the REMIC Certificates to the public as described below and under "Plan of Distribution" herein.

Elections will be made to treat the Lower Tier REMIC and the Trust as "real estate mortgage investment conduits" ("REMICs") pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). The REMIC Certificates (other than the Class 67-R and Class 67-RL REMIC Certificates) will be designated as the "regular interests," and the Class 67-R REMIC Certificate will be designated as the "residual interest," in the REMIC constituted by the Trust. The interests in the Lower Tier REMIC other than the Class 67-RL REMIC Certificate (the "Lower Tier Regular Interests") will be designated as the "regular interests," and the Class 67-RL REMIC Certificate will be designated as the "residual interest," in the Lower Tier REMIC. See "Certain Federal Income Tax Consequences" herein.

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THE OBLIGATIONS OF FANNIE MAE UNDER ITS GUARANTY OF THE REMIC CERTIFICATES ARE OBLIGATIONS OF FANNIE MAE ONLY AND ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES. THE REMIC CERTIFICATES ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND ARE "EXEMPTED SECURITIES" WITHIN THE MEANING OF THE SECURITIES EXCHANGE ACT OF 1934.

	Original Principal Balance	Interest Rate	Final Distribution Date
Class 67-F	\$202,500,000	(1)	December 2022
Class 67-S	(2)	(1)	December 2022
Class 67-R	(3)	(3)	December 2022
Class 67-RL	(4)	(4)	December 2022

- (1) The interest rate will be fixed for the first twenty-five Interest Accrual Periods; subsequent to the initial twenty-five Interest Accrual Periods, the interest rate will be subject to monthly adjustment by reference to the London interbank offered rate for one-month U.S. dollar deposits ("LIBOR"), as described herein under "Description of the REMIC Certificates—Distributions of Interest."
- (2) The Class 67-S REMIC Certificates are interest only certificates, have no principal balance and will bear interest on an original notional principal balance of \$202,500,000 as described under "Description of the REMIC Certificates—Distributions of Interest."
- (3) The Class 67-R REMIC Certificate has no principal balance and will not bear interest. The Holder of the Class 67-R REMIC Certificate will be entitled to receive the proceeds of the remaining assets of the Trust, if any, after the principal balances of the "regular interests" therein have been reduced to zero. It is not anticipated that there will be any material assets remaining in such circumstance.
- (4) The Class 67-RL REMIC Certificate has no principal balance and will not bear interest. The Holder of the Class 67-RL REMIC Certificate will be entitled to receive the proceeds of the remaining assets of the Lower Tier REMIC, if any, after the principal balances of the "regular interests" therein have been reduced to zero. It is not anticipated that there will be any material assets remaining in such circumstance.

The REMIC Certificates are being offered by Morgan Stanley from time to time in negotiated transactions, at varying prices to be determined at the time of sale.

The REMIC Certificates are offered by Morgan Stanley subject to issuance by Fannie Mae, to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by Morgan Stanley, and subject to approval of certain legal matters by counsel. It is expected that the Class 67-F and Class 67-S REMIC Certificates will be available through the book-entry system of the Federal Reserve Banks on or about December 30, 1992. It is expected that the Class 67-R and Class 67-RL REMIC Certificates in registered, certificated form will be available for delivery at the offices of Morgan Stanley, New York, New York, on or about December 30, 1992.

MORGAN STANLEY & CO.
Incorporated

December 8, 1992

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Interest on each Class of interest-bearing REMIC Certificates at the applicable per annum interest rate described herein will be distributed on the 25th day of each month (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day), commencing in January 1993 (each, a "Distribution Date"). The Class 67-R and Class 67-RL REMIC Certificates will not have principal balances and will not bear interest. See "Description of the REMIC Certificates—Distributions of Interest" herein.

The principal distribution on the Class 67-F REMIC Certificates on each Distribution Date will be in an amount equal to the aggregate distributions of principal of the GNMA Certificates distributed on the principal only SMBS Certificate (which has an original principal balance of \$202,500,000), calculated as provided herein, for the month of such Distribution Date, and the distributions of principal of such GNMA Certificates received during the month prior to the month of such Distribution Date to the extent not distributed previously. See "Description of the REMIC Certificates—Distributions of Principal" herein.

The yield to investors in each Class of REMIC Certificates will be sensitive in varying degrees to the rate of principal payments (including prepayments) of the Mortgage Loans, which generally can be prepaid at any time. In addition, the yield to maturity on a Class of REMIC Certificates may vary depending on the extent to which such Class is purchased at a discount or premium. Holders of the REMIC Certificates (other than the Class 67-S REMIC Certificates) should consider, in the case of any REMIC Certificates purchased at a discount, the risk that a slower than anticipated rate of principal payments could result in an actual yield that is lower than the anticipated yield and, in the case of any REMIC Certificates purchased at a premium, the risk that a faster than anticipated rate of principal payments could result in an actual yield that is lower than the anticipated yield. Holders of the Class 67-S REMIC Certificates should consider the risk that a faster than anticipated rate of principal payments will result in an actual yield that is lower than the anticipated yield. In addition, the yield on any Class bearing an interest rate that fluctuates in response to changes in LIBOR will be sensitive to the level of such index. See "Description of the REMIC Certificates—Yield Considerations" herein.

The Class 67-R and Class 67-RL REMIC Certificates will be subject to certain transfer restrictions. In addition, any transferee of the Class 67-R or Class 67-RL REMIC Certificate will be required to execute and deliver an affidavit as provided herein. See "Description of the REMIC Certificates—Characteristics of the Class 67-R and Class 67-RL REMIC Certificates" and "Certain Federal Income Tax Consequences—Sales of Certificates—*Residual Certificates Transferred to or Held by Disqualified Organizations*" herein.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

This Prospectus does not contain complete information about the REMIC Certificates. Investors should purchase REMIC Certificates only after reading this Prospectus, the SMBS Prospectus dated December 1, 1992, the Mega Prospectus dated June 1, 1991 and the Fannie Mae Information Statement dated March 30, 1992 and any supplements thereto (the "Information Statement"). The SMBS Prospectus, the Mega Prospectus and the Information Statement are incorporated herein by reference and may be obtained from Fannie Mae by writing or calling its REMIC Prospectus Department at 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 (telephone 202-752-7585). Such documents may also be obtained from Morgan Stanley by writing or calling its Prospectus Department at 1251 Avenue of the Americas, New York, New York 10020 (telephone 212-703-7630).

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DESCRIPTION OF THE REMIC CERTIFICATES

The following summaries describing certain provisions of the REMIC Certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of the Trust Agreement (defined below). Capitalized terms used and not otherwise defined in this Prospectus have the meanings assigned to such terms in the SMBS Prospectus, the Mega Prospectus and the Trust Agreement.

General

Structure. The REMIC Certificates will be issued and guaranteed by the Federal National Mortgage Association (“Fannie Mae”), a corporation organized and existing under the laws of the United States, under the authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*). A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement incorporated herein by reference. The REMIC Certificates in the Classes and aggregate original principal balances set forth on the cover page hereof will be issued pursuant to a trust agreement dated as of December 1, 1992 (the “Trust Agreement”), executed by Fannie Mae in its corporate capacity and in its capacity as Trustee. The Trust and the Lower Tier REMIC will be created pursuant to the Trust Agreement, and elections will be made to treat each of the Trust and the Lower Tier REMIC as a REMIC for federal income tax purposes.

The assets of the Trust will consist of the Lower Tier Regular Interests. The entire beneficial ownership interest in the Trust will be evidenced by the REMIC Certificates, other than the Class 67-RL REMIC Certificate, as described herein.

The assets of the Lower Tier REMIC will consist of the SMBS Certificates. The Lower Tier Regular Interests and the Class 67-RL REMIC Certificate, in the aggregate (the “Lower Tier Interests”), will evidence the entire beneficial ownership interest in the distributions of principal and interest on the SMBS Certificates, as described herein. Each of the Lower Tier Regular Interests will be designated as a “regular interest” in the Lower Tier REMIC. The Class 67-RL REMIC Certificate will be designated as the “residual interest” in the Lower Tier REMIC and will have the characteristics described herein.

Fannie Mae Guaranty. Pursuant to its guaranty of the REMIC Certificates, Fannie Mae will be obligated to distribute on a timely basis to Holders of REMIC Certificates all installments of interest and all installments of principal reflected in the REMIC Trust Factors published by Fannie Mae each month and to distribute the principal balance of each Class of REMIC Certificates in full no later than the applicable Final Distribution Date in each case, whether or not sufficient funds therefor have been received by the Trust. The obligations of Fannie Mae under its guaranty of the REMIC Certificates are obligations solely of Fannie Mae and are not backed by the full faith and credit of the United States.

Book-Entry Certificates. The Class 67-F and Class 67-S REMIC Certificates will be issued and maintained and may be transferred by Holders only on the book-entry system of the Federal Reserve Banks. The Class 67-F and Class 67-S REMIC Certificates will each be assigned a CUSIP number and will be tradeable under such CUSIP number. Such book-entry REMIC Certificates may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Such entities whose names appear on the book-entry records of the Federal Reserve Banks as the entities for whose accounts such REMIC Certificates have been deposited are herein referred to as “Holders” or “Certificateholders.” A Holder is not necessarily the beneficial owner of a book-entry REMIC Certificate. Beneficial owners will ordinarily hold book-entry REMIC Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of a book-entry REMIC Certificate,

and each other financial intermediary in the chain to the beneficial owner, will have the responsibility of establishing and maintaining accounts for their respective customers. The rights of the beneficial owner of a book-entry REMIC Certificate with respect to Fannie Mae and the Federal Reserve Banks may be exercised only through the Holder of such REMIC Certificate. Fannie Mae and the Federal Reserve Banks will have no direct obligation to a beneficial owner of a book-entry REMIC Certificate that is not also the Holder of such REMIC Certificate. The Federal Reserve Banks will act only upon the instructions of the Holder in recording transfers of a book-entry REMIC Certificate.

Fannie Mae's fiscal agent for the book-entry REMIC Certificates is the Federal Reserve Bank of New York. The Federal Reserve Banks will maintain book-entry accounts with respect to the book-entry REMIC Certificates and make distributions on such REMIC Certificates on behalf of Fannie Mae on the applicable Distribution Dates by crediting Holders' accounts at the Federal Reserve Banks. A Fiscal Agency Agreement between Fannie Mae and the Federal Reserve Bank of New York makes generally applicable to the book-entry REMIC Certificates (i) regulations governing Fannie Mae's use of the book-entry system, contained in 24 C.F.R. Part 81, Subpart E, and (ii) such procedures, insofar as applicable, as may from time to time be established by regulations of the United States Department of the Treasury governing United States securities, as now set forth in Treasury Department Circular Number 300, 31 C.F.R. Part 306 (other than Subpart O). The REMIC Certificates are also governed by applicable operating circulars and letters of the Federal Reserve Banks.

Definitive Certificates. The Class 67-R and Class 67-RL REMIC Certificates will not be issued in book-entry form but will be issued in fully registered, certificated form. The Class 67-R and Class 67-RL REMIC Certificates will be transferable at the corporate trust office of the Transfer Agent, or at the agency of the Transfer Agent in New York, New York. The Transfer Agent initially will be State Street Bank and Trust Company in Boston, Massachusetts ("State Street"). A service charge may be imposed for any registration of transfer of a Class 67-R or Class 67-RL REMIC Certificate and Fannie Mae may require payment of a sum sufficient to cover any tax or other governmental charge.

The distribution to the Holder of the Class 67-R or Class 67-RL REMIC Certificate of the proceeds of any remaining assets of the Trust or the Lower Tier REMIC, respectively, will be made only upon presentation and surrender of the respective Certificate at the office of the Paying Agent. The Paying Agent initially will be State Street.

Interest Only Class. The Class 67-S REMIC Certificates will be interest only certificates, have no principal balance and bear interest on a notional principal balance. The notional principal balance of an interest only Class of REMIC Certificates is used for purposes of the determination of interest distributions on such Class and does not represent an interest in the principal distributions of the GNMA Certificates or the underlying Mortgage Loans. Although an interest only Class of REMIC Certificates will not have a principal balance, a REMIC Trust Factor will be published which will be applicable to the notional principal balance of such Class, and references herein to the principal balances of the REMIC Certificates shall be deemed to refer to the notional principal balance of such interest only Class of REMIC Certificates.

Authorized Denominations. The Class 67-F and Class 67-S REMIC Certificates will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. Each of the Class 67-R and Class 67-RL REMIC Certificates will be issued as a single certificate and will not have a principal balance.

Record Date. Each monthly distribution on the REMIC Certificates will be made to Holders of record on the last day of the preceding month.

REMIC Trust Factors. As soon as practicable following the eleventh calendar day of each month, Fannie Mae will publish or otherwise make available for each Class of REMIC Certificates the factor (carried to eight decimal places) which, when multiplied by the original principal balance of a REMIC Certificate of such Class, will equal the amount of principal remaining to be distributed with respect to such REMIC Certificate after giving effect to the distribution of principal to be made on the following Distribution Date.

The GNMA Certificates

The GNMA Certificates underlying the Mega Certificate will have an aggregate unpaid principal amount of approximately \$225,000,000 and pass-through rates of 9.00% per annum. At least 99% of the principal amount of the GNMA Certificates will be GNMA I Certificates. See "GNMA and the GNMA Programs" herein. As of December 1, 1992 (the "REMIC Issue Date"), the remaining term to maturity of the latest maturing Mortgage Loan underlying each GNMA Certificate is not expected to be less than 180 months or greater than 360 months and the weighted average of such remaining terms is expected to be approximately 335 months.

Following the issuance of the REMIC Certificates, Fannie Mae will prepare a Final Data Statement setting forth for each GNMA Certificate, among other things, the pool number, the original unpaid principal balance, the unpaid principal balance as of the REMIC Issue Date, and the remaining term to maturity of the latest maturing Mortgage Loan underlying such GNMA Certificate as of the REMIC Issue Date. The Final Data Statement will not accompany this Prospectus but will be made available by Fannie Mae to investors on request. To request Final Data Statements, telephone Fannie Mae at (202) 752-7585. The contents of the Final Data Statement and other data specific to the REMIC Certificates are available in electronic form by calling Fannie Mae at (202) 752-6000.

The Mega Certificate and the SMBS Certificates

The principal only SMBS Certificate will have an original principal balance of \$202,500,000. The interest only SMBS Certificate will have an original notional principal balance of approximately \$225,000,000 and will evidence the beneficial interest in the entire distributions of interest made in respect of the Mega Certificate. The Mega Certificate underlying the SMBS Certificates will have an Issue Date of December 1, 1992 and will directly evidence the entire beneficial ownership interest in Mega Trust No. GN-100030 (the "Mega Trust"). The assets of the Mega Trust will consist of the GNMA Certificates. The SMBS Certificates will be deposited in the Lower Tier REMIC as of the REMIC Issue Date. The SMBS Certificates deposited in the Lower Tier REMIC will be issued in book-entry form, registered in Fannie Mae's name on the books of a Federal Reserve Bank and held by Fannie Mae in its capacity as trustee of the Lower Tier REMIC. The Mega Certificate and the SMBS Certificates are guaranteed by Fannie Mae.

Prepayment Considerations and Risks

There can be no assurance as to the timing of distributions of principal of the Class 67-F REMIC Certificates because the timing and amount of distributions of principal of the Class 67-F REMIC Certificates will depend on the rate of principal payments (including prepayments) of the Mortgage Loans underlying the GNMA Certificates. The rate of principal payments of the GNMA Certificates, and therefore of distributions on the REMIC Certificates, is related directly to the rate of payments of principal of the underlying Mortgage Loans, which may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations resulting from default, casualty or condemnation and payments made pursuant to any guaranty of payment by GNMA). In general, when the level of prevailing interest rates declines sufficiently relative to the interest rates on fixed-rate mortgage loans, the rate of prepayment is likely to increase, although the prepayment rate is influenced by a number of other factors,

including general economic conditions and homeowner mobility. The prepayment rate may also be influenced by government subsidy programs, such as the Department of Housing and Urban Development (“HUD”) Section 235 mortgage program for which HUD has established procedures for refinancing certain high-coupon mortgages. All of the Mortgage Loans backing the GNMA Certificates will be first lien, single-family, fixed-rate residential mortgage loans that are either insured by the FHA or partially guaranteed by the VA. None of such loans includes a “due-on-sale” clause. Consequently, the holders of such loans generally may not demand the payment in full of the remaining principal balance of any such loans on the sale or other transfer of the subject property.

Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this Prospectus, the Public Securities Association’s standard prepayment model (“PSA”), represents an assumed rate of prepayment each month of the then outstanding principal balance of a pool of new mortgage loans. *PSA does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans underlying the GNMA Certificates backing the REMIC Certificates.* 100% PSA assumes prepayment rates of 0.2% per annum of the then unpaid principal balance of such pool of mortgage loans in the first month of the life of such mortgage loans and an additional 0.2% per annum in each month thereafter (for example, 0.4% per annum in the second month) until the 30th month. Beginning in the 30th month and in each month thereafter during the life of such mortgage loans, 100% PSA assumes a constant prepayment rate of 6% per annum. Multiples will be calculated from this prepayment rate series; for example, 250% PSA assumes prepayment rates will be 0.50% per annum in month one, 1.00% per annum in month two, reaching 15.0% per annum in month 30 and remaining constant at 15.0% per annum thereafter. 0% PSA assumes no prepayments.

Distributions of Interest

General. The interest-bearing REMIC Certificates will bear interest at the respective per annum interest rates described herein. The Class 67-R and Class 67-RL REMIC Certificates will not have principal balances and will not bear interest. Interest on the interest-bearing REMIC Certificates is calculated on the basis of a 360-day year consisting of twelve 30-day months and is distributable monthly on each Distribution Date, commencing in January 1993. Interest to be distributed on each interest-bearing REMIC Certificate on a Distribution Date will consist of one month’s interest on the outstanding principal balance of such REMIC Certificate immediately prior to such Distribution Date. Interest to be distributed on a Distribution Date will accrue on the Class 67-F and Class 67-S REMIC Certificates during the one-month period beginning on the 25th day of such preceding month and ending on the 24th day of the month of such Distribution Date (an “Interest Accrual Period”).

Interest Only Certificates. The Class 67-S REMIC Certificates are interest only certificates, have no principal balance and will bear interest at the floating interest rate described below during each Interest Accrual Period on a notional principal balance equal to the principal balance of the Class 67-F REMIC Certificates (initially equal to \$202,500,000).

Floating Rate Certificates. The Class 67-F and Class 67-S REMIC Certificates will bear interest during the initial 25 Interest Accrual Periods at the respective Initial Interest Rates set forth below and will bear interest during each Interest Accrual Period thereafter at the respective rates determined as described below:

<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</u>
67-F	5.70%	10.00%	0.65%	LIBOR + 65 basis points
67-S	4.30%	9.35%	0.00%	9.35% – LIBOR

The yields with respect to the Class 67-F and Class 67-S REMIC Certificates will be affected by changes in LIBOR, which changes may not correlate with changes in mortgage interest rates. It is possible that lower mortgage interest rates could occur concurrently with an increase in the level of LIBOR. Conversely, higher mortgage interest rates could occur concurrently with a decrease in the level of LIBOR.

Calculation of LIBOR

On the second business day preceding the first day of each Interest Accrual Period (each, a "LIBOR Determination Date"), commencing in January 1995, until the principal balances of the Class 67-F and Class 67-S REMIC Certificates have been reduced to zero, Fannie Mae or its agent (initially State Street) will request each of the designated reference banks meeting the criteria set forth herein (the "Reference Banks") to inform State Street of the quotation offered by its principal London office for making one-month United States dollar deposits in leading banks in the London interbank market, as of 11:00 a.m. (London time) on such LIBOR Determination Date. (For purposes of calculating LIBOR, "business day" means a day on which banks are open for dealing in foreign currency and exchange in London, Boston and New York City.) In lieu of making a request of the Reference Banks, State Street may rely on the quotations for those Reference Banks that appear at such time on the Reuters Screen LIBO Page (as defined in the International Swap Dealers Association, Inc. Code of Standard Wording, Assumptions and Provisions for Swaps, 1986 Edition), to the extent available.

LIBOR will be established by State Street on each LIBOR Determination Date as follows:

(a) If on any LIBOR Determination Date two or more Reference Banks provide such offered quotations, LIBOR for the next Interest Accrual Period shall be the arithmetic mean of such offered quotations (rounded upwards if necessary to the nearest whole multiple of $\frac{1}{32}\%$).

(b) If on any LIBOR Determination Date only one or none of the Reference Banks provides such offered quotations, LIBOR for the next Interest Accrual Period shall be whichever is the higher of (i) LIBOR as determined on the previous LIBOR Determination Date or (ii) the Reserve Interest Rate. The "Reserve Interest Rate" shall be the rate per annum which State Street determines to be either (i) the arithmetic mean (rounded upwards if necessary to the nearest whole multiple of $\frac{1}{32}\%$) of the one-month United States dollar lending rates that New York City banks selected by State Street are quoting, on the relevant LIBOR Determination Date, to the principal London offices of at least two of the Reference Banks to which such quotations are, in the opinion of State Street, being so made, or (ii) in the event that State Street can determine no such arithmetic mean, the lowest one-month United States dollar lending rate which New York City banks selected by State Street are quoting on such LIBOR Determination Date to leading European banks.

(c) If on the January 1995 LIBOR Determination Date, State Street is required but is unable to determine the Reserve Interest Rate in the manner provided in paragraph (b) above, LIBOR shall be 3.1875%.

Each Reference Bank (i) shall be a leading bank engaged in transactions in Eurodollar deposits in the international Eurocurrency market; (ii) shall not control, be controlled by, or be under common control with Fannie Mae; and (iii) shall have an established place of business in London. If any such Reference Bank should be unwilling or unable to act as such or if Fannie Mae should terminate the appointment of any such Reference Bank, State Street will promptly appoint another leading bank meeting the criteria specified above.

The establishment of LIBOR on each LIBOR Determination Date by State Street and State Street's calculation of the rate of interest for the applicable Classes of REMIC Certificates for the

related Interest Accrual Period shall (in the absence of manifest error) be final and binding. Each such rate of interest may be obtained by telephoning Fannie Mae at (202) 752-6547.

Distributions of Principal

Calculations. On or about the fifth business day of each month, Fannie Mae will aggregate the amount of principal reported to be receivable on the GNMA I Certificates during such month on the basis of published GNMA factors for such month. For any GNMA I Certificate for which a factor is not available at such time and for any GNMA II Certificates (which GNMA II Certificates originally may comprise up to 1% of the GNMA Certificates), Fannie Mae will calculate the amount of scheduled payments of principal distributable with respect to such GNMA Certificates during such month on the basis of the assumed amortization schedules of the underlying Mortgage Loans. The amortization schedules will be prepared on the assumption that: (i) each of the Mortgage Loans underlying a single GNMA Certificate had an original term to maturity of 360 months and has a remaining term to maturity equal to the remaining term to maturity of the latest maturing Mortgage Loan underlying such GNMA Certificate at the origination of such GNMA Certificate adjusted to the REMIC Issue Date; (ii) each Mortgage Loan underlying a GNMA I Certificate bears an interest rate of 9.5% per annum; and (iii) each Mortgage Loan underlying a GNMA II Certificate bears an interest rate of 10.5% per annum. All such amounts, whether reported in GNMA factors or calculated by Fannie Mae, will be reflected in the factors for the Mega Certificate or the SMBS Certificates (the "SMBS Trust Factors") for the Distribution Date in such month and will be distributed to Holders of REMIC Certificates on such Distribution Date, whether or not received. There will also be reflected in such SMBS Trust Factors and distributable as principal on such Distribution Date the excess of (a) the distributions of principal of the GNMA Certificates received during the month prior to the month of such Distribution Date over (b) the amounts of principal calculated as distributable previously in accordance with the GNMA factors and the assumed amortization schedules specified above. The REMIC Trust Factors will be based on the SMBS Trust Factors.

Priorities. Principal will be distributed monthly on the Class 67-F REMIC Certificates in an amount equal to the aggregate distributions of principal of the GNMA Certificates distributed on the principal only SMBS Certificate which has an original principal balance of \$202,500,000 (the "Principal Distribution Amount").

On each Distribution Date, the Principal Distribution Amount will be applied to the distribution of principal of the Class 67-F REMIC Certificates until the principal balance thereof has been reduced to zero.

Assumptions Relating to Tables

Unless otherwise specified, the information in the tables in this Prospectus has been prepared on the basis of the following assumptions (the "Pricing Assumptions"): (i) all payments (including prepayments) on the Mortgage Loans underlying the GNMA Certificates are distributed on the REMIC Certificates in the month in which such payments are received; (ii) each Mortgage Loan bears interest at a rate of 9.5% per annum and has an original term to maturity of 360 months; (iii) the following principal amounts of the Mortgage Loans have the remaining terms to maturity, respectively, as specified: \$112,500,000—342 months and \$112,500,000—328 months (with respect to all of the GNMA Certificates, the principal only SMBS Certificate will receive 90% of the principal distributions thereon and the interest only SMBS Certificate will receive 100% of the interest distributions thereon); (iv) the Mortgage Loans prepay at the specified *constant* percentages of PSA specified in the related table; (v) the closing date for the sale of the REMIC Certificates is December 30, 1992; and (vi) the first distribution on the REMIC Certificates is made in January 1993.

Characteristics of the Class 67-R and Class 67-RL REMIC Certificates

The Class 67-R and Class 67-RL REMIC Certificates will not have principal balances and will not bear interest. The Holder of the Class 67-R REMIC Certificate will be entitled to receive the

proceeds of the remaining assets of the Trust, if any, after the principal balances of all Classes of REMIC Certificates have been reduced to zero, and the Holder of the Class 67-RL REMIC Certificate will be entitled to receive the proceeds of the remaining assets of the Lower Tier REMIC, if any, after the principal balances of the Lower Tier Interests have been reduced to zero. It is not anticipated that there will be any material assets remaining in either such circumstance.

The Class 67-R and Class 67-RL REMIC Certificates will be subject to certain transfer restrictions. No transfer of record or beneficial ownership in the Class 67-R or Class 67-RL REMIC Certificate (whether pursuant to a purchase, a default under a secured lending agreement or otherwise) will be allowed to a “disqualified organization,” or to any person holding the Class 67-R or Class 67-RL REMIC Certificate on behalf of a disqualified organization. The term “disqualified organization” includes the United States, any State or political subdivision thereof, any foreign government, any international organization, or any agency or instrumentality of the foregoing (other than certain taxable instrumentalities), any cooperative organization furnishing electric energy or providing telephone service to persons in rural areas, or any organization (other than a farmer’s cooperative) that is exempt from federal income tax, unless such organization is subject to tax on unrelated business income. Any transferee of the Class 67-R or Class 67-RL REMIC Certificate must execute and deliver (i) an affidavit stating that neither the transferee nor any person for whose account such transferee is acquiring the Class 67-R or Class 67-RL REMIC Certificate is a disqualified organization, and (ii) an Internal Revenue Service Form W-9 on which the transferee provides its taxpayer identification number. In addition, a pass-through entity (including a nominee) that holds the Class 67-R or Class 67-RL REMIC Certificate may be subject to additional taxes if a disqualified organization is a record holder therein. See “Certain Federal Income Tax Consequences—Sales of Certificates—*Residual Certificates Transferred to or Held by Disqualified Organizations*” herein.

In addition, no transfer of record or beneficial ownership in the Class 67-R or Class 67-RL REMIC Certificate (whether pursuant to a purchase, a default under a secured lending agreement or otherwise) will be allowed to any person that is not a “U.S. Person” without the written consent of Fannie Mae. The term “U.S. Person” means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust that is subject to U.S. federal income tax regardless of the source of its income.

Under the Proposed Regulations (as defined below under the heading “Certain Federal Income Tax Consequences”), a transfer of a “noneconomic residual interest” to a U.S. Person would be disregarded for all federal tax purposes unless no significant purpose of the transfer was to impede the assessment or collection of tax. The Class 67-R or Class 67-RL REMIC Certificate would be treated as constituting a noneconomic residual interest unless, at the time of the transfer, (i) the present value of the expected future distributions on such REMIC Certificate is no less than the product of the present value of the “anticipated excess inclusions” with respect to such Certificate and the highest rate of tax specified in section 11(b)(1) of the Code for the year in which the transfer occurs, and (ii) the transferor reasonably expects that the transferee will receive distributions from the Trust, in the case of a transfer of the Class 67-R REMIC Certificate, or from the Lower Tier REMIC, in the case of a transfer of the Class 67-RL REMIC Certificate, in an amount sufficient to satisfy the liability for income tax on any “excess inclusions” at or after the time when such liability accrues. Anticipated excess inclusions are the excess inclusions that are anticipated to be allocated to each calendar quarter (or portion thereof) following the transfer of the Class 67-R or Class 67-RL REMIC Certificate, determined as of the date such Certificate is transferred and based on events that have occurred as of that date and on the Prepayment Assumption. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” and “—Taxation of Beneficial Owners of Residual Certificates—*Excess*”

Inclusions” herein. Each of the Class 67-R and Class 67-RL REMIC Certificates would constitute a noneconomic residual interest under the Proposed Regulations. Each transferee of the Class 67-R or Class 67-RL REMIC Certificate must also affirm in the affidavit relating to disqualified organizations discussed above that no purpose of the transfer is to avoid or impede the assessment or collection of tax.

The Holder of the Class 67-R REMIC Certificate will be considered to be the holder of the residual interest in the REMIC constituted by the Trust, and the Holder of the Class 67-RL REMIC Certificate 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” herein. Pursuant to the Trust Agreement, Fannie Mae will be obligated to provide to such Holders (i) such information as is necessary to enable them to prepare their federal income tax returns and (ii) any reports regarding the REMIC Certificates that may be required under the Code.

Yield Considerations

General. There can be no assurance that the Mortgage Loans will have the characteristics assumed herein or will prepay at any of the rates assumed herein or at any other particular rate, that the pre-tax yields on the REMIC Certificates will correspond to any of the pre-tax yields shown herein or that the aggregate purchase price will be as assumed. In addition, there can be no assurance that LIBOR will correspond with the levels shown herein. Because the rate of distributions of principal of the REMIC Certificates will be directly related to the amortization (including prepayments) of the Mortgage Loans, which will likely include Mortgage Loans that have remaining terms to maturity shorter or longer than those assumed, the distributions on the REMIC Certificates are likely to differ from those assumed, even if all the Mortgage Loans prepay at the indicated constant percentages of PSA. The rate of distribution of principal of the REMIC Certificates will also be affected by the distribution of a portion of the principal payments (including prepayments) on the Mortgage Loans underlying the GNMA Certificates in the month following the month in which they are received. In addition, it is not likely that the Mortgage Loans will prepay at a *constant* rate until maturity, that all of such Mortgage Loans will prepay at the same rate or that the level of LIBOR will remain constant. The timing of changes in the rate of prepayments or the level of LIBOR may significantly affect the actual yield to maturity to investors, even if the average rate of principal prepayments or the average level of LIBOR is consistent with the expectations of investors. In general, the earlier the payment of principal of the Mortgage Loans or change in the level of LIBOR, the greater the effect on an investor’s yield to maturity. As a result, the effect on an investor’s yield of principal prepayments or the level of LIBOR occurring at a rate or level higher (or lower) than the rate or level anticipated by the investor during the period immediately following the issuance of the REMIC Certificates will not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments or level of LIBOR, as the case may be. Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the REMIC Certificates.

The Class 67-S REMIC Certificates. The table below indicates the sensitivity of the pre-tax corporate bond equivalent yields to maturity of the Class 67-S REMIC Certificates to various constant prepayment rates and to changes in LIBOR. The yields set forth in the table were calculated by determining the monthly discount rates that, when applied to the assumed stream of cash flows to be paid on the Class 67-S REMIC Certificates, would cause the discounted present value of such assumed stream of cash flows to equal the assumed aggregate purchase price of such Class 67-S REMIC Certificates and converting such monthly rates to corporate bond equivalent rates. Such calculations do not take into account variations that may occur in the interest rates at which investors may be able to reinvest funds received by them as distributions on the Class 67-S REMIC Certificates and consequently do not purport to reflect the return on any investment in the Class 67-S REMIC Certificates when such reinvestment rates are considered.

The Class 67-S REMIC Certificates will be interest only certificates and will not have a principal balance. The yield to investors in the Class 67-S REMIC Certificates will be highly sensitive to the level of LIBOR and to the rate of principal payments (including prepayments) of the Mortgage Loans, which generally can be prepaid at any time. As indicated in the table below, a high level of LIBOR will, and a high rate of principal payments (including prepayments) may, have a material negative effect on the yield to investors in the Class 67-S REMIC Certificates. It is possible that, under certain high LIBOR or high prepayment scenarios, investors in the Class 67-S REMIC Certificates would not fully recoup their initial investments.

Changes in LIBOR may not correlate with 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 concurrently with an increased level of LIBOR.

The information set forth in the following table has been prepared on the basis of the Pricing Assumptions and on the assumptions that (i) the interest rate applicable to the Class 67-S REMIC Certificates for each Interest Accrual Period subsequent to the initial 25 Interest Accrual Periods will be based on the level of LIBOR shown and (ii) the aggregate purchase price of the Class 67-S REMIC Certificates (including accrued interest) is \$29,829,713.

**Sensitivity of the Class 67-S REMIC Certificates to Prepayments and LIBOR
(Pre-Tax Yields to Maturity)**

LIBOR	PSA Prepayment Assumption				
	50%	100%	250%	300%	500%
1.18750%	39.7%	36.2%	25.2%	21.4%	5.5%
3.18750%	33.6%	30.1%	19.4%	15.7%	0.1%
5.18750%	26.0%	22.6%	12.2%	8.6%	(6.5)%
7.18750%	15.6%	12.4%	2.4%	(1.1)%	(15.5)%
9.35000%	(41.7)%	(43.9)%	(50.6)%	(52.9)%	(62.5)%

Final Distribution Dates

The Final Distribution Date for REMIC Certificates of a particular Class is the date by which the principal thereof is required to be fully paid and is specified on the cover page. The Final Distribution Dates of the respective Classes of REMIC Certificates have been determined so that distributions on the underlying GNMA Certificates will be sufficient to retire each such Class on or before its Final Distribution Date without the necessity of any call on Fannie Mae under its guaranty of the REMIC Certificates. However, because (i) some prepayments of the Mortgage Loans are likely, and (ii) certain of the Mortgage Loans have terms to maturity that are shorter than the term to maturity assumed in calculating the Final Distribution Dates, the actual final payment of any Class of REMIC Certificates likely will occur earlier, and could occur significantly earlier, than its Final Distribution Date. However, there can be no assurance that the final distribution of principal of any or all Classes of the REMIC Certificates will be earlier than the Final Distribution Date for such Class.

Reinvestment Risk

Because the Mortgage Loans underlying the GNMA Certificates may be prepaid at any time, it is not possible to predict the rate at which distributions of principal of the REMIC Certificates

will be received. Accordingly, since prevailing interest rates are subject to fluctuation, there can be no assurance that investors in the REMIC Certificates will be able to reinvest the distributions thereon at yields equaling or exceeding the yields on the REMIC Certificates. It is possible that yields on any such reinvestment will be lower, and may be significantly lower, than the yields on the REMIC Certificates. Prospective investors in the REMIC Certificates should carefully consider the related reinvestment risks in light of other investments that may be available to such investors. See “Prepayment Considerations and Risks” herein.

Weighted Average Lives of the REMIC Certificates

The weighted average life of a REMIC Certificate is determined by (a) multiplying the amount of the reduction, if any, of the principal balance of such REMIC Certificate from one Distribution Date to the next Distribution Date by the number of years from the date of issuance to the second such Distribution Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the reductions in principal balance of such REMIC Certificate referred to in clause (a).

The weighted average lives of the REMIC Certificates will be influenced by, among other things, the rate at which principal is paid on the Mortgage Loans. In general, the weighted average lives of the REMIC Certificates will be shortened if the level of prepayments of principal of the Mortgage Loans increases. However, the weighted average lives will depend upon a variety of other factors, including the timing of changes in such rate of principal payments. Accordingly, no assurance can be given as to the weighted average life of any Class of REMIC Certificates. Further, to the extent the prices of the REMIC Certificates represent discounts or premiums to their respective original principal balances, variability in the weighted average lives of such Classes of REMIC Certificates could result in variability in the related yields to maturity. For an example of how the weighted average lives of the REMIC Certificates are affected by the foregoing factors at various *constant* prepayment rates, see the Decrement Table below.

Decrement Table

The following table indicates the percentages of the original principal balances of the specified Classes of REMIC Certificates that would be outstanding after each of the dates shown at various *constant* percentages of PSA and the corresponding weighted average lives of such Classes of REMIC Certificates. The table has been prepared on the basis of the Pricing Assumptions, except that with respect to the information set forth under 0% PSA, it has been assumed that each Mortgage Loan underlying the GNMA Certificates bears an interest rate of 10.5% per annum and has an original and remaining term to maturity of 360 months. It is not likely that (i) all of the underlying Mortgage Loans will have the interest rate or remaining term to maturity assumed or (ii) the underlying Mortgage Loans will prepay at a *constant* level of PSA. In addition, a portion of the payments (including prepayments) on the Mortgage Loans will be distributed in the month following the month in which such payments are received. Moreover, the diverse remaining terms to maturity of the Mortgage Loans (which may include recently originated Mortgage Loans) could produce slower or faster principal distributions than indicated in the table at the various *constant* percentages of PSA specified, even if the distribution of the weighted average remaining terms to maturity of the Mortgage Loans is identical to the distribution of the remaining terms to maturity specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

Date	Class 67-F and Class 67-S†				
	PSA Prepayment Assumption				
	0%	100%	250%	300%	500%
Initial Percent	100	100	100	100	100
December 1993	99	94	86	83	72
December 1994	99	87	72	67	50
December 1995	98	81	61	55	35
December 1996	98	76	51	44	24
December 1997	97	70	43	36	17
December 1998	96	65	36	29	12
December 1999	95	61	30	24	8
December 2000	94	56	25	19	5
December 2001	93	52	21	15	4
December 2002	92	48	18	12	3
December 2003	90	44	15	10	2
December 2004	89	40	12	8	1
December 2005	87	37	10	6	1
December 2006	85	33	8	5	1
December 2007	83	30	7	4	*
December 2008	80	27	5	3	*
December 2009	78	24	4	2	*
December 2010	75	22	4	2	*
December 2011	71	19	3	1	*
December 2012	68	17	2	1	*
December 2013	64	14	2	1	*
December 2014	59	12	1	1	*
December 2015	54	10	1	*	*
December 2016	49	8	1	*	*
December 2017	43	6	*	*	*
December 2018	36	4	*	*	*
December 2019	28	2	*	*	*
December 2020	20	*	*	*	*
December 2021	10	0	0	0	0
December 2022	0	0	0	0	0
Weighted Average Life (years)**	21.8	10.9	5.7	4.8	2.8

†In the case of the Class 67-S REMIC Certificates, the Decrement Table indicates the percentage of the original notional principal balance outstanding.

* Indicates an amount above zero and less than 0.5% of the original principal balance is outstanding.

** The weighted average life of a REMIC Certificate is determined as specified under "Weighted Average Lives of the REMIC Certificates" herein.

THE TRUST AGREEMENT

The following summaries describe certain provisions of the Trust Agreement not otherwise summarized in this Prospectus. Certain capitalized terms in these summaries are used as defined in the Trust Agreement. These summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the more complete provisions of the Trust Agreement.

Transfer of the SMBS Certificates to the Lower Tier REMIC

The SMBS Certificates transferred to the Lower Tier REMIC will be identified in a Fannie Mae Security Schedule appearing as an exhibit to the Trust Agreement. The SMBS Certificates will be registered in Fannie Mae's name on the books of a Federal Reserve Bank, and held for the Holders of REMIC Certificates by Fannie Mae in its capacity as Trustee of the Lower Tier REMIC.

Distributions on the SMBS Certificates; Deposits in the Certificate Account

Fannie Mae will deposit or credit to an account (the "Certificate Account") an amount equal to the sum of the distributions of the principal and interest on the SMBS Certificates in the Lower Tier REMIC as such distributions are received. Amounts credited to the Certificate Account as of a Distribution Date will be available to be distributed to Holders on such date to the extent of interest accrued on the REMIC Certificates and principal distributions reflected in the REMIC Trust Factors. Any reinvestment earnings on amounts so deposited will be used by Fannie Mae to pay the expenses of the Trust and will not be included in the calculation of amounts distributable to Certificateholders.

The Trust Agreement permits Fannie Mae as Trustee to maintain the Certificate Account either (i) as a trust account with an eligible depository institution (which account may contain other funds held by Fannie Mae in a trust capacity) or (ii) as part of Fannie Mae's general assets, with appropriate entries being made on its books and records designating the funds and investments credited to the Trust.

As noted above, Fannie Mae, as Trustee, has the option to maintain the Certificate Account as part of its general assets, by making appropriate entries on its books and records designating the funds and investments credited to the Trust. Although Fannie Mae is required to hold all such funds (and, upon deposit in the Certificate Account, the investment of such funds) for the account of Certificateholders in the Trust, the law applicable to a liquidation, reorganization or similar proceeding involving the assets of Fannie Mae is unclear and as a result no opinion can be rendered as to the status of Certificateholders' interest in such funds and investments in the event of any such proceeding.

Reports to Certificateholders

As soon as practicable following the eleventh calendar day of the month in which each Distribution Date occurs, Fannie Mae will publish or otherwise make available the REMIC Trust Factor for each Class of REMIC Certificates after giving effect to the distribution of principal to be made on the following Distribution Date. The certificate principal balance of a REMIC Certificate of any Class after giving effect to such principal distribution will be the product of the applicable REMIC Trust Factor and the applicable denomination or initial certificate principal balance of such REMIC Certificate. With respect to each distribution on REMIC Certificates of each Class, Fannie Mae will cause to be forwarded to each Holder thereof a statement setting forth the total principal distributions on such Distribution Date with respect to the REMIC Certificates in each Class held by such Holder. Fannie Mae also will furnish to each person who was a Certificateholder at any time during a calendar year such statements and information as shall be required to be furnished pursuant to the Code.

Calculations with respect to amounts due to Certificateholders will be made by Fannie Mae or on its behalf by another entity retained specifically for that purpose. Fannie Mae intends initially to retain State Street to perform such calculations on behalf of Fannie Mae. For a description of the manner in which the Principal Distribution Amount for any Distribution Date will be calculated, see “Description of the REMIC Certificates—Distributions of Principal.”

Certain Matters Regarding Fannie Mae

The Trust Agreement provides that Fannie Mae may not resign from its obligations and duties thereunder, except upon determination that those duties are no longer permissible under applicable law. No such resignation will become effective until a successor has assumed Fannie Mae’s obligations and duties under the Trust Agreement; provided, however, that no successor will succeed to Fannie Mae’s guaranty obligations described above. Fannie Mae will continue to be responsible under its guaranty notwithstanding any termination of its other duties and responsibilities under the Trust Agreement. See “Rights Upon Event of Default” below.

The Trust Agreement also provides that neither Fannie Mae nor any director, officer, employee, or agent of Fannie Mae will be under any liability to the Trust or to Certificateholders for any action taken, or for refraining from the taking of any action, in good faith pursuant to the Trust Agreement or for errors in judgment; provided, however, that neither Fannie Mae nor any such person will be protected against any liability that would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of willful disregard of obligations and duties.

In addition, the Trust Agreement provides that Fannie Mae is not under any obligation to appear in, prosecute, or defend any legal action that is not incidental to its responsibilities under the Trust Agreement and that in its opinion may involve it in any expense or liability. Fannie Mae may, however, in its discretion, undertake any such legal action that it may deem necessary or desirable in the interests of the Certificateholders. In such event, the legal expenses and costs of such action will be expenses and costs of Fannie Mae that will be reimbursable to Fannie Mae out of the Trust to the extent funds are available in the Certificate Account after required distributions on the REMIC Certificates are made.

Any corporation into which Fannie Mae may be merged or consolidated, or any corporation resulting from any merger, conversion, or consolidation to which Fannie Mae is a party, or any corporation succeeding to the business of Fannie Mae, will be the successor of Fannie Mae under the terms of the Trust Agreement.

Events of Default

Events of Default under the Trust Agreement will consist of (i) any failure by Fannie Mae to distribute to Holders of REMIC Certificates of any Class any required distribution that continues unremedied for 15 days after the giving of written notice of such failure to Fannie Mae by the Holders of REMIC Certificates representing certificate principal balances aggregating not less than five percent of the aggregate certificate principal balances of all REMIC Certificates of such Class; (ii) any failure by Fannie Mae duly to observe or perform in any material respect any other of its covenants or agreements in the Trust Agreement, which failure continues unremedied for 60 days after the giving of written notice of such failure to Fannie Mae by the Holders of REMIC Certificates of any Class representing certificate principal balances aggregating not less than 25 percent of the aggregate certificate principal balances of all of the REMIC Certificates of such Class; and (iii) certain events of insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings and certain actions by or against Fannie Mae indicating its insolvency, reorganization or inability to pay its obligations.

Rights Upon Event of Default

As long as an Event of Default under the Trust Agreement remains unremedied, the Holders of REMIC Certificates of any Class representing certificate principal balances aggregating not less than 25 percent of the aggregate of the certificate principal balances of all REMIC Certificates of such Class may, in writing, terminate all of the obligations and duties of Fannie Mae as Trustee and in its corporate capacity under the Trust Agreement (other than its guaranty obligations described above, which continue notwithstanding any such termination) and name and appoint, in writing, a successor to succeed to all such responsibilities, duties and obligations of Fannie Mae thereunder (other than Fannie Mae's guaranty obligations) and to the legal title to the SMBS Certificates held in the Lower Tier REMIC.

Amendment

The Trust Agreement may be amended by Fannie Mae and the Trustee without the consent of or notice to any of the Certificateholders, for one or more of the following purposes: (i) to add to the covenants of Fannie Mae; (ii) to evidence the succession of another party or parties to Fannie Mae and the assumption by such successor or successors of the obligations of Fannie Mae thereunder in its corporate capacity or in its capacity as Trustee or in both such capacities; (iii) to eliminate any right reserved to or conferred upon Fannie Mae in its corporate capacity; (iv) to make provisions for the purpose of curing any ambiguity or correcting or supplementing any provision in the Trust Agreement, provided such provisions do not adversely affect the interest of any Certificateholder; or (v) to modify the Trust Agreement to maintain the qualification of the Trust and the Lower Tier REMIC as REMICs under the Code.

The Trust Agreement also may be amended by Fannie Mae, with the consent of the Holders of REMIC Certificates of each Class representing certificate principal balances aggregating not less than 66 percent of the aggregate certificate principal balances of all REMIC Certificates of such Class, to waive compliance by Fannie Mae with any terms of the Trust Agreement, or to allow Fannie Mae to eliminate, change, add to or modify the terms of the Trust Agreement. However, no such waiver or amendment may, without the consent of all Certificateholders, terminate or modify the guaranty obligations of Fannie Mae or reduce the percentages of the REMIC Certificates the Holders of which are required to consent to any waiver or amendments. In addition, no waiver or amendment shall, without the consent of each Certificateholder affected thereby, reduce in any manner the amount of, or delay the timing of, payments received on the SMBS Certificates or other assets in the Trust that are required to be distributed on any REMIC Certificate.

Termination

The Trust will terminate upon the distribution to Certificateholders of all required distributions of the principal of the REMIC Certificates.

GNMA AND THE GNMA PROGRAMS

GNMA

The Government National Mortgage Association ("GNMA") is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development. Section 306(g) of Title III of the National Housing Act of 1934, as amended (the "Housing Act"), authorizes GNMA to guarantee the timely payment of the principal of, and interest on, certificates that are based on and backed by a pool of mortgage loans insured by the FHA under the Housing Act or Title V of the Housing Act of 1949, or partially guaranteed by the VA under the Servicemen's Readjustment Act of 1944, as amended, or Chapter 37 of Title 38, United States Code.

Section 306(g) of the Housing Act provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” To meet its obligations under such guaranties, GNMA is authorized, under Section 306(d) of the Housing Act, to borrow from the United States Treasury with no limitations as to amount.

GNMA Programs

Each GNMA Certificate underlying the REMIC Certificates will be a “fully modified pass-through” mortgage-backed security issued and serviced by a mortgage banking company or other financial concern approved by GNMA as a seller-servicer of loans insured by the FHA and/or loans partially guaranteed by the VA. GNMA Certificates may be issued under either or both of the GNMA I program (“GNMA I Certificates”) and the GNMA II program (“GNMA II Certificates”). The holder of a GNMA Certificate has essentially the same rights with respect to a GNMA Certificate issued under either program. However, there are certain differences between the two programs.

Under the GNMA I program, monthly payments will be made directly by the GNMA issuer to the registered holder of the GNMA I Certificate by the 15th calendar day of each month. Under the GNMA I program an individual GNMA issuer assembles a pool of mortgage loans against which it issues and markets GNMA I Certificates. All mortgage loans underlying a particular GNMA I Certificate must have the same annual interest rate, and the pass-through rate on each GNMA I Certificate will be 0.5% per annum less than the annual interest rate on the mortgage loans included in the pool of mortgage loans backing such GNMA I Certificate.

Under the GNMA II program, monthly payments will be made to the registered holder of the GNMA II Certificate through Chemical Bank, as paying agent, no later than the 20th calendar day of each month. Under the GNMA II program multiple issuer pools may be formed through the aggregation of loan packages of more than one GNMA issuer. Under this option, packages submitted by various GNMA issuers for a particular issue date and pass-through rate are aggregated into a single pool which backs a single issue of GNMA II Certificates. Each GNMA II Certificate issued under a multiple issuer pool is backed by a proportionate interest in the entire pool rather than solely by the loan package contributed by any one GNMA issuer. Single issuer pools also may be formed under the GNMA II program. Mortgages underlying a particular GNMA II Certificate may have annual interest rates that vary from each other by up to 1%, and the pass-through rate on each GNMA II Certificate will be between 0.5% and 1.5% per annum less than the highest annual interest rate on any mortgage loan included in the pool of mortgage loans backing such GNMA II Certificate.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

The following is a discussion of the material anticipated federal income tax consequences to beneficial owners of the purchase, ownership and disposition of the REMIC Certificates offered hereby. The discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. The discussion below does not purport to deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the REMIC Certificates.

On September 27, 1991, the Internal Revenue Service (the "IRS") issued proposed regulations (the "Proposed Regulations") that provide some guidance regarding the federal income tax consequences associated with the purchase, ownership and disposition of the REMIC Certificates. Generally, the Proposed Regulations are proposed to be effective for any REMIC the Closing Date of which is on or after November 12, 1991. While certain material provisions of the Proposed Regulations are discussed below, investors should consult their own tax advisors regarding the possible application of the Proposed Regulations in their specific circumstances. No assurance can be given that final regulations will adopt the provisions of the Proposed Regulations without amendment, nor can any prediction be made as to when such final regulations will be adopted.

REMIC Elections

Elections will be made to treat the Lower Tier REMIC and the Trust as REMICs. Qualification as a REMIC requires ongoing compliance with certain conditions. With respect to the REMIC Certificates, Dewey Ballantine, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that, assuming compliance with the Trust Agreement, the Lower Tier REMIC and the Trust each will be treated as a REMIC for federal income tax purposes. The REMIC Certificates, other than the Class 67-R and Class 67-RL REMIC Certificates, will be designated as the "regular interests," and the Class 67-R REMIC Certificate 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 Class 67-RL REMIC Certificate will be designated as the "residual interest," in the Lower Tier REMIC. The Class 67-R and Class 67-RL REMIC Certificates will be referred to as "Residual Certificates" and the remaining REMIC Certificates will be referred to as "Regular Certificates."

Neither the Lower Tier REMIC nor the Trust will be subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below. See "Taxes on a REMIC Trust" below. Generally, the total income of the SMBS Certificates in the Lower Tier REMIC, and the total income of the Lower Tier Regular Interests held by the Trust, will be taxable to the beneficial owners of the REMIC Certificates, as described below.

Taxation of Beneficial Owners of Regular Certificates

Except as indicated below in this federal income tax discussion, the Regular Certificates will be treated for federal income tax purposes as debt instruments issued by the Trust on the date such Certificates are first sold to the public (the "Closing Date") and not as ownership interests in the Trust or its assets. Beneficial owners of Regular Certificates ("Regular Owners") that otherwise report income under a cash method of accounting will be required to report income with respect to such Certificates under an accrual method.

Original Issue Discount

The Class 67-S REMIC Certificates will be, and the Class 67-F REMIC Certificates may be, issued with "original issue discount" within the meaning of section 1273(a) of the Code. Owners of Regular Certificates should be aware that for federal income tax purposes they must include in gross income original issue discount as it accrues under a method that takes account of the compounding of interest, generally in advance of receipt of the cash attributable to such income. Fannie Mae will supply, at the time and in the manner required by the IRS, to Holders of Regular Certificates, brokers and middlemen information with respect to the original issue discount accruing on such Certificates.

In general, a Regular Certificate will be considered to be issued with original issue discount equal to the excess, if any, of its "stated redemption price at maturity" over its "issue price." The issue price of a Regular Certificate is the initial offering price to the public (excluding bond houses

and brokers) at which a substantial amount of the Regular Certificates was sold. The issue price also includes any accrued interest attributable to the period between the beginning of the first Interest Accrual Period and the Closing Date. The stated redemption price at maturity of the Class 67-S REMIC Certificates is equal to the sum of all distributions to be made under such Certificates. The stated redemption price at maturity of any other Regular Certificate is its stated principal amount, plus an amount equal to the excess (if any) of the interest payable on the first Distribution Date over the interest that accrues for the period from the Closing Date to the first Distribution Date.

Notwithstanding the general definition, original issue discount will be treated as zero in the case of a Regular Certificate if such discount is less than 0.25 percent of the stated redemption price at maturity of such Certificate multiplied by its weighted average life. The weighted average life of a Regular Certificate is apparently computed for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the Certificate, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the Closing Date until the date on which each such distribution is expected to be made under the assumption that the Mortgage Loans underlying the GNMA Certificates prepay at 250 percent PSA (the "Prepayment Assumption") by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the Regular Certificate's stated redemption price at maturity. If original issue discount is treated as zero under this rule, the actual amount of original issue discount must be allocated to the principal distributions on the Regular Certificate and, when each such distribution is received, gain equal to the discount allocated to such distribution will be recognized.

Section 1272(a)(6) of the Code contains special original issue discount rules applicable to the Regular Certificates. Under these rules, (i) it is anticipated that the amount and rate of accrual of original issue discount on the Regular Certificates will be based on (x) the Prepayment Assumption and (y) in the case of a Regular Certificate calling for a variable rate of interest, an assumption that the value of the index upon which such variable rate is based remains the same over the entire life of such Certificate, and (ii) adjustments will be made in the amount of discount accruing in each taxable year in which the actual prepayment rate differs from the Prepayment Assumption.

Section 1272(a)(6)(B)(iii) of the Code requires that the prepayment assumption used to calculate original issue discount be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. The legislative history of this Code provision indicates that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. The Prepayment Assumption for the Regular Certificates is consistent with this standard. Fannie Mae makes no representation, however, that the Mortgage Loans underlying the GNMA Certificates will prepay at the rate reflected in the Prepayment Assumption or at any other rate. Each investor must make its own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the REMIC Certificates.

Each Owner of a Regular Certificate must include in gross income the sum of the "daily portions" of original issue discount on its Regular Certificate for each day during its taxable year on which it held such Certificate. For this purpose, in the case of an original Owner, the daily portions of original issue discount will be determined as follows. A calculation will first be made of the portion of the original issue discount that accrued during each "accrual period," which is a period that ends on a Distribution Date and begins on the day immediately following the preceding accrual period. The period from the Closing Date to the first Distribution Date will constitute a short first accrual period.

The portion of original issue discount treated as accruing for any accrual period will equal the excess, if any, of (i) the sum of (A) the present values of all of the distributions remaining to be

made on the Regular Certificate, if any, as of the end of the accrual period and (B) the distribution made on such Certificate during the accrual period, *over* (ii) the adjusted issue price of such Certificate at the beginning of the accrual period. The present value of the remaining distributions referred to in the preceding sentence will be calculated based on (i) the yield to maturity of the Regular Certificate, calculated as of the Closing Date, giving effect to the Prepayment Assumption, (ii) events (including actual prepayments) that have occurred prior to the end of the accrual period, and (iii) the Prepayment Assumption. The adjusted issue price of a Regular Certificate at the beginning of any accrual period will equal the issue price of such Certificate, increased by the aggregate amount of original issue discount with respect to such Certificate that accrued in prior accrual periods, and reduced by the amount of any distributions, other than “qualified periodic interest payments,” made on such Certificate in prior accrual periods. The term “qualified periodic interest payments” means all payments of interest on a Regular Certificate that are not included in the stated redemption price at maturity of such Regular Certificate, as discussed above. The original issue discount accruing during any accrual period will then be allocated ratably to each day during the period to determine the daily portion of original issue discount.

A subsequent purchaser of a Regular Certificate also will be required to include in gross income for each day on which it holds such Certificate, the daily portion of original issue discount with respect to such Certificate (but reduced, if the cost of such Certificate to such purchaser exceeds its “revised issue price,” by an amount equal to the product of (i) such daily portion and (ii) a constant fraction, the numerator of which is such excess and the denominator of which is the sum of the daily portions of original issue discount on such Certificate for all days on or after the day of purchase). The revised issue price of a Regular Certificate on any given day is equal to the sum of the adjusted issue price of the Regular Certificate at the beginning of the accrual period during which such day occurs and the daily portions of original issue discount for all days during such accrual period prior to such day.

The Class 67-F REMIC Certificates will bear interest during their first twenty-five Interest Accrual Periods at a fixed rate. During all subsequent Interest Accrual Periods, the Class 67-F REMIC Certificates will bear interest at a variable rate that is determined by reference to LIBOR applicable to one-month United States dollar deposits as described in “Description of the REMIC Certificates—Calculation of LIBOR” herein. Fannie Mae intends to treat all interest distributions on the Class 67-F REMIC Certificates as “qualified periodic interest payments.” Under proposed IRS regulations on original issue discount, however, a portion of the interest distributions on the Class 67-F REMIC Certificates may be treated as an amount includible in the stated redemption price at maturity, rather than as qualified periodic interest payments, because the initial fixed rate is not the same as the variable rate would be on the Closing Date.

Certificates Purchased at a Premium

The Class 67-F REMIC Certificates may be treated as having been issued at a premium for federal income tax purposes. A purchaser of a Regular Certificate that purchases such Certificate at a cost greater than its remaining stated redemption price at maturity will be considered to have purchased such Certificate (a “Premium Certificate”) at a premium. Such a purchaser need not include in income any remaining original issue discount and may elect, under section 171(c)(2) of the Code, to treat such premium as “amortizable bond premium.” If a Regular Owner makes such an election, the amount of any interest payment that must be included in such Regular Owner’s income for each period ending on a Distribution Date will be reduced by the portion of the premium allocable to such period based on the Premium Certificate’s yield to maturity. The legislative history of the Tax Reform Act of 1986 states that such premium amortization should be made under principles analogous to those governing the accrual of market discount (as discussed below under “*Market Discount*”). If such election is made by the Regular Owner, the election will also apply to all bonds (as well as all REMIC regular interests) the interest on which is not excludible from gross

income (“fully taxable bonds”) held by the Regular Owner at the beginning of the first taxable year to which the election applies and to all such fully taxable bonds thereafter acquired by it, and is irrevocable without the consent of the IRS. If such an election is not made, (i) such a Regular Owner must include the full amount of each interest payment in income as it accrues, and (ii) the premium must be allocated to the principal distributions on the Premium Certificate and, when each such distribution is received, a loss equal to the premium allocated to such distribution will be recognized. Any tax benefit from the premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the Premium Certificate.

Market Discount

An Owner that purchases a Regular Certificate at a market discount, that is, at a purchase price less than the remaining stated redemption price at maturity of such Certificate, or in the case of a Regular Certificate issued with original issue discount, less than the revised issue price of such Certificate, will be required to allocate each principal distribution first to accrued market discount on the Certificate, and to recognize ordinary income to the extent such distribution does not exceed the aggregate amount of accrued market discount on such Certificate that was not previously included in income. With respect to Regular Certificates that have unaccrued original issue discount, such market discount must be included in income in addition to original issue discount includible under the rules described above under “*Original Issue Discount*.” An Owner that incurs or continues indebtedness to acquire a Regular Certificate at a market discount may also be required to defer the deduction of all or a portion of the interest on such indebtedness until the corresponding amount of market discount is included in income. In general terms, market discount on a Regular Certificate may be treated as accruing either (i) under a constant yield method, taking into account the Prepayment Assumption, or (ii) in proportion to remaining accruals of original issue discount, if any, or if none, in proportion to remaining distributions of interest on the Regular Certificate. Fannie Mae will make available, as required by the IRS, to Holders of Regular Certificates information necessary to compute the accrual of market discount under the second of these two methods.

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

Taxation of Beneficial Owners of Residual Certificates

Daily Portions

Except as indicated below, a beneficial owner of a Residual Certificate (a “Residual Owner”) for a REMIC trust generally will be required to report its daily portion of the taxable income or net loss of the REMIC trust for each day during a calendar quarter that the Residual Owner owned such Residual Certificate. For this purpose, the daily portion shall be determined by allocating to each day in the calendar quarter its ratable portion of the taxable income or net loss of the REMIC trust for such quarter and by allocating the amount so allocated among the Residual Owners (on such day) in accordance with their percentage interests on such day. Any amount included in the gross income or allowed as a loss of any Residual Owner by virtue of this paragraph will be treated as ordinary income or loss.

The requirement that each Residual Owner report its daily portion of the taxable income or net loss of a REMIC trust will continue until there are no regular interests outstanding, even though the Residual Owner may have received full payment of its stated interest and principal.

Taxable Income or Net Loss of a REMIC Trust

The taxable income or net loss of a REMIC trust will be the income from the “qualified mortgages” it holds and any reinvestment earnings less deductions allowed to the REMIC trust. In the case of the Trust, the qualified mortgages are the Lower Tier Regular Interests. In the case of the Lower Tier REMIC, the qualified mortgages are the SMBS Certificates. Such taxable income or net loss for a given calendar quarter will be determined in the same manner as for an individual having the calendar year as his taxable year and using the accrual method of accounting, with certain modifications. The first modification is that a deduction will be allowed for accruals of interest (including any original issue discount, but without regard to the investment interest limitation in section 163(d) of the Code) on the regular interests in a REMIC trust (but not the residual interest in the trust), even though regular interests are, for non-tax purposes, certificates of beneficial ownership rather than indebtedness of the trust. Second, market discount or premium equal to the difference between the total stated principal balance of the qualified mortgages and the basis to the REMIC trust therein (which is the sum of the aggregate fair market value on the Closing Date, or earlier time if provided by Treasury regulations, of the regular and residual interests) generally will be included in income (in the case of discount) or deductible (in the case of premium) by the REMIC trust as it accrues under a constant yield method, taking into account the Prepayment Assumption. Third, no item of income, gain, loss or deduction allocable to a prohibited transaction (see “Taxes on a REMIC Trust—*Prohibited Transactions*” below) will be taken into account. Fourth, a REMIC trust generally may not deduct any item that would not be allowed in calculating the taxable income of a partnership by virtue of section 703(a)(2) of the Code. Finally, the limitation on miscellaneous itemized deductions imposed on individuals by section 67 of the Code will not be applied at the REMIC trust level to any administrative fees, such as servicing and guaranty fees. (See, however, “*Pass-Through of Servicing and Guaranty Fees to Individuals*” below.) In addition, under the Proposed Regulations, any expenses that are incurred in connection with the formation of a REMIC trust and the issuance of Regular and Residual Certificates are not treated as expenses of the REMIC trust for which a deduction is allowed. Moreover, the Proposed Regulations provide that a REMIC trust is not allowed a deduction for expenses and interest allocable to tax-exempt income, as determined under section 265(b)(2) of the Code without regard to section 265(b)(3) of the Code. If the deductions allowed to a REMIC trust exceed its gross income for a calendar quarter, such excess will be the net loss for the REMIC trust for that calendar quarter. The Proposed Regulations also provide that any gain or loss to a REMIC trust from the disposition of any asset, including a qualified mortgage or “permitted investment” (as defined in section 860G(a)(5) of the Code) will be treated as ordinary gain or loss.

A Residual Owner may be required to recognize taxable income for a given period without being entitled to receive a corresponding amount of cash. This will occur if the accrual of original issue discount on the qualified mortgages in a REMIC trust for that period exceeds the REMIC trust’s deduction for accrued original issue discount on the regular interests in the trust by an amount that exceeds the principal distribution on the residual interest in the trust for that period. Taxable income may also be greater in earlier years as a result of the fact that interest expense deductions, expressed as a percentage of the outstanding principal amount of the regular interests in a REMIC trust, may increase over time as the earlier classes of regular interests are paid, whereas interest income with respect to any given Mortgage Loan underlying a GNMA Certificate, expressed as a percentage of the outstanding principal amount of that Mortgage Loan, will remain constant over time.

Under the proposed IRS regulations relating to original issue discount, the Lower Tier Regular Interests would be treated as a single debt instrument for original issue discount purposes because they were issued to the Trust in a single transaction. Although there can be no assurance that final regulations will apply this aggregation rule to the Lower Tier Regular Interests, Fannie Mae intends to calculate the taxable income (or net loss) of the Trust and of the Lower Tier REMIC (and to report to the Class 67-R and Class 67-RL Certificateholders) by treating the Lower Tier Regular Interests as a single debt instrument. A failure of the Lower Tier Regular Interests to qualify as a single debt instrument for original issue discount purposes could have a material adverse impact on the beneficial owner of the Class 67-RL REMIC Certificate.

Basis Rules and Distributions

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

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

Excess Inclusions

Any "excess inclusions" with respect to a Residual Certificate are subject to certain special tax rules. With respect to a Residual Owner, the excess inclusion for any calendar quarter is defined as the excess (if any) of the daily portions of taxable income over the sum of the "daily accruals" for each day during such quarter that such Residual Certificate was held by such Residual Owner. The daily accruals are determined by allocating to each day during a calendar quarter its ratable portion of the product of the "adjusted issue price" of the Residual Certificate at the beginning of the calendar quarter and 120 percent of the "federal long-term rate" in effect on the Closing Date, based on quarterly compounding, and properly adjusted for the length of such quarter. For this purpose, the adjusted issue price of a Residual Certificate as of the beginning of any calendar quarter is equal to the issue price of the Residual Certificate, increased by the amount of daily accruals for all prior quarters and decreased by any distributions made with respect to such Residual Certificate before the beginning of such quarter. The issue price of a Residual Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Residual Certificates was sold. The federal long-term rate is a blend of current yields on Treasury securities having a maturity of more than nine years, computed and published monthly by the IRS. With respect to the REMIC Certificates, 120% of the federal long-term rate based on quarterly compounding that will be in effect on the Closing Date is 8.56%.

For Residual Owners that are organizations to which section 593 of the Code applies, income from a Residual Certificate generally may be offset by losses from other activities. Under the Proposed Regulations, such an organization is treated as having applied its allowable deductions for the year first to offset income that is not an excess inclusion and then to offset that portion of its income that is an excess inclusion. For other Residual Owners, any excess inclusions cannot be offset by losses from other activities. For Residual Owners that are subject to tax only on unrelated

business taxable income (as defined in section 511 of the Code), an excess inclusion of such Residual Owner is treated as unrelated business taxable income. With respect to variable contracts (within the meaning of section 817 of the Code), a life insurance company cannot adjust its reserve to the extent of any excess inclusion, except as provided in regulations. The Proposed Regulations indicate that if a Residual Owner is a member of an affiliated group filing a consolidated income tax return, the taxable income of the affiliated group cannot be less than the sum of the excess inclusions attributable to all residual interests in REMICs held by members of the affiliated group. For a discussion of the effect of excess inclusions on certain foreign investors that own Residual Certificates, see “Foreign Investors—*Residual Certificates*” below.

The Proposed Regulations provide that an organization to which section 593 of the Code applies and which is the beneficial owner of any Residual Certificate may not use its allowable deductions to offset any excess inclusions with respect to such Certificate if such Certificate does not have “significant value.” For this purpose, the Class 67-R REMIC Certificate would have significant value under the Proposed Regulations if (i) its issue price would be at least 2% of the aggregate issue prices of all the REMIC Certificates (other than the Class 67-RL REMIC Certificate) and (ii) its “anticipated weighted average life” would be at least 20% of the “anticipated life” of the Trust. Similarly, the Class 67-RL REMIC Certificate would have significant value if (i) its issue price would be at least 2% of the aggregate issue prices of the Lower Tier Interests and (ii) its anticipated weighted average life would be at least 20% of the anticipated life of the Lower Tier REMIC. The anticipated weighted average lives of the Residual Certificates are based on the Prepayment Assumption and are determined as described in “Description of the REMIC Certificates—Weighted Average Lives of the REMIC Certificates” herein, and the anticipated life of the Trust and the Lower Tier REMIC is the period of time that the Trust and the Lower Tier REMIC are expected to be in existence, based on the Prepayment Assumption. The Class 67-R and Class 67-RL REMIC Certificates, respectively, will not satisfy either requirement discussed above. Thus, under the Proposed Regulations, neither the Class 67-R nor the Class 67-RL REMIC Certificate would have significant value, the result of which would be to prevent an organization to which section 593 of the Code applies and which is the beneficial owner of the Class 67-R or Class 67-RL REMIC Certificate from using its allowable deductions to offset any excess inclusions with respect to such Certificate.

The Treasury Department also has the authority to issue regulations that would treat all taxable income of the Trust (or the Lower Tier REMIC) as excess inclusions if the Class 67-R (or Class 67-RL) REMIC Certificate does not have “significant value.” The Conference Report issued in connection with the Tax Reform Act of 1986 states that Treasury regulations should take into account the value of the residual interest relative to the aggregate value of all the regular and residual interests in the REMIC trust and that the value of the residual interest would be considered “significant” in cases where such value is at least 2% of the combined value of the regular and residual interests in the REMIC trust. Although the Treasury Department did not exercise this authority in the Proposed Regulations, future regulations may contain such a rule. If such a rule were adopted, it is unclear whether the test for “significant value” that is contained in the Proposed Regulations and discussed in the preceding paragraph would be applicable. If no such rule is applicable, excess inclusions should be calculated as discussed above. The determination of the amount of excess inclusions with respect to the Residual Certificates, as described above, may affect Residual Owners for certain other tax purposes, as described below. See “Foreign Investors—*Residual Certificates*” below. The federal income tax consequences of any consideration paid to a transferee on the transfer of the Class 67-R or Class 67-RL REMIC Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

In the case of any Residual Certificates that are held by a real estate investment trust, the aggregate excess inclusions with respect to such Residual Certificates reduced (but not below zero)

by the real estate investment trust taxable income (within the meaning of section 857(b)(2) of the Code, excluding any net capital gain) will be allocated among the shareholders of such trust in proportion to the dividends received by such shareholders from such trust, and any amount so allocated will be treated as an excess inclusion with respect to a Residual Certificate as if held directly by such shareholder. Similar rules will apply in the case of regulated investment companies, common trust funds and certain cooperatives that hold a Residual Certificate.

Pass-Through of Servicing and Guaranty Fees to Individuals

A Residual Owner who is an individual will be required to include in income a share of the administrative fees of a REMIC trust. A deduction for such fees will be allowed to such Owner only to the extent that such fees, along with certain of such Owner's other miscellaneous itemized deductions exceed 2% of such Owner's adjusted gross income. In addition, a Residual Owner may not be able to deduct any portion of such fees in computing such Residual Owner's alternative minimum tax liability. A Residual Owner's share of such fees will generally be determined by (i) allocating the amount of such expenses for each calendar quarter on a pro rata basis to each day in the calendar quarter, and (ii) allocating the daily amount among the Owners in proportion to their respective holdings on such day.

Special Tax Attributes

Regular and Residual Certificates will be "regular or residual interests in a REMIC" within the meaning of section 7701(a)(19)(C)(xi) of the Code, "qualifying real property loans" within the meaning of section 593(d) of the Code and "real estate assets" within the meaning of section 856(c)(5)(A) of the Code. If at any time during a calendar year qualified mortgages represent less than 95 percent of the assets of a REMIC trust, then the portion of the Regular and Residual Certificates that are qualifying assets under those sections during such calendar year may be limited to the portion of the assets of such trust represented by the qualified mortgages. Similarly, income on the Regular and Residual Certificates will be treated as "interest on obligations secured by mortgages on real property" within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. Regular and Residual Certificates held by a financial institution to which section 585, 586 or 593 of the Code applies will be treated as evidences of indebtedness for purposes of section 582(c)(1) of the Code. Regular Certificates will also be "qualified mortgages" within the meaning of section 860G(a)(3) of the Code with respect to other REMICs.

Taxes on a REMIC Trust

Prohibited Transactions

The Code imposes a tax on a REMIC equal to 100 percent of the net income derived from "prohibited transactions." In general, a prohibited transaction means the disposition of all or a portion of the qualified mortgages in a REMIC trust other than pursuant to certain specified exceptions, the receipt of investment income from a source other than the qualified mortgages or certain other permitted investments, the receipt of compensation for services, or the disposition of an asset purchased with the payments on the qualified mortgages for temporary investment pending distribution on the regular and residual interests in a REMIC trust.

Contributions to a REMIC after the Startup Day

The Code imposes a tax on a REMIC equal to 100 percent of the value of any property contributed to the REMIC after the "startup day" (generally the same as the Closing Date). Exceptions are provided for cash contributions to a REMIC (i) during the three month period

beginning on the startup day, (ii) made to a qualified reserve fund by a Residual Certificateholder, (iii) in the nature of a guarantee, (iv) made to facilitate a qualified liquidation or clean-up call, and (v) as otherwise permitted by Treasury regulations.

Net Income from Foreclosure Property

The Code imposes a tax on a REMIC equal to the highest corporate rate on “net income from foreclosure property.” The terms “foreclosure property” and “net income from foreclosure property” are defined by reference to the rules applicable to real estate investment trusts. Generally, property acquired by deed in lieu of foreclosure would be also treated as foreclosure property for a period of two years, with possible extensions. Net income from foreclosure property generally means gain from the sale of foreclosure property that is inventory property and gross income from foreclosure property other than qualifying rents and other qualifying income for a real estate investment trust.

Application to the REMIC Trusts

It is not anticipated that the Trust or Lower Tier REMIC will engage in any transactions that will give rise to a tax on the Trust or Lower Tier REMIC. In any event, pursuant to its guaranty obligations, Fannie Mae will make distributions on Regular Certificates and Residual Certificates without offset or deduction for any tax imposed on the Trust or Lower Tier REMIC.

Sales of Certificates

In General

Except as provided below, if a Regular or Residual Certificate is sold, the seller will recognize gain or loss equal to the difference between the amount realized in the sale and its adjusted basis in the Certificate. The adjusted basis of a Regular Certificate generally will equal the cost of such Certificate to the seller, increased by any original issue discount or market discount included in the seller’s gross income with respect to such Certificate and reduced by distributions on such Certificate previously received by the seller of amounts included in the stated redemption price at maturity. The adjusted basis of a Residual Certificate is determined as described above under “Taxation of Beneficial Owners of Residual Certificates—*Basis Rules and Distributions.*” Except as provided in the following paragraph or under section 582(c) of the Code, any such gain or loss will be capital gain or loss, provided such Certificate is held as a “capital asset” (generally, property held for investment) within the meaning of section 1221 of the Code.

Gain from the sale of a Regular Certificate that might otherwise be capital gain will be treated as ordinary income to the extent that such gain does not exceed the excess, if any, of (i) the amount that would have been includible in the income of the Regular Owner had income accrued at a rate equal to 110 percent of the “applicable Federal rate” (generally, an average of current yields on Treasury securities) as of the date of purchase over (ii) the amount actually includible in such Regular Owner’s income. In addition, gain recognized on such a sale by a Regular Owner who purchased a Regular Certificate at a market discount would also be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period such Certificate was held by such Regular Owner, reduced by any market discount includible in income under the rules described above under “Taxation of Beneficial Owners of Regular Certificates—*Market Discount.*”

If a Residual Owner sells its Residual Certificate at a loss, the loss will not be recognized if, within six months before or after the sale of the Residual Certificate, such Residual Owner purchases another residual interest in any REMIC or any interest in a taxable mortgage pool (as

defined in section 7701(i) of the Code) comparable to a residual interest in a REMIC. Such disallowed loss would be allowed upon the sale of the other residual interest (or comparable interest) if the rule referred to in the preceding sentence does not apply to that sale. While this rule may be modified by Treasury regulations, no such regulations have yet been published.

Certain restrictions affecting the transfer of Residual Certificates are discussed above under the heading “Description of the REMIC Certificates—Characteristics of the Class 67-R and Class 67-RL REMIC Certificates.”

Residual Certificates Transferred to or Held by Disqualified Organizations

Section 860E(e) of the Code imposes a substantial tax, payable by the transferor (or, if a transfer is through a broker, nominee, or other middleman as the transferee’s agent, payable by that agent) upon any transfer of a Residual Certificate to a “disqualified organization” and upon a pass-through entity (including regulated investment companies, real estate investment trusts, common trust funds, partnerships, trusts, estates, certain cooperatives, and nominees) that owns a Residual Certificate if such pass-through entity has a disqualified organization as a record holder. For purposes of the preceding sentence, a transfer includes any transfer of record or beneficial ownership, whether pursuant to a purchase, a default under a secured lending agreement or otherwise. The term “disqualified organization” is defined herein under “Description of the REMIC Certificates—Characteristics of the Class 67-R and Class 67-RL REMIC Certificates.”

A transferor of a Residual Certificate (or an agent of a transferee of a Residual Certificate, as the case may be) will be relieved of such tax liability if (i) the transferee furnishes to the transferor (or the transferee’s agent) an affidavit that the transferee is not a disqualified organization, and (ii) the transferor (or the transferee’s agent) does not have actual knowledge that the affidavit is false at the time of the transfer. Similarly, no such tax will be imposed on a pass-through entity for a period with respect to an interest therein owned by a disqualified organization if (i) the record holder of such interest furnishes to the pass-through entity an affidavit that it is not a disqualified organization, and (ii) during such period, the pass-through entity has no actual knowledge that the affidavit is false.

Termination

In general, no special tax consequences will apply to a Regular Owner upon the termination of a REMIC trust by virtue of the final payment of principal of the qualified mortgages held by the REMIC trust. If a Residual Owner’s adjusted basis in its Residual Certificate at the time such termination occurs exceeds the amount of cash distributed to such Residual Owner in liquidation of its interest, then, although the matter is not entirely free from doubt, it would appear that the Residual Owner is entitled to a loss equal to the amount of such excess.

Reporting and Other Administrative Matters

For purposes of the administrative provisions of the Code, each REMIC trust will be treated as a partnership and the Residual Owners will be treated as partners in the respective trust. Fannie Mae will prepare, sign and file federal income tax returns for each REMIC trust, which returns are subject to audit by the IRS. Moreover, within a reasonable time after the end of each calendar year, Fannie Mae will furnish to each Holder that received a distribution during such year a statement setting forth the portions of any such distributions that constitute interest distributions, original issue discount and such other information as is required by Treasury regulations and, with respect to Holders of Residual Certificates, information necessary to compute the daily portions of the taxable income (or net loss) of each REMIC trust for each day during such year. Fannie Mae will also act as the tax matters partner for each REMIC trust, either in its capacity as an Owner of

a Residual Certificate or in a fiduciary capacity. Each Residual Owner, by the acceptance of its Residual Certificate, agrees that Fannie Mae will act as its fiduciary in the performance of any duties required of it in the event that it is the tax matters partner.

Each Residual Owner is required to treat items on its return consistently with the treatment on the return of each REMIC trust in which it holds an interest, unless the Residual Owner either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the trust. The IRS may assert a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the trust level. Fannie Mae does not intend to register either REMIC trust as a tax shelter pursuant to section 6111 of the Code.

Backup Withholding

Distributions of interest and principal, as well as distributions of proceeds from the sale of Regular and Residual Certificates, may be subject to the “back-up withholding tax” under section 3406 of the Code at a rate of 31 percent (20 percent in the case of distributions made before January 1, 1993) if recipients of such distributions fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a distribution to a recipient would be allowed as a credit against such recipient’s federal income tax. Furthermore, certain penalties may be imposed by the IRS on a recipient of distributions that is required to supply information but that does not do so in the proper manner.

Foreign Investors

Regular Certificates

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

“U.S. Person” means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust that is subject to U.S. federal income tax regardless of the source of its income.

Residual Certificates

Amounts distributed to a Residual Owner that is a Non-U.S. Person generally will be treated as interest for purposes of applying the 30 percent (or lower treaty rate) withholding tax on Non-U.S. Persons with respect to income on its Residual Certificate that is not effectively connected with a U.S. trade or business. The Treasury Department has adopted temporary regulations that clarify that amounts distributed on the Class 67-R REMIC Certificate that do not constitute an excess

inclusion will qualify as “portfolio interest” within the meaning of section 871(h) of the Code, subject to the conditions described above under “Foreign Investors—*Regular Certificates*.” The regulations further clarify that such distributions on the Class 67-RL REMIC Certificate also will qualify, subject to the same conditions, as “portfolio interest,” but only to the extent that the Mortgage Loans were issued after July 18, 1984. The portion of any such distribution that does not constitute an “excess inclusion” will be exempt from the 30 percent (or lower treaty rate) withholding tax. In no case will any portion of the taxable income of a REMIC trust that constitutes an excess inclusion be entitled to any exemption from the withholding tax or a reduced treaty rate for withholding. See “Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*.”

ERISA CONSIDERATIONS

The Department of Labor issued a final regulation on November 13, 1986, which provides that in the case where an employee benefit plan (“plan”) subject to the Employee Retirement Income Security Act of 1974 (“ERISA”) acquires a “guaranteed governmental mortgage pool certificate” then, for purposes of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of the Code, the plan’s assets include the certificate and all of its rights with respect to such certificate under applicable law, but do not, solely by reason of the plan’s holding of such certificate, include any of the mortgages underlying such certificate. Under the regulation, the term “guaranteed governmental mortgage pool certificate” is specifically defined to include a certificate “backed by, or evidencing an interest in specified mortgages or participation interests therein” and with respect to which interest and principal payable pursuant to the certificate are guaranteed by Fannie Mae. The effect of such regulations is to make clear that the sponsor (that is, the entity that organizes and services the trust, in this case Fannie Mae), the trustee, and other persons, in providing services with respect to the assets in the trust, would not be subject to the fiduciary responsibility provisions of Title I of ERISA, nor be subject to the prohibited transaction provisions of Section 4975 of the Code, merely by reason of the plan’s investment in a certificate. At the time this Labor Department regulation was originally issued, certificates similar to the REMIC Certificates were not in existence. However, Fannie Mae has been advised by its counsel, Brown & Wood, that the REMIC Certificates should qualify as “guaranteed governmental mortgage pool certificates,” and thus the acquisition and holding of the REMIC Certificates by plans should not be prohibited either by ERISA or related provisions of the Code.

LEGAL INVESTMENT CONSIDERATIONS

Institutions whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investment in certain Classes of the REMIC Certificates. Any financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration or other federal or state agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing the REMIC Certificates. Financial institutions should review and consider the applicability of the Federal Financial Institutions Examination Council Supervisory Policy Statement on Securities Activities (to the extent adopted by their respective federal regulators), which, among other things, set forth guidelines for investing in certain types of mortgage related securities, including securities such as the REMIC Certificates. In addition, financial institutions should consult their regulators concerning the risk-based capital treatment of any REMIC Certificate. Investors should consult their own legal advisors in determining whether and to what extent the REMIC Certificates constitute legal investments or are subject to restrictions on investment.

The REMIC Certificates will be “securities issued or guaranteed by . . . the Federal National Mortgage Association” within the meaning of the Secondary Mortgage Market Enhancement Act of 1984. Accordingly, subject to general considerations governing investment practices and as noted above, investors whose investments are governed by state law may purchase, hold or invest in the REMIC Certificates to the same extent that they are authorized to invest in obligations issued by or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. In addition, many entities whose investments are governed by federal law (including national banks, federal savings and loan associations, federal savings banks and federal credit unions) are specifically authorized to purchase, hold and invest in Fannie Mae’s Guaranteed Mortgage Pass-Through Certificates. Subject to general considerations governing investment practices and to the matters noted above, the REMIC Certificates will be treated identically for such purposes for such entities. Investors should consult their own legal advisors in determining whether and to what extent the REMIC Certificates constitute legal investments or are subject to restrictions on investment.

MARGINABILITY

The REMIC Certificates are “exempted securities” for purposes of the margin rules of the Board of Governors of the Federal Reserve System and the New York Stock Exchange. Such rules do not, however, specify the collateral value which participants in particular transactions will accord any Class of REMIC Certificates.

PLAN OF DISTRIBUTION

General. Morgan Stanley proposes to offer the REMIC Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. Morgan Stanley may effect such transactions to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from any purchaser of such REMIC Certificates, for whom they may act as agents.

Increase in REMIC Certificates. Fannie Mae and Morgan Stanley may agree to offer hereby REMIC Certificates in addition to those contemplated as of the date hereof. In such event, the GNMA Certificates, the Mega Certificate and the principal only SMBS Certificate and interest only SMBS Certificate, will be increased in principal amount, but it is expected that all additional GNMA Certificates, Mega Certificates and SMBS Certificates will have the same characteristics as described herein under “Description of the REMIC Certificates—The GNMA Certificates” and “—the Mega Certificate and the SMBS Certificates.” The proportion that the original principal balance of each Class of REMIC Certificates bears to the aggregate original principal balance of all the REMIC Certificates will remain the same.

LEGAL MATTERS

Any purchaser of the REMIC Certificates will be furnished upon request an opinion by the General Counsel or Deputy General Counsel of Fannie Mae as to the validity of the REMIC Certificates and the Trust Agreement.

Certain legal matters will be passed upon for Morgan Stanley by Brown & Wood; Brown & Wood also performs legal services for Fannie Mae.

No dealer, salesman or other person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the REMIC Certificates offered hereby in any state to any person to whom it is unlawful to make such offer or solicitation in such state. The delivery of this Prospectus at any time does not imply that the information contained herein or therein is correct as of any time subsequent to the date hereof.

\$202,500,000

***Federal National
Mortgage Association***



***Guaranteed REMIC
Pass-Through Certificates***

Fannie Mae REMIC 1992-G67

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PROSPECTUS

MORGAN STANLEY & CO.
Incorporated

December 8, 1992
