

PROSPECTUS

\$230,819,200⁽¹⁾
Federal National Mortgage Association



Swap Trust 1993-003

FIRST CLASSSM Certificates

The Floating Interest Rate Swap Trust ClassSM Certificates (the "FIRST CLASSSM Certificates" or the "Certificates") will represent beneficial ownership interests in a trust (the "Trust") to be created by the Federal National Mortgage Association ("Fannie Mae"). The trustee of the Trust will be Fannie Mae (in that capacity, the "Trustee").

The assets of the Trust will include principally the following:

- The ownership interest in, and the right to receive principal and interest payments on, the \$230,819,200 original principal balance of Fannie Mae's Guaranteed REMIC Pass-Through Certificates, Fannie Mae REMIC Trust 1993-168, J Class Certificates, which bear interest at a fixed interest rate of 8.75% per annum (the "J Class Certificates"). The J Class Certificates are described in the documents that are attached to this Prospectus. The Trust will pledge the J Class Certificates to Credit Suisse Financial Products, an unlimited liability company incorporated under the laws of England and Wales ("CSFP"), as security for the Trust's obligations under a swap agreement (the "Swap Agreement") between the Trust and CSFP.
- The right to receive certain floating rate interest payments under the Swap Agreement. Under the Swap Agreement, the Trust will be obligated to make certain fixed rate interest payments to CSFP.
- A security interest in a reserve fund (the "Reserve Fund"). CSFP will establish the Reserve Fund and pledge it to the Trust as partial security for CSFP's obligations under the Swap Agreement. The Trust may use a portion of the payments received on the J Class Certificates to prepay its obligations under the Swap Agreement by making deposits into the Reserve Fund. The Trust will make such deposits to the extent, if any, necessary to maintain the level of the Reserve Fund at the "Reserve Target Balance" described in this Prospectus. Amounts on deposit in the Reserve Fund will be released from time to time to CSFP or to the Trust for the benefit of "Certificateholders" as described in this Prospectus.

Fannie Mae will make payments on the Certificates on each monthly "Distribution Date," beginning in October 1993 and ending on the date of liquidation of the Trust. Except in the case of a liquidation payment as described under "Termination" in this Prospectus, payments on the Certificates will include (i) interest, calculated on a declining "Scheduled Balance" described in this Prospectus, at the "Floating Interest Rate" specified below and (ii) payments received on the J Class Certificates, to the extent not required to be paid to CSFP or deposited into the Reserve Fund as described in this Prospectus. Fannie Mae, in its corporate capacity, guarantees to each Certificateholder the timely payment of all amounts due on the Certificates as described in this Prospectus.

The Swap Agreement will terminate by its terms in October 1997. It is subject to earlier termination under the circumstances described under "Termination" in this Prospectus. Upon a termination, the Trust will be liquidated on the earliest practicable Distribution Date and the Trustee will distribute to the Certificateholders (i) their proportionate interests in the outstanding J Class Certificates, if any, owned by the Trust at that time, (ii) the amount, if any, then on deposit in the Reserve Fund to the extent not required to be paid to CSFP under the terms of the Swap Agreement and (iii) any applicable swap breakage fee owed by CSFP. Such distribution will be made after the payment to CSFP, from the Reserve Fund and the assets of the Trust (including, if necessary, collections on and proceeds from the sale of J Class Certificates), of any applicable swap breakage fee owed by the Trust.

Each Certificateholder will have the irrevocable option (the "Exchange Option") during prescribed periods, upon proper notice and subject to the payment of any applicable swap breakage fee owed to CSFP and an administrative fee owed to the Trustee, to exchange the Certificateholder's Certificates, in whole or in part, for a proportionate interest in the outstanding J Class Certificates, if any, owned by the Trust at that time, a proportionate interest in the amount, if any, then on deposit in the Reserve Fund and the amount of any applicable swap breakage fee owed by CSFP.

Investors should read this Prospectus in conjunction with the documents listed at the bottom of page 2.

THE CERTIFICATES, TOGETHER WITH ANY INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES. THE OBLIGATIONS OF FANNIE MAE UNDER ITS GUARANTY OF THE CERTIFICATES ARE OBLIGATIONS SOLELY OF FANNIE MAE AND DO NOT CONSTITUTE AN OBLIGATION OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY THEREOF OTHER THAN FANNIE MAE. THE 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 Scheduled Balance(1)	Floating Interest Rate	CUSIP Number	Final Distribution Date(2)
FIRST CLASS SM Certificates	\$230,819,200	(3)	31359DVQ3	October 1997

(1) Equals the original principal balance of the J Class Certificates and does not necessarily represent principal payable to Certificateholders. Subject to increase as described under "Plan of Distribution" in this Prospectus.

(2) The method by which the Final Distribution Date was determined is described under "General Information—Final Distribution Dates" in this Prospectus.

(3) Except as described under "Termination" in this Prospectus, Certificateholders will receive interest, calculated on the Scheduled Balance, at a per annum rate (not greater than 11%) equal to (i) the London interbank offered quotation for one-month deposits in U.S. dollars, as found on Telerate page 3750 on each monthly "Rate Determination Date" and as further described in this Prospectus ("LIBOR"), plus (ii) 0.30%. The Floating Interest Rate applicable to the first Distribution Date will be 3.4875% per annum. Certificateholders will receive other amounts as described under "Payments—Certificate Payment Amount" in this Prospectus.

The Certificates are being offered by The First Boston Corporation ("First Boston") and Utendahl Capital Partners, L.P. ("Utendahl") directly to the public from time to time for sale in negotiated transactions at varying prices to be determined at the time of sale, plus accrued interest from September 1, 1993 at the rate of 8.75% per annum. The Certificates are so offered when, as and if issued, subject to delivery by Fannie Mae and receipt and acceptance by First Boston and Utendahl and subject to First Boston's and Utendahl's right to reject any order in whole or in part. It is expected that the Certificates will be available through the book-entry system of the Federal Reserve Banks on or about September 30, 1993 (the "Settlement Date").

CS First Boston

Utendahl Capital Partners, L.P.

Dated July 28, 1993

THE CERTIFICATES ARE NOT SUITABLE INVESTMENTS FOR ALL INVESTORS. IN PARTICULAR, NO INVESTOR SHOULD PURCHASE CERTIFICATES UNLESS THE INVESTOR UNDERSTANDS AND IS ABLE TO BEAR THE ASSOCIATED PREPAYMENT, YIELD, LIQUIDITY AND TAX RISKS AND THE RISKS ASSOCIATED WITH THE SWAP AGREEMENT.

The yield of a Certificate will depend upon its purchase price, the rate of principal payments on the J Class Certificates, which will depend upon the principal payment rate and characteristics of the mortgage loans underlying the J Class Certificates (the “Mortgage Loans”), the level of LIBOR, and whether or not the Trust is terminated early. The Mortgage Loans are subject to prepayment at any time without penalty. Mortgage prepayment rates are likely to fluctuate significantly from time to time, as is the level of LIBOR. Investors should consider the associated risks, including:

- Fast rates of principal payments on the J Class Certificates (especially rates that cause the actual outstanding principal balance of the J Class Certificates to be significantly lower than the Scheduled Balance and result in payments into the Reserve Fund) can reduce or delay payments on the Certificates and, thus, reduce their yields under certain prepayment scenarios.
- Low levels of LIBOR can reduce the yields of the Certificates.
- Small differences in the characteristics of the Mortgage Loans can affect the payment behavior of the J Class Certificates and, thus, of the Certificates.
- Investors that choose to exercise the Exchange Option could be required to pay significant swap breakage fees under certain circumstances.
- Under certain circumstances, including a rating downgrade of CSFP, the Swap Agreement may be terminated. Upon early termination, the Trust may be required to pay significant swap breakage fees, which may adversely affect investors in the Certificates.

See “Prepayment and Yield Analysis,” “Exchange Option,” “Termination” and “Certain Federal Income Tax Consequences” in this Prospectus.

First Boston intends to make a market for the purchase and sale of the Certificates after their initial issuance but has no obligation to do so. There is no assurance that such a secondary market will develop or, if it develops, that it will continue. Consequently, investors may not be able to sell their Certificates readily or at prices that will enable them to realize their desired yield.

Investors should purchase Certificates only if they have read and understand this Prospectus and the following documents:

- Fannie Mae’s Prospectus Supplement dated July 28, 1993 (the “1993-168 Prospectus Supplement”), to which is attached Fannie Mae’s Prospectus for its Guaranteed REMIC Pass-Through Certificates dated December 29, 1992 (the “REMIC Prospectus”) and each of which is attached to this Prospectus;
- Fannie Mae’s Prospectus for its Guaranteed Mortgage Pass-Through Certificates dated May 1, 1993, and any supplements thereto (the “MBS Prospectus”); and
- Fannie Mae’s Information Statement dated February 16, 1993, and any supplements thereto (the “Information Statement”).

The MBS 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 First Boston by writing or calling its Prospectus Department at 55 East 52nd Street, New York, New York 10055 (telephone 212-909-2000) and from Utendahl by writing or calling its Prospectus Department at 30 Broad Street, 31st Floor, New York, New York 10004 (telephone 212-797-2660).

Investors can also obtain copies of the Trust Agreement, the Swap Agreement, the Security and Custody Agreement and the Trust Administration Agreement described in this Prospectus, when available, from Fannie Mae’s REMIC Prospectus Department.

PROSPECTUS SUMMARY

This Summary contains selected information for quick reference only. Investors should refer to the remainder of this Prospectus for further information.

Securities Offered	FIRST CLASS SM Certificates, representing beneficial ownership interests in the Trust, which will be created by Fannie Mae, as Trustee, under a trust agreement to be dated as of September 1, 1993 (the “Trust Agreement”).
Trustee and Guarantor of Certificates	Fannie Mae.
Trust Assets	<p>The assets of the Trust will include principally the following:</p> <ul style="list-style-type: none"> • The ownership interest in, and the right to receive principal and interest payments on, the J Class Certificates. The Trust will pledge the J Class Certificates to CSFP under a Security and Custody Agreement to be dated the Settlement Date (the “Security and Custody Agreement”) as security for the Trust’s obligations under the Swap Agreement between the Trust and CSFP. • The rights of the Trust under the Swap Agreement (which rights will be subject to the Trust’s obligations to CSFP under the Swap Agreement). • A security interest in the Reserve Fund, which CSFP will establish and pledge to the Trust under the Security and Custody Agreement as partial security for CSFP’s obligations under the Swap Agreement.
The J Class Certificates	\$230,819,200 original principal balance of Fannie Mae Guaranteed REMIC Pass-Through Certificates, Fannie Mae REMIC Trust 1993-168, J Class Certificates, having an interest rate of 8.75% per annum and a “Final Distribution Date” of September 2023. The 1993-168 Prospectus Supplement attached to this Prospectus describes the J Class Certificates.
Swap Agreement	<p>The Trust and CSFP will enter into the Swap Agreement on the Settlement Date. Under the Swap Agreement, CSFP will be obligated, on each Distribution Date through the October 1997 Distribution Date, to pay to the Trust the excess, if any, of the “Floating Interest Amount” over the “Fixed Interest Amount” for that Distribution Date (such excess, the “Floating Net Amount”). Conversely, the Trust will be obligated, on each such Distribution Date, to pay to CSFP the excess, if any, of the Fixed Interest Amount over the Floating Interest Amount for that Distribution Date (such excess, the “Fixed Net Amount”). The Trust will pay the Fixed Net Amount from payments received on the J Class Certificates on the same Distribution Date. To the extent such payments are insufficient, an amount equal to the shortfall (the “CSFP Reserve Withdrawal Amount”) will be released to CSFP from the Reserve Fund.</p> <ul style="list-style-type: none"> • The <i>Floating Interest Amount</i> for any Distribution Date will equal $\frac{1}{12}$ of the Floating Interest Rate applicable to that

Distribution Date, times the Scheduled Balance immediately prior to its reduction on that Distribution Date.

- The *Fixed Interest Amount* for any Distribution Date will equal $\frac{1}{12}$ of 8.75%, times the same Scheduled Balance.
- A table showing the *Scheduled Balance* for each Distribution Date, expressed as a percentage of the original Scheduled Balance, is included under “Payments—Swap Agreement” in this Prospectus. The original Scheduled Balance equals \$230,819,200, the original principal balance of the J Class Certificates. The Scheduled Balance declines to 99.775606% of the original Scheduled Balance on the first Distribution Date, in October 1993, and declines on subsequent Distribution Dates until it equals zero on the 49th Distribution Date, in October 1997. The Scheduled Balance will not be affected by the actual principal payment experience of the J Class Certificates.

The Reserve Fund. The Reserve Fund will serve as partial security for CSFP’s obligations under the Swap Agreement. It is unlikely to be full security for those obligations.

In addition, the Trust will make payments to the Reserve Fund discharging, in part, its obligations to CSFP under the Swap Agreement if payments on the J Class Certificates might become inadequate to meet those obligations on future Distribution Dates. This could occur if principal payments on the J Class Certificates are made at a rate sufficiently faster than the rate reflected by the Scheduled Balance. Initially, the balance of the Reserve Fund will be \$0. On each Distribution Date, as a prepayment of its obligation under the Swap Agreement, the Trust will pay into the Reserve Fund, from payments received on the J Class Certificates, the amount, if any, necessary to maintain the level of the Reserve Fund at the Reserve Target Balance. The *Reserve Target Balance* for any specified Distribution Date will be calculated by:

- (a) determining the excess, if any, for each Distribution Date subsequent to the specified Distribution Date, of (i) the amount of interest that would be payable on the declining Scheduled Balance on each such subsequent Distribution Date assuming a fixed interest rate of 8.45% per annum over (ii) the amount of interest that will actually be payable on the J Class Certificates on the Distribution Date immediately following the specified Distribution Date; and
- (b) summing the excess amounts described in clause (a).

If the level of the Reserve Fund on any Distribution Date, after giving effect to the CSFP Reserve Withdrawal Amount, if any, for that Distribution Date, is less than the Reserve Target Balance for that Distribution Date, the Trust will deposit the amount of the shortfall (the “Reserve Shortfall Amount”) into the Reserve Fund. Conversely, if the level of the Reserve Fund exceeds the Reserve Target Balance, the amount of the excess (the “Reserve Excess Amount”) will be paid on behalf of CSFP

to the Trust with respect to its obligations under the Swap Agreement, for payment to Certificateholders. Amounts on deposit in the Reserve Fund will be invested at CSFP's direction in prescribed eligible investments, with any investment income being paid to CSFP.

Certificate Payment

Amount Except as otherwise described under "Termination" in this Prospectus, on each Distribution Date Certificateholders will receive an aggregate payment (the "Certificate Payment Amount") equal to:

(a) the sum of (i) the principal and interest payments received by the Trust on the J Class Certificates on that Distribution Date, (ii) the Floating Interest Amount for that Distribution Date and (iii) the Reserve Excess Amount, if any, for that Distribution Date;

minus

(b) the sum of (i) the Fixed Interest Amount for that Distribution Date and (ii) the Reserve Shortfall Amount, if any, for that Distribution Date.

The Certificate Payment Amount will be distributed to Certificateholders on a pro rata basis.

Guaranty Fannie Mae, in its corporate capacity, guarantees to each Certificateholder the timely payment of the Certificateholder's pro rata portion of the Certificate Payment Amount and all amounts due a Certificateholder upon liquidation of the Trust, in each case as described in this Prospectus.

Distribution Date The 25th of each month or, if the 25th is not a "Business Day," the next Business Day, beginning in October 1993 and ending on the date of liquidation of the Trust.

Business Day A day other than (i) a Saturday or Sunday, (ii) a day on which the Federal Reserve Bank of New York (or other agent acting as Fannie Mae's fiscal agent) is authorized or obligated by law or executive order to remain closed, (iii) as to any Certificateholder, a day on which the Federal Reserve Bank at which such Certificateholder's account is maintained is authorized or obligated by law or executive order to remain closed, (iv) a day on which the offices of the federal government located in the District of Columbia generally are closed for business, (v) a day on which banks in London, New York City or Washington D.C. are authorized or obligated by law or executive order to remain closed or (vi) a day on which the offices of Fannie Mae are closed.

Record Date As to each Distribution Date, the end of the preceding month.

Accrual Period As to each Distribution Date, the one month period beginning on the 25th day of the month preceding the month of the Distribution Date and ending on the 24th day of the month of the Distribution Date.

Floating Interest Rate LIBOR plus 0.30%, subject to a cap of 11%. The Floating Interest Rate applicable to the first Accrual Period, from September 25,

1993 through October 24, 1993, will be 3.4875%. The Floating Interest Rate applicable to each subsequent Accrual Period will be determined as of the first day of the month in which that Accrual Period begins on which day banks are open for dealing in currency and exchange in London (the “Rate Determination Date”).

Day Count Convention	360-day year consisting of twelve 30-day months.
Trust Administrator	The Trustee’s agent for administration of the Trust (the “Administrator”), initially State Street Bank and Trust Company (“State Street”), appointed as such under an administration agreement with the Trust to be dated the Settlement Date (the “Trust Administration Agreement”).
Custodian	The custodian appointed pursuant to the Security and Custody Agreement (the “Custodian”), initially State Street, to hold the J Class Certificates and the Reserve Fund.
Form of Certificates; Certificateholders	The Certificates will be issued and maintained and may be transferred by Holders only on the book-entry system of the Federal Reserve Banks. Such entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities for whose accounts such Certificates have been deposited are herein referred to as “Holders” or “Certificateholders.” A Holder is not necessarily the beneficial owner (the “Beneficial Owner”) of a book-entry Certificate. Beneficial Owners will ordinarily hold book-entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations.
Minimum Denominations and Transfers	The Certificates will be issued and transferred in minimum denominations representing \$1,000 of the original Scheduled Balance and additional increments of \$1.
Method of Payment	Fannie Mae’s fiscal agent for the Certificates is the Federal Reserve Bank of New York. The Federal Reserve Banks will make distributions on the Certificates on behalf of Fannie Mae on the applicable Distribution Dates by crediting Holders’ accounts at the Federal Reserve Banks. A Holder that is not the Beneficial Owner of a 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 Certificate with respect to Fannie Mae and the Federal Reserve Banks may be exercised only through the Holder of such Certificate. Fannie Mae and the Federal Reserve Banks will have no direct obligation to a Beneficial Owner of a Certificate that is not also the Holder of the Certificate.
Termination of Swap Agreement; Liquidation of Trust	By its terms, the Swap Agreement will terminate on the October 1997 Distribution Date, on which date the Scheduled Balance will decline to zero.

If the financial programs rating of CSFP is downgraded to “A” or lower by Standard and Poor’s Corporation (“S&P”) or the long-term deposit rating of CSFP is downgraded to “A2” or lower by Moody’s Investors Service, Inc. (“Moody’s”), and in certain other events, the Trustee may either terminate the Swap Agreement or require CSFP to post certain collateral to secure CSFP’s obligations.

The Swap Agreement also may be terminated by the Trustee or CSFP under the other circumstances described under “Termination” in this Prospectus.

Upon any termination of the Swap Agreement, the Trustee will liquidate the Trust on the earliest practicable Distribution Date. Upon liquidation, the Trustee will distribute to the Certificateholders on a pro rata basis (i) the outstanding J Class Certificates, if any, owned by the Trust at that time, (ii) the amount, if any, then on deposit in the Reserve Fund and (iii) any applicable swap breakage fee owed by CSFP.

Such distribution will be made after the payment to CSFP, from the Reserve Fund and the assets of the Trust (including, if necessary, collections on and proceeds from the sale of J Class Certificates), of any applicable swap breakage fee owed by the Trust.

Exchange Option Each Certificateholder will have the irrevocable option to exchange the Certificateholder’s Certificates, in whole or in part, for a corresponding proportionate interest in the outstanding J Class Certificates, if any, owned by the Trust at that time, a like interest in the amount, if any, then on deposit in the Reserve Fund and the amount of any applicable swap breakage fee owed by CSFP. Any such exchange may occur during the period beginning on the fourth Business Day of any month and ending on the Business Day preceding that month’s Distribution Date (an “Exchange Period”). A Certificateholder wishing to exercise the Exchange Option must, among other things, give notice to the Administrator not less than four Business Days before the date of exchange, transfer the applicable Certificates to the Administrator by the second Business Day before the date of exchange, and by that date pay the full amount of any swap breakage fee owed to CSFP and of the administrative fee owed to the Trustee as described under “Exchange Option” in this Prospectus.

Tax Status A Beneficial Owner of a Certificate generally will be treated for federal income tax purposes as having purchased an undivided interest in the J Class Certificates (which constitute a “regular interest” in a real estate mortgage investment conduit or “REMIC”) and as having entered into the Swap Agreement, both to the extent of the Beneficial Owner’s proportionate interest in the Certificates. A Beneficial Owner generally will recognize ordinary income equal to the Beneficial Owner’s proportionate share of interest payable on the J Class Certificates and will take into account a proportionate share of the net

payment under the Swap Agreement. See “Certain Federal Income Tax Consequences” in this Prospectus.

Legal Investment

Considerations; ERISA

Considerations See “Legal Investment Considerations” in this Prospectus. Fiduciaries of ERISA plans should review “ERISA Considerations” in this Prospectus.

Accounting Considerations

Investors should consult their accountants regarding the appropriate application of generally accepted accounting principles and regulatory accounting principles to their purchase and ownership of Certificates and any exchange of Certificates pursuant to the Exchange Option described in this Prospectus.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

Fannie Mae is a corporation organized and existing under the laws of the United States, under the authority contained in 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.

GENERAL INFORMATION

The Trust

The Certificates will represent 100% of the beneficial ownership interest in the Trust. The Certificates will be issued under the terms of the Trust Agreement to be dated as of September 1, 1993. Certificateholders should refer to the Trust Agreement for a complete description of their rights and obligations. Each Certificateholder will acquire a Certificate subject to all the terms and conditions of the Trust Agreement.

The assets of the Trust will include principally the following:

- The ownership interest in, and the right to receive principal and interest payments on, the J Class Certificates. The Trust will pledge the J Class Certificates to CSFP under the Security and Custody Agreement as security for the Trust's obligations under the Swap Agreement between the Trust and CSFP.
- The rights of the Trust under the Swap Agreement (which rights will be subject to the Trust's obligations to CSFP under the Swap Agreement).
- A security interest in the Reserve Fund, which CSFP will establish and pledge to the Trust under the Security and Custody Agreement as partial security for CSFP's obligations under the Swap Agreement.

The Administrator will serve as the Trustee's agent for administration of the Trust and will be appointed as such under the Trust Administration Agreement.

Final Distribution Dates

The Final Distribution Date for the Certificates is October 1997, the date on which the Swap Agreement will terminate by its terms. The Final Distribution Date for the J Class Certificates is September 2023.

Form of Certificates and Certificateholders

The Certificates will be issued and maintained and may be transferred by Holders only on the book-entry system of the Federal Reserve Banks. Such entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities for whose accounts such Certificates have been deposited are herein referred to as "Holders" or "Certificateholders." A Holder is not necessarily the beneficial owner of a book-entry Certificate. Beneficial Owners will ordinarily hold book-entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See "Description of the Certificates—Denominations, Book-Entry Form" in the REMIC Prospectus.

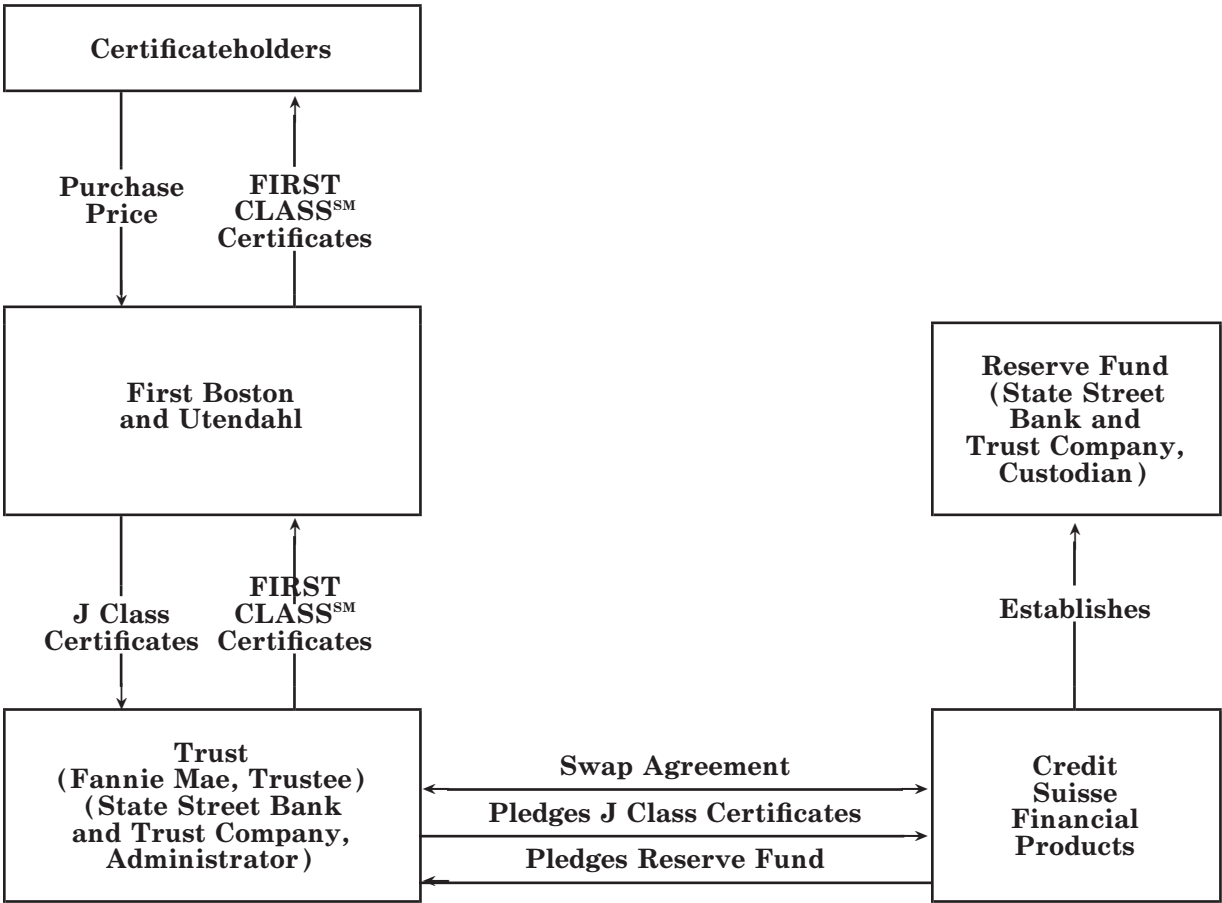
Minimum Denominations and Transfers

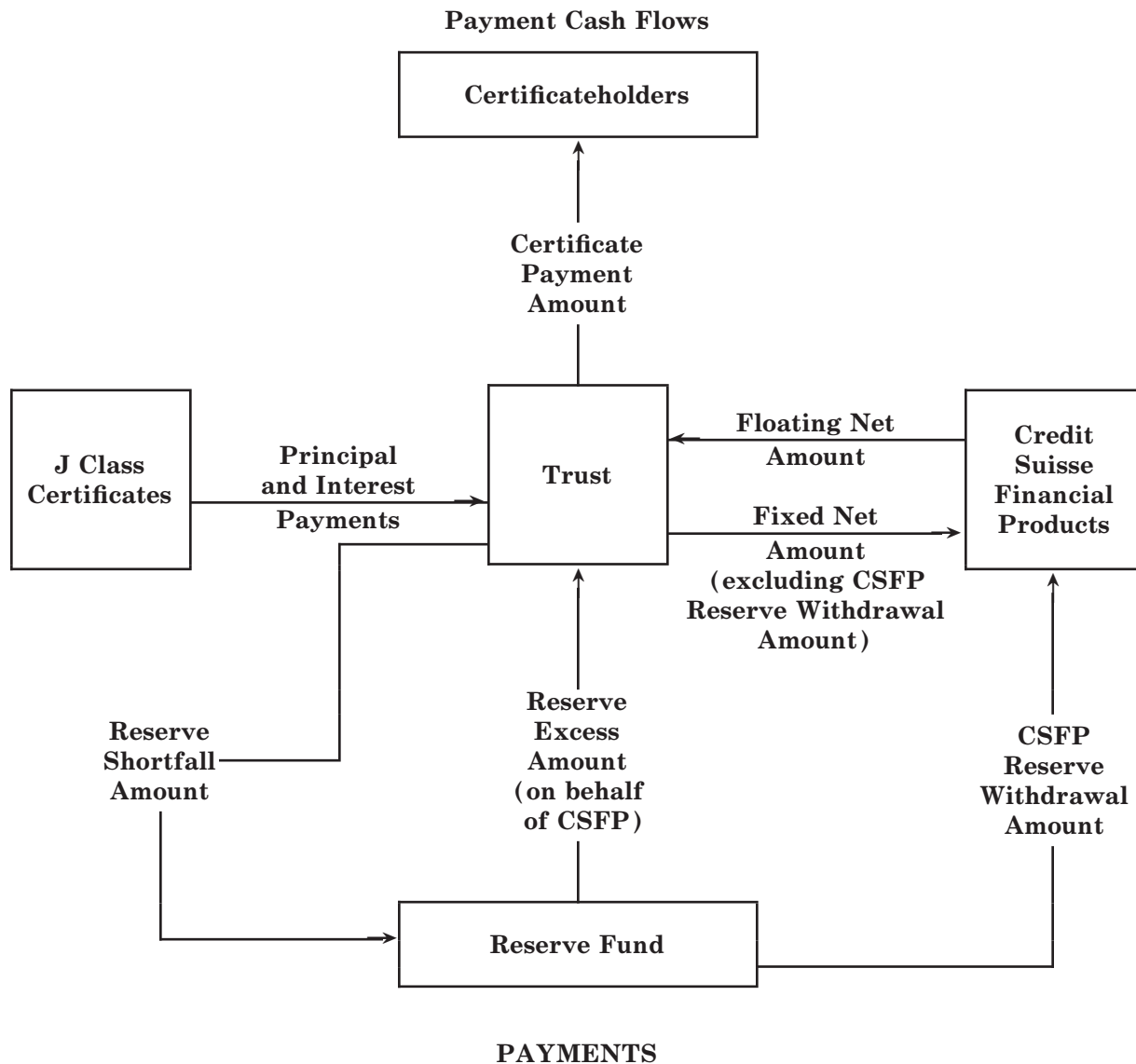
The Certificates will be issued and transferred in minimum denominations representing \$1,000 of the original Scheduled Balance and additional increments of \$1.

Structure of Transaction

The following diagrams illustrate generally the structure of this transaction and the cash flows of payments.

Structure of Transaction





Distribution Dates; Record Dates

Fannie Mae will make payments on the Certificates on each Distribution Date to the Certificateholders of record as of the end of the preceding calendar month.

Method of Payment

Fannie Mae's fiscal agent for the Certificates is the Federal Reserve Bank of New York. The Federal Reserve Banks will make distributions on the Certificates on behalf of Fannie Mae on the applicable Distribution Dates by crediting Holders' accounts at the Federal Reserve Banks. A Holder that is not the Beneficial Owner of a 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 Certificate with respect to Fannie Mae and the Federal Reserve Banks may be exercised only through the Holder of such Certificate. Fannie Mae and the Federal Reserve Banks will have no direct obligation to a Beneficial Owner of a Certificate that is not also the Holder of the Certificate.

Swap Agreement

General

In connection with its acquisition of the J Class Certificates, the Trust and CSFP, as principals, will enter into the Swap Agreement on the Settlement Date. The Swap Agreement will be governed by New York law and will be documented on a standard form published by the International Swaps and Derivatives Association, Inc., as supplemented by a schedule and a confirmation. Pursuant to the Swap Agreement, CSFP will make a payment to the Trust on the Settlement Date in respect of the value to CSFP of the Swap Agreement. That payment will be remitted to First Boston as part of the consideration for the J Class Certificates, and will not remain in the Trust. Under the Swap Agreement, CSFP will be obligated, on each Distribution Date through the October 1997 Distribution Date, to pay to the Trust the Floating Net Amount, which will equal the excess, if any, of the Floating Interest Amount over the Fixed Interest Amount. Conversely, the Trust will be obligated, on each such Distribution Date, to pay to CSFP the Fixed Net Amount, which will equal the excess, if any, of the Fixed Interest Amount over the Floating Interest Amount. The Trust will pay the Fixed Net Amount from payments received on the J Class Certificates on the same Distribution Date. To the extent such payments are insufficient to pay the Fixed Net Amount, the CSFP Reserve Withdrawal Amount will be released to CSFP from the Reserve Fund.

The Fixed Interest Amount and the Floating Interest Amount for each Distribution Date will be calculated on the basis of the Scheduled Balance for the preceding Distribution Date (or, in the case of the first Distribution Date, on the basis of the original Scheduled Balance). The Scheduled Balance for any Distribution Date will equal (a) the original principal balance of the J Class Certificates owned by the Trust (excluding any J Class Certificates that have been released upon exercise of the Exchange Options) times (b) the “Scheduled Percentage” for that Distribution Date shown in the table below.

Scheduled Percentages

<u>Distribution Date</u>	<u>Percentage</u>	<u>Distribution Date</u>	<u>Percentage</u>	<u>Distribution Date</u>	<u>Percentage</u>
October 1993.....	99.775606%	March 1995.....	83.769103%	July 1996.....	58.181165%
November 1993.....	99.256127	April 1995.....	82.376781	August 1996.....	56.577878
December 1993.....	98.682199	May 1995.....	80.938286	September 1996.....	54.984810
January 1994.....	98.054040	June 1995.....	79.454386	October 1996.....	53.401893
February 1994.....	97.371902	July 1995.....	77.925879	November 1996.....	49.687630
March 1994.....	96.636072	August 1995.....	76.353590	December 1996.....	46.691207
April 1994.....	95.846871	September 1995.....	74.738370	January 1997.....	44.542258
May 1994.....	95.004655	October 1995.....	73.082180	February 1997.....	39.148930
June 1994.....	94.109815	November 1995.....	71.383754	March 1997.....	31.705855
July 1994.....	93.162775	December 1995.....	69.696185	April 1997.....	25.512397
August 1994.....	92.163992	January 1996.....	68.019401	May 1997.....	19.683294
September 1994.....	91.113959	February 1996.....	66.353330	June 1997.....	15.154724
October 1994.....	90.013200	March 1996.....	64.697900	July 1997.....	10.893675
November 1994.....	88.862271	April 1996.....	63.053039	August 1997.....	6.866088
December 1994.....	87.661760	May 1996.....	61.418676	September 1997.....	3.059197
January 1995.....	86.412290	June 1996.....	59.794742	October 1997.....	0.000000
February 1995.....	85.114510				

Determination of LIBOR

As of each Rate Determination Date, the Administrator will determine LIBOR for the next Accrual Period as described below:

(i) As of each Rate Determination Date, the Administrator will determine LIBOR on the basis of the British Bankers’ Association (“BBA”) “Interest Settlement Rate” for one-month deposits in U.S. dollars as found on Telerate page 3750 as of 11:00 a.m. London time on the Rate Determination Date. Interest Settlement Rates currently are based on rates quoted by eight BBA designated banks as being, in the view of such banks, the offered rate at which deposits are being quoted to prime banks in the London interbank market. Such Interest Settlement Rates are calculated by eliminating the two highest rates and the two lowest rates, averaging the four

remaining rates, carrying the result (expressed as a percentage) out to six decimal places, and rounding to five decimal places.

(ii) If, as of any Rate Determination Date, the Administrator is unable to calculate LIBOR in accordance with the method set forth in paragraph (i) above, the Administrator will determine LIBOR based upon quotes for one-month deposits in U.S. dollars as of approximately 11:00 a.m. London time on such Rate Determination Date, as provided to the Administrator by the principal London office of four major banks in the London interbank market (“Reference Banks”). If at least two quotations are provided, LIBOR will be equal to the arithmetic mean of such quotes (expressed as a percentage) carried out to six decimal places and rounded to five decimal places. If fewer than two Reference Banks provide quotes in the manner described above, LIBOR will equal the arithmetic mean of the rates quoted by major banks in New York City, selected by the Administrator, at approximately 11:00 a.m. New York City time, on the second business day after that Rate Determination Date for one-month loans in U.S. dollars to leading European banks.

The level of LIBOR used in setting the initial Floating Interest Rate was 3.1875%.

The establishment of LIBOR by the Administrator and the Administrator’s subsequent calculation of the Floating Interest Rate for the relevant Accrual Period will be final, except in the case of clear error. The interest rate applicable to the then current and the immediately preceding Accrual Periods may be obtained by calling the Administrator at 617/985-4719.

Credit Suisse Financial Products

CSFP was incorporated in England under the Companies Act 1985, on May 9, 1990 with registered number 2500199 and was re-registered as unlimited on July 6, 1990. It commenced operations on July 16, 1990. Its registered office (and principal place of business) is at One Cabot Square, London E14 4QJ. CSFP is an authorised institution under the Banking Act 1987 and a member of The Securities and Futures Authority.

CSFP is an unlimited liability company and, as such, its shareholders have a joint, several and unlimited obligation to meet any insufficiency in the assets of CSFP in the event of its liquidation.

CSFP’s voting stock is owned, as to 70 percent, by Credit Suisse (“CS”) and, as to 30 percent, by FCSFB Financial Products AG (“Financial Products AG”), a wholly-owned subsidiary of Financière Cr dit Suisse-First Boston (“FCSFB”). Both CS and FCSFB are subsidiaries of CS Holding. CSFP’s non-voting stock is held equally by CS and Financial Products AG.

CSFP’s primary objective is to provide comprehensive treasury and risk management derivative product services to its own and its shareholders’ clients worldwide.

As of December 31, 1992, CSFP had total consolidated assets of U.S. \$9.52 billion (U.S. \$6.51 billion as of December 31, 1991), total consolidated liabilities of U.S. \$9.05 billion (U.S. \$6.19 billion as of December 31, 1991) and total consolidated shareholders’ funds of U.S. \$0.46 billion (U.S. \$0.32 billion as of December 31, 1991).

CSFP has been assigned a financial programs rating of “AAA” by S&P and a long-term deposit rating of “Aa2” by Moody’s.

The information in the six preceding paragraphs was furnished by CSFP.

Reserve Fund

The Reserve Fund will serve as partial security for CSFP's obligations under the Swap Agreement. Because the amounts deposited in the Reserve Fund will depend on the principal payment rate on the J Class Certificates, they bear no relationship to the amount of CSFP's obligations under the Swap Agreement. Thus, the Reserve Fund is unlikely to be full security for CSFP's obligations.

In addition, the Trust will make payments to the Reserve Fund discharging, in part, its obligations to CSFP under the Swap Agreement if payments on the J Class Certificates might become inadequate to meet those obligations on future Distribution Dates. This could occur if principal payments on the J Class Certificates are made at a rate sufficiently faster than the rate reflected by the Scheduled Balance. Initially, the balance of the Reserve Fund will be \$0. On each Distribution Date, as a prepayment of its obligations under the Swap Agreement, the Trust will pay into the Reserve Fund, from payments received on the J Class Certificates, the amount, if any, necessary to maintain the level of the Reserve Fund at the Reserve Target Balance. The Reserve Target Balance for any specified Distribution Date will be calculated by:

(a) determining the excess, if any, for each Distribution Date subsequent to the specified Distribution Date, of (i) the amount of interest that would be payable on the declining Scheduled Balance on each such subsequent Distribution Date assuming a fixed interest rate of 8.45% per annum over (ii) the amount of interest that will actually be payable on the J Class Certificates on the Distribution Date immediately following the specified Distribution Date; and

(b) summing the excess amounts described in clause (a).

Such calculation will be made without regard to any exercise of the Exchange Option that occurred in the month of the specified Distribution Date.

If the level of the Reserve Fund on any Distribution Date, after giving effect to the CSFP Reserve Withdrawal Amount, if any, for that Distribution Date, is less than the Reserve Target Balance for that Distribution Date, the Trust will deposit the Reserve Shortfall Amount into the Reserve Fund. Conversely, if the level of the Reserve Fund exceeds the Reserve Target Balance, the Reserve Excess Amount will be paid on behalf of CSFP to the Trust with respect to its obligations under the Swap Agreement, for payment to Certificateholders.

The Reserve Target Balance for any Distribution Date can be expressed mathematically using the following formula:

$$R = \sum_{i=t}^T \text{MAX} [\$0, S_i - A_t]$$

Where:

- R = Reserve Target Balance for current Distribution Date
- t = Accrual Period applicable to next Distribution Date
- T = Period that includes all Accrual Periods through October 24, 1997
- S_i = Interest that would accrue on the Scheduled Balance during a given Accrual Period i , assuming a fixed rate of 8.45% per annum
- A_t = Interest that will accrue on the actual balance of the J Class Certificates owned by the Trust during Accrual Period t at a fixed rate of 8.75% per annum

The Reserve Target Balance will be \$0 for any Distribution Date if, after giving effect to the principal payments made on the J Class Certificates on that Distribution Date, their actual balance is not less than 845/875 of the Scheduled Balance for that Distribution Date. If the actual balance of the J Class Certificates is less than 845/875 of the Scheduled Balance, the Reserve Target Balance will be positive. This is illustrated by the following example, where it is assumed that on the 27th Distribution Date the actual balance of the J Class Certificates is reduced to \$148,872,644 (64.497513% of the original balance of the J Class Certificates). The Scheduled Balance for that Distribution Date is \$160,872,177 (69.696185% of the original Scheduled Balance).

$$\begin{array}{rcl}
 \text{MAX } [\$0, S_t - A_t] & = \$1,132,808 - 1,085,530 & = \$47,278 \\
 \text{MAX } [\$0, S_t + {}_1 - A_t] & = \$1,105,555 - 1,085,530 & = 20,025 \\
 \text{MAX } [\$0, S_t + {}_2 - A_t] & = \$0^* & = \underline{\quad 0 \quad} \\
 & & \text{R} = \underline{\underline{\$67,303}}
 \end{array}$$

* $\text{MAX } [\$0, S_i - A_t] = \0 for this and all subsequent periods.

In this example, the Reserve Target Balance for the 27th Distribution Date would be \$67,303. Assuming the balance of the Reserve Fund had been \$0 after the 26th Distribution Date, the Trustee would deposit this entire amount into the Reserve Fund on the 27th Distribution Date. The amount otherwise payable to Certificateholders on that Distribution Date would be reduced by a like amount.

Amounts on deposit in the Reserve Fund will be invested at CSFP's direction in prescribed eligible investments, with any investment income being paid to CSFP.

Certificate Payment Amount

On each Distribution Date, unless the Trust is being liquidated on that Distribution Date, the Trust will pay to Certificateholders, on a pro rata basis, the Certificate Payment Amount. The Administrator will calculate the Certificate Payment Amount. The Certificate Payment Amount for any Distribution Date will equal:

(a) the sum of (i) the principal and interest payments received by the Trust on the J Class Certificates on that Distribution Date, (ii) the Floating Interest Amount for that Distribution Date and (iii) the Reserve Excess Amount, if any, for that Distribution Date;

minus

(b) the sum of (i) the Fixed Interest Amount for that Distribution Date and (ii) the Reserve Shortfall Amount, if any, for that Distribution Date.

If the Trust is being liquidated, the amount distributable to Certificateholders on the Distribution Date on which the liquidation occurs will be calculated as described under "Termination—Effect of Termination" below.

Guaranty

Fannie Mae, in its corporate capacity, guarantees to each Certificateholder the timely payment of the Certificateholder's pro rata portion of the Certificate Payment Amount and all amounts due a Certificateholder upon liquidation of the Trust, in each case as described in this Prospectus. Under certain circumstances, the Swap Agreement may be terminated early and the Trust liquidated. In that event, Fannie Mae's guaranty of the Certificate Payment Amount will terminate. See "Termination" below.

Fannie Mae also guarantees the payment of interest and principal on the J Class Certificates. See "Description of the Certificates—General—*Fannie Mae Guaranty*" in the 1993-168 Prospectus Supplement and "Description of the Certificates—Fannie Mae's Guaranty" in the REMIC Prospectus.

TERMINATION

Expiration of Trust Term

By its terms, the Swap Agreement will terminate on the October 1997 Distribution Date, on which date the Scheduled Balance will decline to zero.

Events of Termination

Termination by the Trustee

The Trustee will have the right to terminate the Swap Agreement if (a) the financial programs rating of CSFP is downgraded to “A” or lower by S&P or its long-term deposit rating is downgraded to “A2” or lower by Moody’s, (b) both S&P and Moody’s discontinue their ratings of CSFP or (c) either such rating agency downgrades its rating of CSFP to or below the level specified in clause (a) and the other rating agency discontinues its rating of CSFP. If the Trustee does not so terminate the Swap Agreement, it will have the right to require CSFP to post collateral to secure CSFP’s obligations under the Swap Agreement, in an amount equal to the swap breakage fee, if any, that would then be owed by CSFP if the Trustee had terminated the Swap Agreement. The amount of the collateral will be “marked to market” monthly, as of each Rate Determination Date, or more frequently if its value in relation to the swap breakage fee declines below certain limits and the Trustee so requires. CSFP’s obligation to post collateral will terminate if its ratings are raised to “A+” by S&P and “A1” by Moody’s.

In addition, the Trustee will have the right to terminate the Swap Agreement if any of the following events occurs:

- (i) CSFP fails to make any payment due under the Swap Agreement and such nonpayment continues for three Business Days after notice from the Trustee;
- (ii) CSFP fails to perform or observe its obligations under the Swap Agreement (other than its obligation to make any payment due under the Swap Agreement) and such failure continues for a period of 30 days after notice from the Trustee;
- (iii) CSFP defaults under the Security and Custody Agreement;
- (iv) any representation made by CSFP under the Swap Agreement or the Security and Custody Agreement proves to have been incorrect or misleading in any material respect as of the time it was made or reaffirmed;
- (v) CSFP fails to make scheduled payments with respect to, or otherwise defaults on, certain indebtedness or other specified transactions set forth in the Swap Agreement;
- (vi) certain events of bankruptcy or insolvency occur with respect to CSFP;
- (vii) CSFP undertakes certain mergers, consolidations or transfers of its assets;
- (viii) a withholding tax is imposed on payments by CSFP under the Swap Agreement; or
- (ix) a change in law occurs after the Settlement Date which makes it unlawful for the Trust to perform its obligations in respect of the Swap Agreement.

Termination by CSFP

CSFP will have the right to terminate the Swap Agreement if any of the following events occurs:

- (i) the Trust fails to make any payment due under the Swap Agreement and such nonpayment continues for three Business Days after notice from CSFP;

(ii) the Trust fails to perform or observe its obligations under the Swap Agreement (other than its obligation to make any payment due under the Swap Agreement) and such failure continues for a period of 30 days after notice from CSFP;

(iii) the Trust defaults under the Security and Custody Agreement;

(iv) any representation made by the Trust under the Swap Agreement or the Security and Custody Agreement proves to have been incorrect or misleading in any material respect as of the time it was made or reaffirmed;

(v) the Trust fails to make scheduled payments with respect to, or otherwise defaults on, certain indebtedness or other specified transactions set forth in the Swap Agreement (however, it is not expected that the Trust will have any such indebtedness or transactions);

(vi) certain events of bankruptcy or insolvency occur with respect to Fannie Mae or the Trust;

(vii) the Trust undertakes certain mergers, consolidations or transfers of its assets;

(viii) a withholding tax is imposed on payments by the Trust under the Swap Agreement;

(ix) Fannie Mae fails to pay interest or principal when due on the J Class Certificates or any other Class constituting a part of Fannie Mae's Guaranteed REMIC Pass-Through Certificates, Fannie Mae REMIC Trust 1993-168, and such nonpayment continues for three Business Days after notice from CSFP; or Fannie Mae fails to perform or observe any other of its covenants with respect to that Series if such failure affects the J Class Certificates and continues for 30 days after notice from CSFP;

(x) the long-term senior debt of Fannie Mae is rated by S&P and the rating is "A" or lower; or the long-term senior debt of Fannie Mae is rated by Moody's and the rating is "A2" or lower; or, at a time when neither S&P nor Moody's rates Fannie Mae long-term senior debt, CSFP seeks ratings of the J Class Certificates from S&P and Moody's and obtains an S&P rating of "A+" or lower or a Moody's rating of "A1" or lower; or, at a time when neither S&P nor Moody's rates Fannie Mae long-term senior debt, CSFP seeks a rating of the J Class Certificates from S&P and Moody's and neither agency rates the J Class Certificates within 10 Business Days;

(xi) the Trust is terminated; or

(xii) a change in law occurs after the Settlement Date which makes it unlawful for CSFP to perform its obligations in respect of the Swap Agreement.

Effect of Termination

Following any termination of the Swap Agreement, the Trustee will liquidate the Trust on the earliest practicable Distribution Date. Upon liquidation, the Trustee will distribute to Certificateholders, on a pro rata basis, the assets of the Trust, including (i) the outstanding J Class Certificates, if any, owned by the Trust at that time, (ii) the amount, if any, then on deposit in the Reserve Fund to the extent not required to be paid to CSFP under the Swap Agreement and (iii) any applicable swap breakage fee owed by CSFP. Such distribution will be made after the payment to CSFP, from the Reserve Fund and the assets of the Trust (including, if necessary, collections on and proceeds from the sale of J Class Certificates), of any applicable swap breakage fee owed by the Trust. Upon such liquidation and distribution, the Certificates will be permanently retired.

Swap Breakage Fee

If the Swap Agreement is terminated by CSFP as described under "Termination by CSFP" above (other than pursuant to clause (xii)) or the Trustee pursuant to clause (ix) under "Termination by the Trustee" above, the market value of the Swap Agreement will be established by CSFP on the basis of market quotations of the cost to, or the amount payable by, CSFP of entering into a replacement

swap agreement, in accordance with the procedures set forth in the Swap Agreement. If the Swap Agreement is terminated by the Trustee as described under “Termination by the Trustee” above (other than pursuant to clause (ix)) or by CSFP pursuant to clause (xii) under “Termination by CSFP” above, the market value of the Swap Agreement will be established by the Trustee on the basis of market quotations of the cost to, or the amount payable by, the Trust of entering into a replacement swap agreement, in accordance with the procedures set forth in the Swap Agreement.

In either case, such market value may be positive for CSFP, in which case it will be due from the Trust to CSFP, or it may be positive for the Trust, in which case it will be due from CSFP to the Trust, depending on whether interest rates and swap spreads have fallen or risen as compared with the levels prevailing on the Settlement Date.

Any swap breakage fees payable by the Trust could, if interest rates are low and swap spreads have fallen since the Settlement Date, be quite substantial in relation to the total value of the assets of the Trust. The Trustee may be required to sell J Class Certificates in order to pay any swap breakage fees owed to CSFP. The swap breakage fees payable by the Trust will be limited to the assets of the Trust and the Certificateholders will not be liable to CSFP for swap breakage fees if the amount of such fees were to exceed the assets of the Trust.

EXCHANGE OPTION

General

Each Certificateholder will be entitled to exercise the Exchange Option during any Exchange Period in accordance with the procedures set forth below. The Exchange Period is the period beginning on the fourth Business Day of a month and ending on the Business Day preceding that month’s Distribution Date.

Upon such exercise, the Certificateholder will be entitled to receive (i) a proportionate interest in the outstanding principal amount of the J Class Certificates, if any, owned by the Trust at that time equal to the proportionate interest in the Trust represented by the exchanged Certificates (the outstanding principal amount of the J Class Certificates to be received by the Certificateholder will be calculated after giving effect to the reduction in principal amount on the next Distribution Date), (ii) a like proportionate interest in the amount, if any, then on deposit in the Reserve Fund (such amount, however, will be adjusted to take into account any amounts payable to or from the Reserve Fund on the next Distribution Date) and (iii) any swap breakage fee owed by CSFP in respect of the exchange.

Procedures

To exercise the Exchange Option, a Certificateholder is required to inform the Administrator by facsimile transmission of the Certificateholder’s intent to exercise, at least four Business Days before the date of exchange. The Certificateholder must advise the Administrator of the Certificateholder’s telephone number, the amount of Certificates to be exchanged, the proposed exchange date (which must be within an Exchange Period) and wire transfer instructions. The Administrator will advise the Certificateholder as promptly as practicable of the estimated amounts of any swap breakage fee payable by the Certificateholder (including in such estimate an amount to cover reasonably possible market movements through the second Business Day before the exchange) and of the administrative fee for the exchange. Not later than the third Business Day before the date of exchange, the Certificateholder must pay to the Administrator, by wire transfer, an amount that is at least equal to the estimated amounts of such fees. Not later than the second Business Day before the exchange, the Administrator will advise the Certificateholder of any estimated additional swap breakage fee that may be required based on then current market conditions. The Certificateholder must transfer the Certificates to be exchanged to the Administrator (or pursuant to the Administrator’s instructions), and pay any estimated additional fee amount to the Administrator, on the second Business Day before

the date of exchange. The transfer of the Certificates to the Administrator (or pursuant to the Administrator's instructions) and the payment of the full estimated fee amount (provided such amount is sufficient based on actual market conditions and is received by the Administrator not later than the time prescribed by the Administrator) will constitute an irrevocable notice of exercise of the Exchange Option as to the Certificates so transferred. Certificateholders may obtain instructions for the transfer of Certificates and the payment of any fees by calling the Administrator at 617/985-4719. If the Certificateholder has paid more than the exact fee amount, the overpayment will be refunded promptly. If the Certificateholder does not transfer the Certificates or pay the full fee amount in a timely manner, or if the amount so paid is insufficient based on actual market conditions, the Certificateholder will be deemed not to have exercised the Exchange Option.

On the date of exchange, the Administrator will transfer the applicable principal balance of J Class Certificates to the Certificateholder's account (or pursuant to the Certificateholder's instructions) and will wire transfer to the Certificateholder's account any amount payable to the Certificateholder from the Reserve Fund and any swap breakage fee payable by CSFP.

On the next Distribution Date following an exchange, the Certificateholder will receive the applicable pro rata portion of the Certificate Payment Amount payable on that Distribution Date. On subsequent Distribution Dates, the Certificateholder will receive no further amounts from the Trust, but will receive any principal and interest due on the J Class Certificates received in the exchange. Upon completion of an exchange, the exchanged Certificates will be permanently retired.

Fees

The administrative fee applicable to an exercise of the Exchange Option will approximate the costs to the Trustee and Administrator of handling the exchange and associated transactions.

The swap breakage fee applicable to an exercise of the Exchange Option will be determined by CSFP to be the amount of its total losses and costs (or gain) in connection with the partial termination of the Swap Agreement with respect to the Certificates exchanged, which may include any loss of bargain, cost of funding or, at the election of CSFP but without duplication, loss or cost incurred as a result of terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of the foregoing), but will not include CSFP's legal fees or certain out-of-pocket expenses. If the amount determined as described above is a loss, the breakage fee will be paid by the exchanging Certificateholder; if it is a gain, it will be paid by CSFP and distributed to the exchanging Certificateholder.

PREPAYMENT AND YIELD ANALYSIS

General

Mortgage Loan Prepayments

There can be no assurance as to the timing of distributions of principal of the J Class Certificates because the timing and amount of distributions of principal of the J Class Certificates will depend on the rate of principal payments (including prepayments) of the Mortgage Loans underlying the MBS (as defined in the 1993-168 Prospectus Supplement). The rate of principal payments of the MBS, and therefore of distributions on the J Class Certificates, is related 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, or option to repurchase of, Fannie Mae). The Mortgage Loans are subject to prepayment at any time without penalty. 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. See “Description of the Certificates—Prepayment Considerations and Risks” in the REMIC Prospectus and “Maturity and Prepayment Assumptions” in the MBS Prospectus.

Acceleration of mortgage payments as a result of transfers of the mortgaged property is another factor affecting prepayment rates. The Mortgage Loans underlying the MBS will generally provide by their terms that, in the event of the transfer or prospective transfer of title to the underlying mortgaged property, the full unpaid principal balance of the Mortgage Loan is due and payable at the option of the holder. As set forth under “Description of Certificates—Collection and Other Servicing Procedures” in the MBS Prospectus, Fannie Mae is required to exercise its right to accelerate the maturity of Mortgage Loans containing enforceable “due-on-sale” provisions upon certain transfers of the mortgaged property.

Yield

The yield of a Certificate will depend upon its purchase price, the rate of principal payments on the J Class Certificates (which will depend upon the principal payment rate and characteristics of the Mortgage Loans), the level of LIBOR, and whether or not the Trust is terminated early. This Prospectus shows the pre-tax yields to maturity of the Certificates under various scenarios. The yield calculations do not take into account any variations in the interest rates at which investors may be able to reinvest payments received on a Certificate. Accordingly, since prevailing interest rates are subject to fluctuation, there can be no assurance that investors in the Certificates will be able to reinvest the payments received thereon at a yield equaling or exceeding the yield on the Certificates. It is possible that yields on any such reinvestments will be lower, and may be significantly lower, than the yield on the Certificates. Prospective investors in the Certificates should carefully consider the related reinvestment risks in light of other investments that may be available to such investors. For a description of how Fannie Mae has calculated these pre-tax yields, see “Description of the Certificates—Yield Considerations—General” in the 1993-168 Prospectus Supplement.

Yield on Certificates

General

An investor seeking to maximize yield should make a decision whether to invest in a Certificate based on the anticipated yield of that Certificate resulting from its purchase price, the investor’s own projection of Mortgage Loan prepayment rates under a variety of scenarios and the investor’s own projection of levels of LIBOR under a variety of scenarios. Fannie Mae makes no representation regarding Mortgage Loan prepayment rates, the level of LIBOR or the yield of any Certificate.

Prepayments: Effect on Yield

The yield to investors will be sensitive to the rate of principal payments on the J Class Certificates. Faster than anticipated rates of principal payments on the J Class Certificates (especially principal payment rates that cause the outstanding principal balance of the J Class Certificates to be significantly lower than the Scheduled Balance and result in a Reserve Shortfall Amount) can reduce or delay payments on the Certificates and, thus, reduce their yields under certain prepayment scenarios.

Rapid rates of prepayments on the Mortgage Loans are likely to coincide with periods of low prevailing interest rates. During such periods, the yields at which an investor may be able to reinvest amounts received as payments on the investor’s Certificates may be lower than the anticipated yield on the Certificate. Conversely, slow rates of prepayments on the Mortgage Loans are likely to coincide with periods of high prevailing interest rates. During such periods, the amount of payments available to an investor for reinvestment at such high rates may be relatively low.

It is not likely that the Mortgage Loans will prepay at a *constant* rate until maturity or that all of such Mortgage Loans will prepay at the same rate. The timing of changes in the rate of prepayments may significantly affect the actual yield to maturity to investors, even if the average rate of principal prepayments is consistent with the expectations of investors. In general, the earlier the payment of principal of the Mortgage Loans, the greater the effect on an investor's yield to maturity. As a result, the effect on an investor's yield of principal prepayments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period following the Settlement Date will not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments. Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the Certificates.

LIBOR: Effect on Yield

Investors in the Certificates should consider the risk that lower than anticipated levels of LIBOR could result in actual yields to investors that are lower than the anticipated yields and the fact that the Floating Interest Rate cannot exceed 11% per annum on the Scheduled Balance.

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 increased levels of LIBOR. Conversely, higher prevailing mortgage interest rates, which might be expected to result in slower prepayments, could occur concurrently with decreased levels of LIBOR. LIBOR will not remain constant at any level. The timing of changes in the level of LIBOR may significantly affect the actual yield to maturity to an investor, even if the average level is consistent with the investor's expectation. In general, the earlier a 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 a level of LIBOR that is a higher (or lower) than the rate anticipated by the investor during the period immediately following the Settlement Date will not be offset by a subsequent like reduction (or increase) in such level.

Yield Table

The following table shows the pre-tax corporate bond equivalent yields to maturity of a Certificate at various constant percentages of "PSA" and at various constant levels of LIBOR. Fannie Mae has prepared this table using (i) the "Pricing Assumptions," (ii) the assumptions that the Holder of such Certificate does not exercise the Exchange Option and that the Swap Agreement is not terminated before October 25, 1997 and (iii) an assumed purchase price of \$232,446,155 (including accrued interest). The assumed purchase price is not necessarily that at which actual sales will occur. The terms "PSA" and "Pricing Assumptions" are defined under "Description of the Certificates—Structuring Assumptions" in the 1993-168 Prospectus Supplement.

The yields to investors in the Certificates indicated in the table below reflect the cash flows, if any, attributable to any J Class Certificates that remain outstanding at the termination of the Swap Agreement and are distributed to Certificateholders upon such termination. See "Description of the Certificates—Decrement Tables" in the 1993-168 Prospectus Supplement for information regarding the declining percentages over time of the original principal balance of the J Class Certificates at various *constant* percentages of PSA.

As indicated in the table below, the yield to investors in the Certificates will be sensitive to the level of LIBOR and, at low levels of LIBOR, to the rate of principal payments (including prepayments) of the Mortgage Loans, which generally can be prepaid at any time.

Pre-Tax Yields of the Certificates

LIBOR	PSA Prepayment Assumption				
	50%	100%	200%	260%	500%
1.1875%	5.3%	4.0%	2.6%	2.6%	0.4%
3.1875%	6.2%	5.2%	4.2%	4.2%	2.6%
5.1875%	7.1%	6.5%	5.8%	5.8%	4.8%
7.1875%	8.1%	7.8%	7.5%	7.5%	7.0%
9.1875%	9.1%	9.1%	9.2%	9.2%	9.2%
10.7000%	9.9%	10.2%	10.5%	10.5%	10.9%

The Mortgage Loans will not prepay at any constant rate until maturity, nor will LIBOR remain constant at any level. Moreover, the Mortgage Loans will have characteristics that differ from those of the Pricing Assumptions. Therefore, the actual pre-tax yield of the Certificates may differ from those shown in the table.

THE TRUST AGREEMENT

The following summary describes certain provisions of the Trust Agreement not otherwise summarized in this Prospectus. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the more complete provisions of the Trust Agreement.

Transfer of Assets to Trust

On the Settlement Date, the Trust will acquire the J Class Certificates from First Boston and Utendahl in exchange for the Certificates and a cash payment and will enter into the Swap Agreement. The Trustee will deliver the J Class Certificates to the Custodian, in pledge to CSFP. In addition, on the Settlement Date, CSFP will establish the Reserve Fund with the Custodian and pledge it to the Trust.

The J Class Certificates will be registered in the name of the Custodian or an affiliated nominee in a book-entry securities account maintained with the Federal Reserve Bank of Boston.

Certain Matters Regarding Fannie Mae and the Certificateholders

The Trust Agreement provides that neither Fannie Mae and the Trustee, nor any director, officer, employee or agent of Fannie Mae and the Trustee, will be under any liability 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. However, neither Fannie Mae and the Trustee nor any such person will be protected against any liability imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of reckless disregard of obligations and duties.

In addition, the Trust Agreement provides that Fannie Mae and the Trustee are not under any obligation to appear in, prosecute or defend any legal action which is not incidental to their duties under the Trust Agreement and which in their opinion may involve them in any expense or liability. However, Fannie Mae or the Trustee may 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.

The Certificateholders will be severally liable for all obligations attributable to their respective interests in the Trust. Fannie Mae will indemnify any Certificateholder for such liability imposed on

that Certificateholder. However, it is intended that the assets of the Trust in all cases will be sufficient for the payment of such obligations. In particular, CSFP will agree that the Trust's obligations under the Swap Agreement will be payable only from the assets of the Trust.

Voting Rights as to J Class Certificates

To the extent set forth in the trust agreement under which the J Class Certificates are created, record holders representing not less than 25% of the then outstanding principal balance of the J Class Certificates may take certain actions, including termination of certain obligations and duties of Fannie Mae, if an "event of default" under such trust agreement that affects the J Class Certificates has occurred and is continuing. The Trust Agreement provides that Certificateholders representing not less than 50% of the outstanding Certificates by Scheduled Balance may, upon the occurrence of such an event of default, take any such action rather than the Trustee or Custodian. In addition, the Trust Agreement provides that Certificateholders representing not less than 50% of the then outstanding Certificates by Scheduled Balance may consent to certain amendments to the Trust Agreement that would materially and adversely affect the interests of Certificateholders.

Except as otherwise described above and under "Rights Upon Event of Default" below, no Certificateholder will have any right to vote or in any manner otherwise control the administration, operation and management of the Trust.

Events of Default

"Events of Default" under the Trust Agreement will consist of (i) any failure by Fannie Mae or the Trustee to pay to Certificateholders any required payment under the Trust Agreement that continues unremedied for 30 days; (ii) any failure by Fannie Mae or the Trustee to observe or perform any other covenant in the Trust Agreement, which failure continues unremedied for 60 days after the giving of notice of such failure to Fannie Mae or the Trustee by Certificateholders representing not less than 25% of the then outstanding Certificates by Scheduled Balance; and (iii) certain events of bankruptcy, insolvency or similar proceedings involving Fannie Mae or the Trust.

Rights Upon Event of Default

As long as an Event of Default under the Trust Agreement remains unremedied, Certificateholders representing not less than 50% of the then outstanding Certificates by Scheduled Balance may, in writing, remove Fannie Mae as Trustee and nominate a successor Trustee. That nominee will be deemed appointed as successor Trustee unless, within 10 days after such nomination, Fannie Mae objects, in which case Fannie Mae may petition any court of competent jurisdiction for the appointment of a successor or any Certificateholder who has been a bona fide Certificateholder for at least six months may, on behalf of such Certificateholder and all others similarly situated, petition any court for appointment of a successor Trustee. The court may, upon any prescribed notice, appoint a successor.

Amendment

The Trustee may amend the Trust Agreement, without the consent of any Holder or Holders, (i) to cure any ambiguity, to correct or supplement any provision which may be inconsistent with any provision, or to make any other provisions with respect to matters or questions arising under the Trust Agreement that are not inconsistent with the other provisions of the Trust Agreement, provided that any such amendment shall not adversely affect in any material respect the interest of any Certificateholder, or (ii) to permit the Trustee to take any necessary or helpful action to avoid the imposition of any tax on the Trust.

The Trustee may also amend the Trust Agreement in any other respect with the consent of Certificateholders representing not less than 50% of the then outstanding Certificates by Scheduled Balance. However, without the consent of a Certificateholder, the Trustee may not amend the Trust

Agreement to impair or affect the right of such Certificateholders to receive payments due under the Trust Agreement on or after the applicable Distribution Date, or to institute suit for the enforcement of any such payment on or after such Distribution Date.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

In General

The following is a general discussion of the material anticipated federal income tax consequences to Beneficial Owners of the purchase, ownership and disposition of the Certificates offered hereby. This discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. This discussion 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 Certificates.

Although the Certificates resemble in certain respects a variable rate REMIC regular interest, their tax treatment can differ substantially from such an investment. The Certificates may not be a suitable investment for individuals, trusts or estates and certain “pass-thru entities,” the beneficial owners of which are individuals, trusts or estates. The Certificates are not a suitable investment for real estate investment trusts or REMICs. Moreover, other special rules may apply to certain investors, including dealers in securities, dealers in notional principal contracts, persons holding the Certificates as part of a straddle with respect to some other investment position, and certain persons whose functional currency is not the United States dollar.

Classification of Investment Arrangement

Dewey Ballantine, special counsel to Fannie Mae, has advised Fannie Mae that in the firm’s opinion, the Trust will be a grantor trust and not an association taxable as a corporation for federal income tax purposes. The Administrator intends to report income, gain, loss and deduction to the Internal Revenue Service (the “IRS”) and to the Beneficial Owners in this manner.

Status of Certificates

A Beneficial Owner will own both an interest in the J Class Certificates and an interest in the Swap Agreement for federal income tax purposes. The investment status of the J Class Certificates is described under “Certain Additional Federal Income Tax Consequences—REMIC Elections and Special Tax Attributes” in the 1993-168 Prospectus Supplement and “Certain Federal Income Tax Consequences—Special Tax Attributes” in the REMIC Prospectus. The interest in the Swap Agreement will *not* constitute:

- a “real estate asset” within the meaning of section 856(c)(5)(A) of the Internal Revenue Code (the “Code”) if held by a real estate investment trust;
- a “qualified mortgage” within the meaning of section 860G(a)(3) of the Code or a “permitted investment” within the meaning of section 860G(a)(5) of the Code if held by a REMIC; or
- an asset described in section 7701(a)(19)(C)(xi) of the Code if held by a thrift.

Income received under the Swap Agreement will *not* constitute income described in section 856(c)(3)(B) of the Code for a real estate investment trust, but should constitute income described in section 851(b)(2) of the Code for a regulated investment company.

Taxation of Certificates

In General

A Beneficial Owner generally will be treated for federal income tax purposes as having purchased an undivided interest in a REMIC regular interest (the J Class Certificates) and as having entered into the Swap Agreement. Subject to the following discussion, a Beneficial Owner generally will recognize ordinary income equal to the Beneficial Owner's proportionate share of interest payable on the J Class Certificates and will take into account a proportionate share of the net payments under the Swap Agreement.

Allocations

A Beneficial Owner should be considered to have purchased its interest in the J Class Certificates for an amount equal to the cost of its Certificate multiplied by a fraction, the numerator of which is the fair market value of the J Class Certificates and the denominator of which is the sum of the fair market value of the J Class Certificates and the fair market value to the Trust of the Swap Agreement, in each case at the time of purchase. The Beneficial Owner's initial tax basis in the J Class Certificates would be the same amount. Generally, the difference between the cost of the Certificate and the amount allocated to the J Class Certificates should be treated as a premium with respect to the Swap Agreement ("Swap Premium") that is received (if such cost is less than the amount allocated to the J Class Certificates), or that is paid (if such cost is greater than the amount allocated to the J Class Certificates), by the Beneficial Owner. The same method would apply in allocating an amount received by a Beneficial Owner upon a sale of the Certificate between the J Class Certificates and the Swap Agreement, using fair market values at the time of sale. Any amount allocated to the Swap Agreement in connection with a sale would be considered a termination payment.

As described more fully below, the fair market value of the Swap Agreement will initially be negative as to the Trust, reflecting the fact that the Swap Agreement will initially be a net economic liability of the Trust. See "Taxation of Certificates—*Taxation of Swap Agreement—Swap Premium and Reserve Shortfall Amounts*" herein. The fair market value of the Swap Agreement at any later time may be either negative or positive, depending on whether the Fixed Interest Amount is greater or less than the corresponding fixed amount with respect to an on-market swap entered into at the time.

Taxation of J Class Certificates

Except as described below, the material anticipated federal income tax consequences to Beneficial Owners of the purchase, ownership and disposition of the J Class Certificates are described under "Certain Additional Federal Income Tax Consequences" in the 1993-168 Prospectus Supplement and under "Certain Federal Income Tax Consequences" in the REMIC Prospectus.

Fannie Mae will determine the issue price of the J Class Certificates by allocating the initial price at which a substantial portion of the Certificates are sold between the J Class Certificates and the Swap Agreement as described above under "Taxation of Certificates—*Allocations*." Based in part on assumptions regarding the initial price at which a substantial portion of the J Class Certificates would sell to the public, as well as the initial fair market value of the Swap Agreement, Fannie Mae expects to report income to the IRS and to the Beneficial Owners assuming that the J Class Certificates are issued at a price equal to approximately 109.33333% of the original principal amount. Thus, the J Class Certificates will be issued at a premium for federal income tax purposes. See "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Certificates Purchased at a Premium*" in the REMIC Prospectus.

The sale or exchange of a Certificate also will be a sale or exchange of the J Class Certificates. A Beneficial Owner generally will recognize gain or loss on the sale or exchange of its interest in the J Class Certificates equal to the difference between the amount received for the J Class Certificates and the Certificateholder's adjusted basis in the J Class Certificates. See "Certain Federal Income Tax Consequences—Sales of Certificates" in the REMIC Prospectus. The amount received for the

J Class Certificates and the initial basis in the J Class Certificates will be determined as described above under “Taxation of Certificates—*Allocations*.”

The transfer of an ownership interest in the J Class Certificates from the Trust to a Beneficial Owner upon the liquidation of the Trust or upon an exercise of the Exchange Option will not constitute a taxable disposition of the J Class Certificates.

Taxation of Swap Agreement

In General. A Beneficial Owner will also be treated for federal income tax purposes as having entered into a notional principal contract in the form of an interest rate swap on the date it purchases its Certificate. The IRS has issued proposed regulations under Section 446 of the Code relating to notional principal contracts (the “Swap Regulations”). The final regulations likely will apply only to taxpayers entering into notional principal contracts after the final regulations are issued, and therefore would apply only to Beneficial Owners that purchase Certificates after that date. No assurance can be given that final regulations will adopt the provisions of the Swap Regulations without amendment, nor can any prediction be made as to when such final regulations will be adopted. Nevertheless, in the absence of other guidance relating to notional principal contracts, Fannie Mae intends to report to Beneficial Owners based on the principles of the Swap Regulations, unless otherwise indicated.

Income or deduction with respect to the Swap Agreement may be attributable to the periodic payments thereunder, the Swap Premium or termination payments.

Periodic Payments. Under the Swap Regulations, all taxpayers must recognize periodic payments with respect to a notional principal contract under the accrual method of accounting. A Beneficial Owner purchasing a Certificate prior to the issuance of the final regulations, however, would be permitted to use its regular method of accounting with respect to the periodic (*i.e.*, monthly) payments under the Swap Agreement.

Under the Swap Regulations, the periodic payments would be netted over the Beneficial Owner’s taxable year, rather than accounted for on a gross basis. Net income or deduction with respect to periodic payments under a notional principal contract for a taxable year should constitute ordinary income or ordinary deduction. The IRS could contend the amount is capital gain or loss, but such treatment is unlikely, at least in the absence of further regulations. Any regulations requiring capital gain or loss treatment presumably would apply only prospectively.

In the case of a Beneficial Owner that is an individual, estate or trust, section 67 of the Code will allow a deduction for a net payment made to CSFP under the Swap Agreement, but only to the extent that such payment, along with certain of such Owner’s other miscellaneous itemized deductions, exceeds 2 percent of such Owner’s adjusted gross income. Also, a net payment may not be deductible by such Owner for purposes of the alternative minimum tax. A Beneficial Owner that is an individual, estate or trust should consult its tax advisor regarding the application of section 67 of the Code and the alternative minimum tax to an investment in the Certificates.

Swap Premium and Reserve Shortfall Amounts. An initial Beneficial Owner will be considered to have received a Swap Premium (as defined above under “Taxation of Certificates—*Allocations*”). The Swap Premium reflects the fact that the Swap Agreement will initially represent a net economic liability of the Trust. Assuming that a Beneficial Owner purchases its Certificate at par (without regard to accrued interest), the amount of the Swap Premium will equal the amount of the premium on the J Class Certificates reduced by the amount, if any, attributable to the Reserve Fund arrangement (as described below). An IRS Notice (which is likely to remain in effect for Certificates purchased before the Swap Regulations become effective as final regulations) allows the Swap Premium to be amortized under any reasonable method. For purposes of tax information reporting, Fannie Mae intends (i) to assume that all of the Certificates will be purchased on the Settlement Date, and (ii) to amortize the initial Swap Premium under a constant yield method in the same manner as if the Swap Premium were premium on the J Class Certificates (but assuming the J Class

Certificates are prepaid in accordance with the Scheduled Balances under the Swap Agreement). This method should be considered “reasonable.” The amount of the initial Swap Premium that is amortized in any taxable year will be treated as a periodic payment deemed made by CSFP under the Swap Agreement. Beneficial Owners that purchase a Certificate and are deemed either to receive or to pay a Swap Premium should consult with their tax advisors regarding the appropriate method of amortization of that premium.

The Swap Regulations would treat a nonperiodic payment made under a notional principal contract as a loan for federal income tax purposes if the payment is “significant.” Beneficial Owners that purchase a Certificate after the Swap Regulations have become effective as final regulations, and that are deemed to pay or receive a Swap Premium as a result of such purchase, should consider whether that premium may be treated as a loan under the final regulations.

The prepayment of a portion of the Swap Agreement by the Trust in the event that the principal balance of the J Class Certificates is less than 845/875 of the Scheduled Balance, in the form of deposits of the Reserve Shortfall Amount into the Reserve Fund, is economically similar to a non-interest bearing loan from the Trust to CSFP. A portion of the premium deemed paid for the J Class Certificates may be treated as having been paid to the Certificateholders in consideration for entering into the agreement to make these non-interest bearing loans. Although the treatment of any such payment is unclear, it appears that any amount so characterized should be amortized over the term of the Trust (such amortization may be at a rate different from the rate of amortization of the Swap Premium). Actual deposits and withdrawals from the Reserve Fund may affect the rate of amortization of such payment but should have no further effect on the overall amount, timing or character of income and deduction with respect to the Certificates.

Termination Payments. Any amount that is considered to be allocated to the Swap Agreement in connection with the sale of a Certificate as described above under “Taxation of Certificates—Allocations,” and any swap breakage fee that is payable to or by CSFP in connection with the termination of the Swap Agreement, would be considered “termination” payments under the Swap Regulations. Under the Swap Regulations, a Beneficial Owner will have gain or loss from termination of the Swap Agreement equal to (i) the sum of the unamortized portion of any Swap Premium received by the Beneficial Owner upon entering into the Swap Agreement and any termination payment it receives or is deemed to have received, less (ii) the sum of the unamortized portion of any Swap Premium paid by the Beneficial Owner upon entering into the Swap Agreement and any termination payment it pays or is deemed to have paid.

Regulations proposed under section 1092 of the Code that were issued concurrently with the Swap Regulations provide that interest rate swaps are “actively traded” property for purposes of section 1092 of the Code. This rule is proposed to apply to notional principal contracts entered into on or after July 8, 1991. Therefore, under section 1234A of the Code, gain or loss upon the termination of an interest rate swap will generally be treated as capital gain or loss. Moreover, in the case of a bank or thrift, section 582(c) of the Code will likely not apply to treat such gain or loss as ordinary.

A Beneficial Owner that recognizes capital loss upon termination of the Swap Agreement generally will be able to offset that loss against any gain recognized with respect to the J Class Certificates only if such gain is capital gain. For a description of special rules that may treat certain gain from the sale of a REMIC regular interest as ordinary income, see “Certain Federal Income Tax Consequences—Sales of Certificates” in the REMIC Prospectus.

Taxation of Foreign Investors. In general, foreign investors will not be subject to U.S. withholding tax on income or gain from the Swap Agreement.

Application of the Straddle Rules

The J Class Certificates and the Swap Agreement should constitute positions in a straddle and, thus, the straddle rules of section 1092 of the Code will apply. If the Swap Agreement has not

previously been terminated with respect to a selling Beneficial Owner, the selling Beneficial Owner's capital gain or loss with respect to the J Class Certificates will be short-term because the holding period will be tolled under the straddle rules. Similarly, capital gain or loss realized in connection with the termination of the Swap Agreement will be short-term. In addition, all or a portion of any loss realized upon termination of the Swap Agreement or upon the exercise of an Exchange Option may be deferred until disposition of the interest in the J Class Certificates.

Tax-Exempt Organizations

In general, income or gain from the Certificates will not be subject to the tax on unrelated business taxable income for a tax-exempt organization if the Certificates do not constitute "debt-financed" property. A portion of any income or gain from the J Class Certificates would constitute unrelated business taxable income if CSFP were deemed to have made a loan to a tax-exempt organization that is a Beneficial Owner, under the circumstances described above under "Taxation of Certificates—*Taxation of Swap Agreement—Swap Premium and Reserve Shortfall Amounts.*"

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.

Because the assets of the Trust include the right to receive variable rate interest payments under the Swap Agreement, the Certificates might not qualify as "guaranteed governmental mortgage pool certificates" under the regulation described in the preceding paragraph. Therefore, depending upon facts and circumstances, such as the aggregate number of Certificates beneficially owned by ERISA plans, the assets of the Trust might be deemed to be assets of such ERISA plans for all purposes under Title I of ERISA. In light of this possibility, ERISA plans with respect to which CSFP is or might become a party in interest (as defined in Section 3(14) of ERISA) ought not to consider purchasing a Certificate, unless they are represented in this regard by a "qualified professional asset manager" ("QPAM") as that term is defined in U.S. Department of Labor Prohibited Transaction Exemption ("PTE") 84-14, and the other conditions to the applicability of PTE 84-14 to the purchase and holding of Certificates are satisfied, or unless the conditions to the applicability of some other similar prohibited transaction exemption would be satisfied. Similarly, ERISA plans which hold or contemplate acquiring debt obligations of Fannie Mae ought not to consider purchasing a Certificate, unless they were represented or would be represented (as appropriate) by a QPAM in connection with the purchase of such debt obligations, and the other conditions to the applicability of PTE 84-14 to the purchase and holding of such obligations were and are, or would be satisfied, or unless the conditions to the applicability of some other similar prohibited transaction exemption are or would be satisfied.

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 the 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 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, sets forth guidelines for investing in certain types of mortgage related securities, including securities such as the Certificates. In addition, financial institutions should consult their regulators concerning the risk-based capital treatment of any Certificate. Investors should consult their own legal advisors in determining whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment.

The 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 applicable limitations governing investment practices and as noted above, investors whose investments are governed by state law may purchase, hold or invest in the Certificates to the same extent that they are authorized to invest in obligations issued 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 obligations issued or guaranteed by Fannie Mae. Subject to general considerations governing investment practices and to the matters noted above, the Certificates will be treated identically for such purposes for such entities.

MARGINABILITY

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

PLAN OF DISTRIBUTION

General

First Boston and Utendahl propose to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale, plus accrued interest from September 1, 1993 at the rate of 8.75% per annum. First Boston and Utendahl 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 Certificates, for whom they may act as agents.

Increase in Certificates

Fannie Mae, First Boston and Utendahl may agree to offer hereby Certificates in addition to those contemplated as of the date hereof. In such event, the Certificates will be increased in original Scheduled Balance, but it is expected that all additional Certificates will otherwise have the same characteristics as described herein.

LEGAL MATTERS

Any purchaser of the 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 Certificates and the Trust Agreement. Certain legal matters relating to the Certificates will be passed upon for First Boston and Utendahl by Cleary, Gottlieb, Steen & Hamilton. The material federal income tax consequences of the Certificates will be passed upon for Fannie Mae by Dewey Ballantine.

No dealer, salesman or other person has been authorized to give any information or to make any representations not contained in this Prospectus, the 1993-168 Prospectus Supplement, the REMIC Prospectus, the MBS Prospectus and the Information Statement and, if given or made, such information or representations must not be relied upon as having been authorized by Fannie Mae, The First Boston Corporation or Utendahl Capital Partners, L.P. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Certificates offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The delivery of this Prospectus at any time does not imply that the information contained herein is correct as of any time subsequent to the date hereof.

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Fannie Mae's Prospectus Supplement for its Guaranteed REMIC Pass-Through Certificates, Fannie Mae REMIC Trust 1993-168 and Fannie Mae's REMIC Prospectus dated December 29, 1992, for its Guaranteed REMIC Pass-Through Certificates follow this Prospectus.

\$230,819,200

Federal National Mortgage Association



Swap Trust 1993-003 FIRST CLASSSM Certificates

PROSPECTUS

CS First Boston
Utendahl Capital Partners, L.P.

July 28, 1993