

\$367,853,563⁽¹⁾

Federal National Mortgage Association



Swap Trust 1993-005

Swap Trust Certificates

The Swap Trust Certificates (the "Swap Trust 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 \$367,853,563 outstanding principal balance of Fannie Mae's Guaranteed REMIC Pass-Through Certificates, Fannie Mae REMIC Trust 1993-195, A Class Certificates, which bear interest at a fixed interest rate of 6.75% per annum (the "A Class Certificates"). The A Class Certificates are described in the documents that are attached to this Prospectus. The Trust will pledge the A Class Certificates to Fannie Mae, as security for the Trust's obligations under a swap agreement (the "Swap Agreement") between the Trust and Fannie Mae in its corporate capacity, as swap counterparty (the "Swap Counterparty").
- 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 the Swap Counterparty.
- A security interest in a reserve fund (the "Reserve Fund"). The Swap Counterparty will establish the Reserve Fund and pledge it to the Trust as partial security for the Swap Counterparty's obligations under the Swap Agreement. The Trust may use a portion of the payments received on the A 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 the Swap Counterparty 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 December 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 A Class Certificates, to the extent not required to be paid to the Swap Counterparty 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 November 2008. 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 A 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 the Swap Counterparty under the terms of the Swap Agreement and (iii) any applicable swap breakage fee owed by the Swap Counterparty. Such distribution will be made after the payment to the Swap Counterparty, from the Reserve Fund and the assets of the Trust (including, if necessary, collections on and proceeds from the sale of A 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 the Swap Counterparty 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 A 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 the Swap Counterparty.

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)
Swap Trust Certificates	\$367,853,563	(3)	31359E2M2	November 2008

(1) Equals the outstanding principal balance of the A 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 10%) 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 will be offered by Salomon Brothers Inc ("Salomon Brothers") from time to time in negotiated transactions, at varying prices to be determined at the time of sale, plus accrued interest from November 1, 1993 at the rate of 3.4875% per annum.

The Certificates will be offered by Salomon Brothers, subject to issuance by Fannie Mae and to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by Salomon Brothers, subject to the right by Salomon Brothers to reject any order in whole or in part and subject to approval of certain legal matters by counsel. It is expected that the Certificates will be available through the book-entry system of the Federal Reserve Banks on or about November 30, 1993 (the "Settlement Date").

Salomon Brothers Inc

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 A Class Certificates, which will depend upon the principal payment rate and characteristics of the mortgage loans underlying the A 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 A Class Certificates (especially rates that cause the actual outstanding principal balance of the A 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 A 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 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.

Salomon Brothers 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 August 27, 1993 (the “1993-195 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 October 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 Salomon Brothers by writing or calling its Prospectus Department at Brooklyn Army Terminal, 140 58th Street, Brooklyn, New York 11220 (telephone 718-567-2005).

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	Swap Trust 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 November 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 A Class Certificates. The Trust will pledge the A Class Certificates to the Swap Counterparty 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 the Swap Counterparty. • The rights of the Trust under the Swap Agreement (which rights will be subject to the Trust’s obligations to the Swap Counterparty under the Swap Agreement). • A security interest in the Reserve Fund, which the Swap Counterparty will establish and pledge to the Trust under the Security and Custody Agreement as partial security for the Swap Counterparty’s obligations under the Swap Agreement.
The A Class Certificates	\$367,853,563 outstanding principal balance of Fannie Mae Guaranteed REMIC Pass-Through Certificates, Fannie Mae REMIC Trust 1993-195, A Class Certificates, having an interest rate of 6.75% per annum and a “Final Distribution Date” of November 2020. The 1993-195 Prospectus Supplement attached to this Prospectus describes the A Class Certificates.
Swap Agreement	<p>The Trust and the Swap Counterparty will enter into the Swap Agreement on the Settlement Date. Under the Swap Agreement, the Swap Counterparty will be obligated, on each Distribution Date through the November 2008 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 the Swap Counterparty 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 A Class Certificates on the same Distribution Date. To the extent such payments are insufficient, an amount equal to the shortfall (the “Swap Counterparty Reserve Withdrawal Amount”) will be released to the Swap Counterparty 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 6.75%, 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 \$367,853,563, the outstanding principal balance of the A Class Certificates. The Scheduled Balance declines to 99.23463106% of the original Scheduled Balance on the first Distribution Date, in December 1993, and declines on subsequent Distribution Dates until it equals zero on the 180th Distribution Date, in November 2008. The Scheduled Balance will not be affected by the actual principal payment experience of the A Class Certificates.

The Reserve Fund..... The Reserve Fund will serve as partial security for the Swap Counterparty’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 the Swap Counterparty under the Swap Agreement if payments on the A Class Certificates might become inadequate to meet those obligations on future Distribution Dates. This could occur if principal payments on the A 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 A 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 6.45% per annum over (ii) the amount of interest that will actually be payable on the A 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 Swap Counterparty 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 the Swap Counterparty 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 the Swap Counterparty's direction in prescribed eligible investments, with any investment income being paid to the Swap Counterparty.

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 A 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 December 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 10%. The Floating Interest Rate applicable to the first Accrual Period, from November 25, 1993 through December 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 A 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 November 2008 Distribution Date, on which date the Scheduled Balance will decline to zero.

The Swap Agreement may be terminated by the Trustee or the Swap Counterparty under the 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 A 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 the Swap Counterparty.

Such distribution will be made after the payment to the Swap Counterparty, from the Reserve Fund and the assets of the Trust (including, if necessary, collections on and proceeds from the sale of A 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 A 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 the Swap Counterparty. 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 the Swap Counterparty 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 A 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 A 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 November 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 A Class Certificates. The Trust will pledge the A Class Certificates to the Swap Counterparty under the Security and Custody Agreement as security for the Trust's obligations under the Swap Agreement between the Trust and the Swap Counterparty.
- The rights of the Trust under the Swap Agreement (which rights will be subject to the Trust's obligations to the Swap Counterparty under the Swap Agreement).
- A security interest in the Reserve Fund, which the Swap Counterparty will establish and pledge to the Trust under the Security and Custody Agreement as partial security for the Swap Counterparty'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 November 2008, the date on which the Swap Agreement will terminate by its terms. The Final Distribution Date for the A Class Certificates is November 2020.

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.

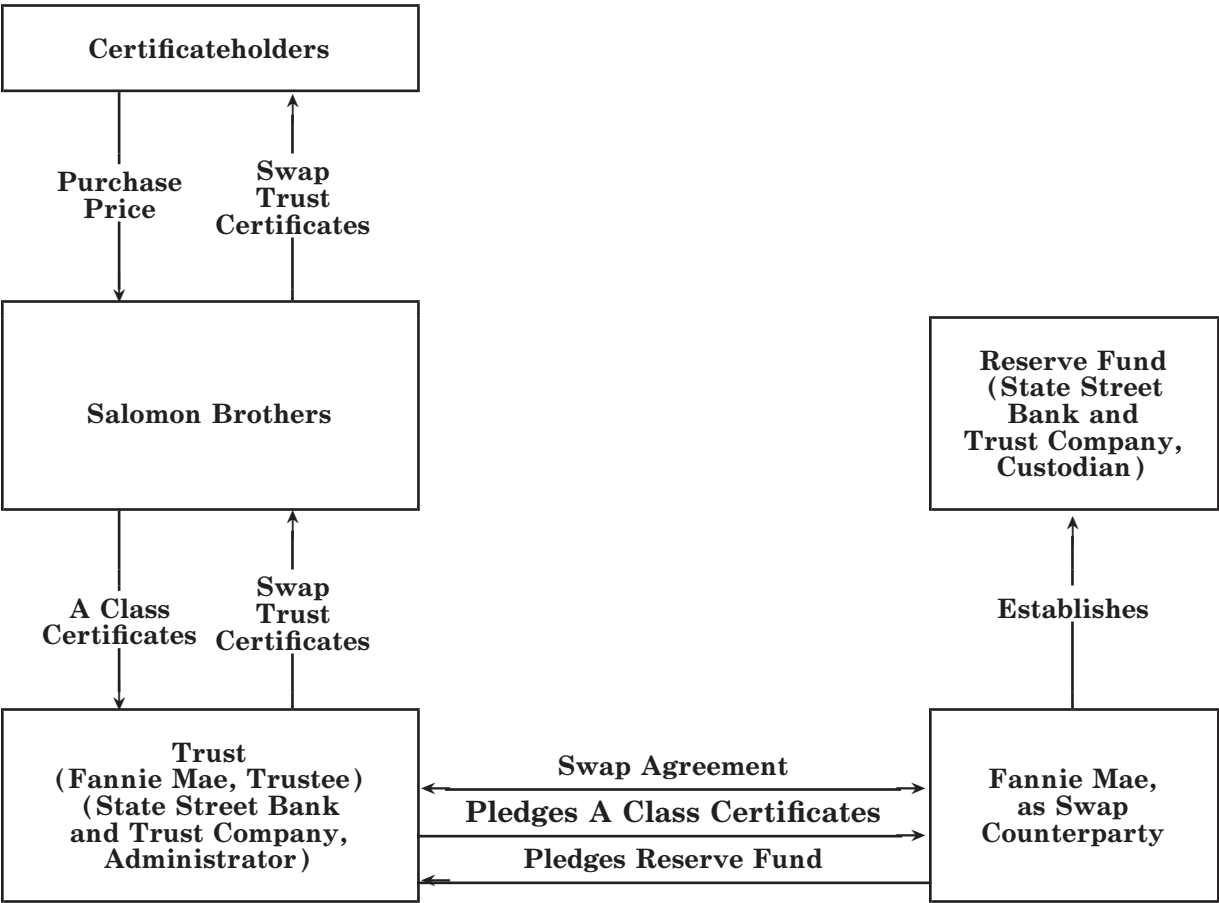
Minimum Denominations and Transfers

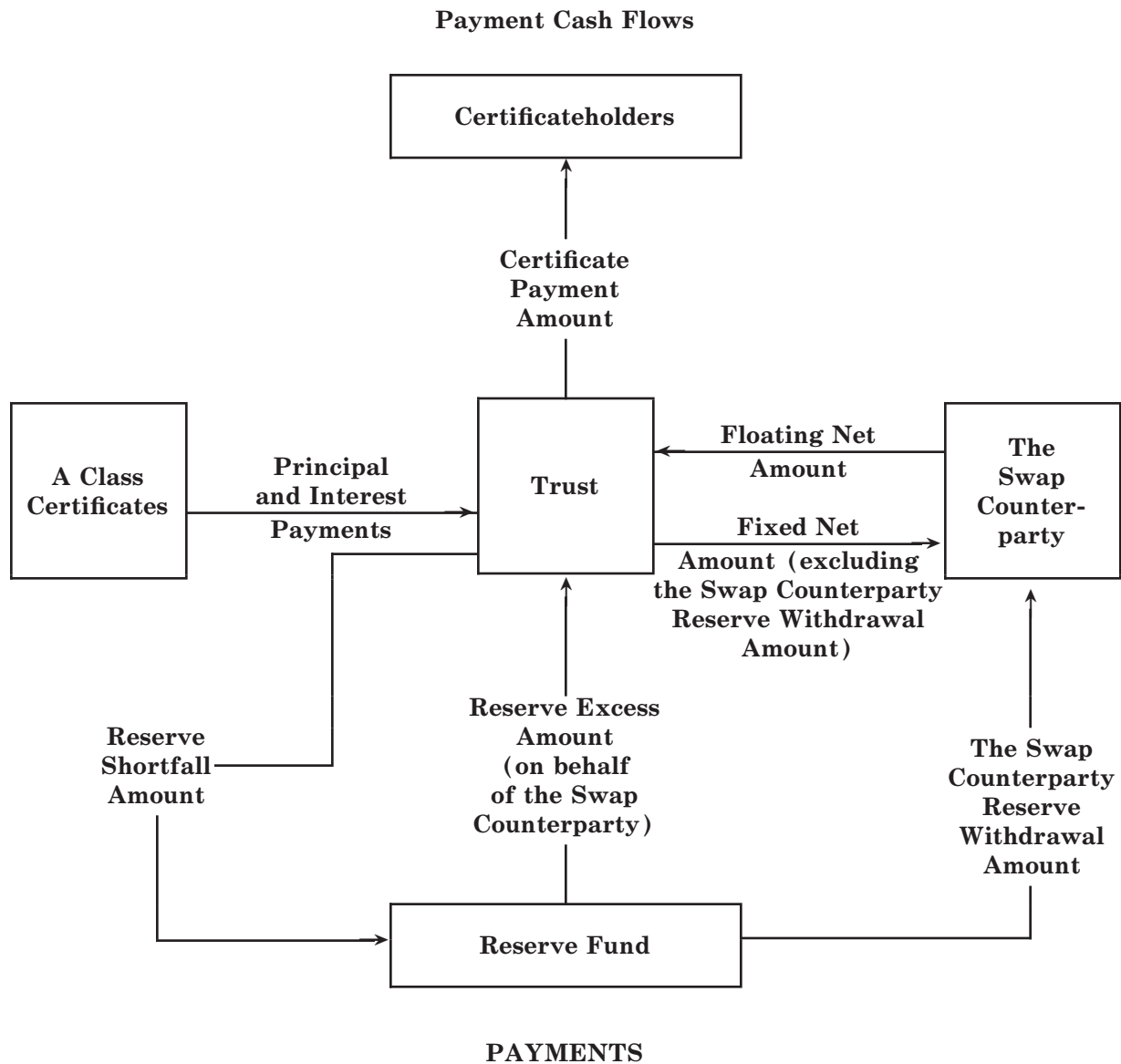
The Certificates will be issued and transferred in minimum denominations representing \$1,000 of the original Scheduled Balance and additional increments of \$1.

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 A Class Certificates, the Trust and the Swap Counterparty, 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, the Swap Counterparty will make a payment to the Trust on the Settlement Date in respect of the value to the Swap Counterparty of the Swap Agreement. That payment will be remitted to Salomon Brothers as part of the consideration for the A Class Certificates, and will not remain in the Trust. Under the Swap Agreement, the Swap Counterparty will be obligated, on each Distribution Date through the November 2008 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 the Swap Counterparty 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 A Class Certificates on the same Distribution Date. To the extent such payments are insufficient to pay the Fixed Net Amount, the Swap Counterparty Reserve Withdrawal Amount will be released to the Swap Counterparty 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 A Class Certificates owned by the Trust (excluding any A 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>
December 1993	99.23463106%	May 1996	34.36015575%	October 1998	2.55226208%
January 1994	98.33636049	June 1996	31.89329749	November 1998	2.53116901
February 1994	97.30622913	July 1996	29.51367740	December 1998	2.51007593
March 1994	96.14567511	August 1996	27.21822248	January 1999	2.48898286
April 1994	94.85653479	September 1996	25.00396766	February 1999	2.46788978
May 1994	93.44104169	October 1996	22.86805199	March 1999	2.44679671
June 1994	91.90182360	November 1996	20.80771499	April 1999	2.42570363
July 1994	90.24189761	December 1996	18.82029316	May 1999	2.40461056
August 1994	88.46466325	January 1997	16.90321656	June 1999	2.38351748
September 1994	86.57389353	February 1997	15.05400551	July 1999	2.36242441
October 1994	84.57372404	March 1997	13.27026750	August 1999	2.34133133
November 1994	82.46864003	April 1997	11.54969404	September 1999	2.32023826
December 1994	80.26346160	May 1997	9.89005780	October 1999	2.29914518
January 1995	77.96332693	June 1997	8.28920970	November 1999	2.27805211
February 1995	75.57367367	July 1997	6.74507622	December 1999	2.25695903
March 1995	73.10021860	August 1997	5.25565672	January 2000	2.23586596
April 1995	70.54893561	September 1997	3.81902089	February 2000	2.21477288
May 1995	67.92603206	October 1997	2.80537898	March 2000	2.19367981
June 1995	65.23792371	November 1997	2.78428591	April 2000	2.17258673
July 1995	62.49120834	December 1997	2.76319283	May 2000	2.15149366
August 1995	59.69263818	January 1998	2.74209976	June 2000	2.13040058
September 1995	56.84909123	February 1998	2.72100668	July 2000	2.10930751
October 1995	53.96754186	March 1998	2.69991361	August 2000	2.08821443
November 1995	51.05503056	April 1998	2.67882053	September 2000	2.06712136
December 1995	48.11863325	May 1998	2.65772746	October 2000	2.04602828
January 1996	45.16543031	June 1998	2.63663438	November 2000	2.02493521
February 1996	42.31659126	July 1998	2.61554131	December 2000	2.00384213
March 1996	39.56844189	August 1998	2.59444823	January 2001	1.98274906
April 1996	36.91743698	September 1998	2.57335516	February 2001	1.96165598

<u>Distribution Date</u>	<u>Percentage</u>	<u>Distribution Date</u>	<u>Percentage</u>	<u>Distribution Date</u>	<u>Percentage</u>
March 2001	1.94056291%	October 2003	1.28667758%	May 2006	0.63279225%
April 2001	1.91946983	November 2003	1.26558450	June 2006	0.61169918
May 2001	1.89837676	December 2003	1.24449143	July 2006	0.59060610
June 2001	1.87728368	January 2004	1.22339835	August 2006	0.56951303
July 2001	1.85619061	February 2004	1.20230528	September 2006	0.54841995
August 2001	1.83509753	March 2004	1.18121220	October 2006	0.52732688
September 2001	1.81400446	April 2004	1.16011913	November 2006	0.50623380
October 2001	1.79291138	May 2004	1.13902605	December 2006	0.48514073
November 2001	1.77181831	June 2004	1.11793298	January 2007	0.46404765
December 2001	1.75072523	July 2004	1.09683990	February 2007	0.44295458
January 2002	1.72963216	August 2004	1.07574683	March 2007	0.42186150
February 2002	1.70853908	September 2004	1.05465375	April 2007	0.40076843
March 2002	1.68744601	October 2004	1.03356068	May 2007	0.37967535
April 2002	1.66635293	November 2004	1.01246760	June 2007	0.35858228
May 2002	1.64525986	December 2004	0.99137453	July 2007	0.33748920
June 2002	1.62416678	January 2005	0.97028145	August 2007	0.31639613
July 2002	1.60307370	February 2005	0.94918838	September 2007	0.29530305
August 2002	1.58198063	March 2005	0.92809530	October 2007	0.27420998
September 2002	1.56088755	April 2005	0.90700223	November 2007	0.25311690
October 2002	1.53979448	May 2005	0.88590915	December 2007	0.23202383
November 2002	1.51870140	June 2005	0.86481608	January 2008	0.21093075
December 2002	1.49760833	July 2005	0.84372300	February 2008	0.18983768
January 2003	1.47651525	August 2005	0.82262993	March 2008	0.16874460
February 2003	1.45542218	September 2005	0.80153685	April 2008	0.14765153
March 2003	1.43432910	October 2005	0.78044378	May 2008	0.12655845
April 2003	1.41323603	November 2005	0.75935070	June 2008	0.10546538
May 2003	1.39214295	December 2005	0.73825763	July 2008	0.08437230
June 2003	1.37104988	January 2006	0.71716455	August 2008	0.06327923
July 2003	1.34995680	February 2006	0.69607148	September 2008	0.04218615
August 2003	1.32886373	March 2006	0.67497840	October 2008	0.02109308
September 2003	1.30777065	April 2006	0.65388533	November 2008	0.00000000

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") and in a representative amount. 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.

Reserve Fund

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

In addition, the Trust will make payments to the Reserve Fund discharging, in part, its obligations to the Swap Counterparty under the Swap Agreement if payments on the A Class Certificates might become inadequate to meet those obligations on future Distribution Dates. This could occur if principal payments on the A 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 A 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 6.45% per annum over (ii) the amount of interest that will actually be payable on the A 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 Swap Counterparty 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 the Swap Counterparty 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 November 24, 2008
- S_i = Interest that would accrue on the Scheduled Balance during a given Accrual Period i , assuming a fixed rate of 6.45% per annum
- A_t = Interest that will accrue on the actual balance of the A Class Certificates owned by the Trust during Accrual Period t at a fixed rate of 6.75% per annum

The Reserve Target Balance will be \$0 for any Distribution Date if, after giving effect to the principal payments made on the A Class Certificates on that Distribution Date, their actual balance is not less than 645/675 of the Scheduled Balance for that Distribution Date. If the actual balance of the A Class Certificates is less than 645/675 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 92nd Distribution Date in July 2001 the actual balance of the A Class Certificates is reduced to \$5,471,601 (1.48743999% of the outstanding balance of the A Class Certificates on the Settlement Date). The Scheduled Balance for that Distribution Date is \$6,828,063 (1.85619061% of the original Scheduled Balance).

$$\begin{aligned}
 \text{MAX } [\$0, S_t - A_t] &= \$36,701 - \$30,778 = \$ 5,923 \\
 \text{MAX } [\$0, S_{t+1} - A_t] &= \$36,284 - \$30,778 = \$ 5,506 \\
 \text{MAX } [\$0, S_{t+2} - A_t] &= \$35,867 - \$30,778 = \$ 5,089 \\
 \text{MAX } [\$0, S_{t+3} - A_t] &= \$35,450 - \$30,778 = \$ 4,672 \\
 \text{MAX } [\$0, S_{t+4} - A_t] &= \$35,033 - \$30,778 = \$ 4,255 \\
 \text{MAX } [\$0, S_{t+5} - A_t] &= \$34,616 - \$30,778 = \$ 3,838 \\
 \text{MAX } [\$0, S_{t+6} - A_t] &= \$34,199 - \$30,778 = \$ 3,421 \\
 \text{MAX } [\$0, S_{t+7} - A_t] &= \$33,781 - \$30,778 = \$ 3,003 \\
 \text{MAX } [\$0, S_{t+8} - A_t] &= \$33,364 - \$30,778 = \$ 2,586 \\
 \text{MAX } [\$0, S_{t+9} - A_t] &= \$32,947 - \$30,778 = \$ 2,169 \\
 \text{MAX } [\$0, S_{t+10} - A_t] &= \$32,530 - \$30,778 = \$ 1,752 \\
 \text{MAX } [\$0, S_{t+11} - A_t] &= \$32,113 - \$30,778 = \$ 1,335 \\
 \text{MAX } [\$0, S_{t+12} - A_t] &= \$31,696 - \$30,778 = \$ 918 \\
 \text{MAX } [\$0, S_{t+13} - A_t] &= \$31,279 - \$30,778 = \$ 501 \\
 \text{MAX } [\$0, S_{t+14} - A_t] &= \$30,862 - \$30,778 = \$ 84 \\
 \text{MAX } [\$0, S_{t+15} - A_t] &= \$0^* = \$ 0 \\
 \text{R} &= \underline{\underline{\$45,052}}
 \end{aligned}$$

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

In this example, the Reserve Target Balance for the 92nd Distribution Date would be \$45,052. Assuming the balance of the Reserve Fund had been \$0 after the 91st Distribution Date, the Trustee would deposit this entire amount into the Reserve Fund on the 92nd 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 the Swap Counterparty's direction in prescribed eligible investments, with any investment income being paid to the Swap Counterparty.

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 A 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 A Class Certificates. See “Description of the Certificates—General—*Fannie Mae Guaranty*” in the 1993-195 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 November 2008 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 any of the following events occurs:

(i) the Swap Counterparty fails to make any payment due under the Swap Agreement and such nonpayment continues for three Business Days;

(ii) the Swap Counterparty 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;

(iii) the Swap Counterparty defaults under the Security and Custody Agreement;

(iv) any representation made by the Swap Counterparty 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 Swap Counterparty 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 the Swap Counterparty;

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

(viii) a withholding tax is imposed on payments by the Swap Counterparty 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 the Swap Counterparty

The Swap Counterparty 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;

(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;

(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 A Class Certificates or any other Class constituting a part of Fannie Mae's Guaranteed REMIC Pass-Through Certificates, Fannie Mae REMIC Trust 1993-195, and such nonpayment continues for three Business Days; or Fannie Mae fails to perform or observe any other of its covenants with respect to that Series if such failure affects the A Class Certificates and continues for 30 days;

(x) the Trust is terminated; or

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

Notice of Certain Termination Events

The Swap Trustee will promptly notify each Holder by first-class mail, postage prepaid, upon the occurrence of any event permitting the Swap Trustee to terminate the Swap Agreement (a “Termination Event”), which notice shall specify the Termination Event. The Swap Trustee shall also promptly publish such notice once in a daily newspaper of general circulation or a financial journal published in New York City.

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 A 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 the Swap Counterparty under the Swap Agreement and (iii) any applicable swap breakage fee owed by the Swap Counterparty. Such distribution will be made after the payment to the Swap Counterparty, from the Reserve Fund and the assets of the Trust (including, if necessary, collections on and proceeds from the sale of A 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 the Swap Counterparty as described under “Termination by the Swap Counterparty” above (other than pursuant to clause (xi)) or the Trustee pursuant to clause (ix) under “Termination by the Trustee” above, the market value of the Swap Agreement will be established by the Swap Counterparty on the basis of market quotations of the cost to, or the amount payable by, the Swap Counterparty 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 the Swap Counterparty pursuant to clause (xi) under “Termination by the Swap Counterparty” 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 the Swap Counterparty, in which case it will be due from the Trust to the Swap Counterparty, or it may be positive for the Trust, in which case it will be due from the Swap Counterparty 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 A Class Certificates in order to pay any swap breakage fees owed to the Swap Counterparty. 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 the Swap Counterparty 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 A 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 A 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 the Swap Counterparty 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 A 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 the Swap Counterparty.

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 A 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 the Swap Counterparty 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 the Swap Counterparty 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 the Swap Counterparty'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 the Swap Counterparty 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 A Class Certificates because the timing and amount of distributions of principal of the A Class Certificates will depend on the rate of principal payments (including prepayments) of the Mortgage Loans underlying the MBS (as defined in the 1993-195 Prospectus Supplement). The rate of principal payments of the MBS, and therefore of distributions on the A 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 A 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 1993-195 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 A Class Certificates. Faster than anticipated rates of principal payments on the A Class Certificates (especially principal payment rates that cause the outstanding principal balance of the A 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 10% 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 November 25, 2008 and (iii) an assumed purchase price of \$368,887,002 (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 1993-195 Prospectus Supplement.

The yields to investors in the Certificates indicated in the table below also reflect the cash flows, if any, attributable to any A 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 1993-195 Prospectus Supplement for information regarding the declining percentages over time of the original principal balance of the A 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, especially 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. It is possible that under certain high prepayment and low LIBOR scenarios, investors in the Certificates would not fully recoup their initial investments.

Pre-Tax Yields of the Certificates

LIBOR	PSA Prepayment Assumption					
	50%	100%	275%	350%	500%	800%
1.1875%	5.4%	5.0%	3.4%	2.8%	1.7%	(0.3)%
3.1875%	5.9%	5.6%	4.6%	4.2%	3.5%	2.3%
5.1875%	6.4%	6.3%	5.9%	5.7%	5.4%	4.8%
7.1875%	7.0%	7.0%	7.2%	7.2%	7.3%	7.3%
9.1875%	7.6%	7.8%	8.4%	8.7%	9.1%	9.8%
9.7000%	7.7%	8.0%	8.8%	9.1%	9.6%	10.4%

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 A Class Certificates from Salomon Brothers in exchange for the Certificates and a cash payment and will enter into the Swap Agreement. The Trustee will deliver the A Class Certificates to the Custodian, in pledge to the Swap Counterparty. In addition, on the Settlement Date, the Swap Counterparty will establish the Reserve Fund with the Custodian and pledge it to the Trust.

The A 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, the Swap Counterparty 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 A Class Certificates

To the extent set forth in the trust agreement under which the A Class Certificates are created, record holders representing not less than 25% of the then outstanding principal balance of the A 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 A 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 A Class Certificates and an interest in the Swap Agreement for federal income tax purposes. The investment status of the A Class Certificates is described under “Certain Additional Federal Income Tax Consequences—REMIC Elections and Special Tax Attributes” in the 1993-195 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 A 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 A 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 A 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 A Class Certificates and the denominator of which is the sum of the fair market value of the A 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 A Class Certificates would be the same amount. Generally, the difference between the cost of the Certificate and the amount allocated to the A 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 A Class Certificates), or that is paid (if such cost is greater than the amount allocated to the A 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 A 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 A Class Certificates

Except as described below, the material anticipated federal income tax consequences to Beneficial Owners of the purchase, ownership and disposition of the A Class Certificates are described under “Certain Additional Federal Income Tax Consequences” in the 1993-195 Prospectus Supplement and under “Certain Federal Income Tax Consequences” in the REMIC Prospectus.

Fannie Mae will determine the issue price of the A Class Certificates by allocating the initial price at which a substantial portion of the Certificates are sold between the A 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 A 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 A Class Certificates are issued at a price equal to approximately 104% of the original principal amount. Thus, the A 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 A Class Certificates. A Beneficial Owner generally will recognize gain or loss on the sale or exchange of its interest in the A Class Certificates equal to the difference between the amount received for the A Class Certificates and the Certificateholder’s adjusted basis in the A Class Certificates. See “Certain Federal Income Tax Consequences—Sales of Certificates” in the REMIC Prospectus. The amount received for the A Class Certificates and the initial basis in the A Class Certificates will be determined as described above under “Taxation of Certificates—*Allocations*.”

The transfer of an ownership interest in the A 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 A 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. On October 14, 1993, the Treasury Department issued final regulations under Section 446 of the Code relating to notional principal contracts (the “Swap Regulations”). The Swap Regulations are effective for taxpayers entering into notional principal contracts on or after December 14, 1993 and therefore would apply only to Beneficial Owners that purchase Certificates after that date. Nevertheless, 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 effective date of the Swap 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 the Swap Counterparty 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 A Class Certificates reduced by the amount, if any, attributable to the Reserve Fund arrangement (as described below). Under the Swap Regulations, a nonperiodic payment that relates to a swap must be recognized over the term of the contract by allocating it in accordance with the economic substance of the transaction. For tax information reporting purposes, 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 A Class Certificates (but assuming the A Class Certificates are prepaid in accordance with the Scheduled Balances under the Swap Agreement). This method should be treated as reflecting the economic substance of the Swap Premium under the Swap Regulations. The amount of the initial Swap Premium that is amortized in any taxable year will be treated as a periodic payment deemed made by the Swap Counterparty 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." The Swap Regulations do not explicitly define what constitutes a "significant" nonperiodic swap payment. Beneficial Owners should consult with their own tax advisors regarding whether a Swap Premium that they are deemed to pay or to receive as a result of their purchase may be treated as a loan under the Swap Regulations.

The prepayment of a portion of the Swap Agreement by the Trust in the event that the principal balance of the A Class Certificates is less than 645/675 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 the Swap Counterparty. A portion of the premium deemed paid for the A 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 the Swap Counterparty 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 under section 1092 of the Code provide that certain interest rate swaps are “actively traded” property for purposes of section 1092 of the Code. It would appear that these regulations apply to the Swap Agreement. Therefore, under section 1234A of the Code, gain or loss upon the termination of the Swap Agreement will generally be treated as capital gain or loss, assuming the A Class Certificate constitutes a capital asset in the hands of the Beneficial Owner. 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 A 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 A 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 A 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 A 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 A Class Certificates would constitute unrelated business taxable income if the Swap Counterparty 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 the Swap Counterparty 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

Salomon Brothers proposes to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale, plus accrued interest from November 1, 1993 at the rate of 3.4875% per annum. Salomon Brothers 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 agent.

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 Salomon Brothers 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 1993-195 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 or Salomon Brothers Inc. 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.

\$367,853,563

Federal National Mortgage Association



Swap Trust 1993-005 Swap Trust Certificates

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Fannie Mae's Prospectus Supplement for its Guaranteed REMIC Pass-Through Certificates, Fannie Mae REMIC Trust 1993-195 and Fannie Mae's REMIC Prospectus dated December 29, 1992, for its Guaranteed REMIC Pass-Through Certificates follow this Prospectus.

Salomon Brothers Inc

Prospectus

Dated November 2, 1993

\$500,000,000
Federal National Mortgage Association



Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 1993-195

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "Certificates") will represent beneficial ownership interests in Fannie Mae REMIC Trust 1993-195 (the "Trust"). The assets of the Trust will consist of Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the "MBS"), each of which will represent a beneficial interest in a pool (the "Pool") of first lien, single-family, fixed-rate residential mortgage loans (the "Mortgage Loans") having the characteristics described herein. The Certificates will be issued and guaranteed as to timely distribution of principal and interest by Fannie Mae and offered by Fannie Mae pursuant to its Prospectus for Guaranteed Mortgage Pass-Through Certificates (the "MBS Prospectus"), available as described herein, and its Prospectus for Guaranteed REMIC Pass-Through Certificates (the "REMIC Prospectus"), accompanying this Prospectus Supplement.

An election will be made to treat the Trust as a "real estate mortgage investment conduit" ("REMIC") pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). The R Class will be subject to transfer restrictions. See "Description of the Certificates—Characteristics of the R Class" and "Certain Additional Federal Income Tax Consequences" herein, and "Description of the Certificates—Additional Characteristics of Residual Certificates" and "Certain Federal Income Tax Consequences" in the REMIC Prospectus.

(Cover continued on next page)

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.

Class	Original Principal Balance	Principal Type (1)	Interest Rate	Interest Type (1)	Final Distribution Date
A	\$371,000,000	SEQ	6.75%	FIX	November 2020
C	107,700,000	SEQ	6.75	FIX	May 2023
F	10,650,000	SEQ	(2)	FLT	October 2023
S	10,650,000	SEQ	(2)	INV	October 2023
IO	(3)	NTL	7.00	FIX/IO	October 2023
R	0	NPR	0	NPR	October 2023

- (1) See "Description of the Certificates—Class Definitions and Abbreviations" in the REMIC Prospectus and "Description of the Certificates—Distributions of Interest" and "—Distributions of Principal" herein.
- (2) These Classes will bear interest based on "LIBOR," as described under "Description of the Certificates—Distributions of Interest" herein and "Description of the Certificates—Indices Applicable to Floating Rate and Inverse Floating Rate Classes" in the REMIC Prospectus.
- (3) The IO Class will be a Notional Class, will have no principal balance and will bear interest on its notional principal balance (initially, \$17,857,142). The notional principal balance of the IO Class will be calculated based on the principal balances of all the Classes. See "Description of the Certificates—General—Notional Class" herein.

The Certificates will be offered by Salomon Brothers Inc (the "Dealer") from time to time in negotiated transactions, at varying prices to be determined at the time of sale.

The Certificates will be offered by the Dealer, subject to issuance by Fannie Mae, to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by the Dealer, subject to the right by the Dealer to reject any order in whole or in part and subject to approval of certain legal matters by counsel. It is expected that the Certificates, except for the R Class, will be available through the book-entry system of the Federal Reserve Banks on or about October 29, 1993 (the "Settlement Date"). It is expected that the R Class in registered, certificated form will be available for delivery at the offices of the Dealer, Seven World Trade Center, New York, New York 10048, on or about the Settlement Date.

Salomon Brothers Inc

The date of this Prospectus Supplement is August 27, 1993.

(Cover continued from previous page)

THE CERTIFICATES MAY NOT BE SUITABLE INVESTMENTS FOR ALL INVESTORS. NO INVESTOR SHOULD PURCHASE CERTIFICATES UNLESS SUCH INVESTOR UNDERSTANDS AND IS ABLE TO BEAR THE PREPAYMENT, YIELD, LIQUIDITY AND OTHER RISKS ASSOCIATED WITH SUCH CERTIFICATES.

The yield to investors in each Class will be sensitive in varying degrees to the rate of principal payments of the Mortgage Loans, the characteristics of the Mortgage Loans actually included in the Pool, the purchase price paid for the related Class and, in the case of any Floating Rate and Inverse Floating Rate Classes, the level of the applicable Index (as defined herein). Accordingly, investors should consider the following risks:

- The Mortgage Loans generally may be prepaid at any time without penalty, and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time.
- Slight variations in Mortgage Loan characteristics could substantially affect the weighted average lives and yields of some or all of the Classes.
- In the case of any Certificates purchased at a discount to their principal amounts, a slower than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of any Certificates purchased at a premium to their principal amounts, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of any Interest Only Class, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield and, in certain cases, an actual loss on the investment.
- The yield on any Floating Rate or Inverse Floating Rate Class will be sensitive to the level of the applicable Index, particularly if the interest rate thereon fluctuates as a multiple of such Index.

See “Description of the Certificates—Yield Considerations” herein.

In addition, investors should purchase Certificates only after considering the following:

- The actual final payment of any Class will likely occur earlier, and could occur much earlier, than the Final Distribution Date for such Class specified on the cover page. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus.
- The rate of principal distributions of the Certificates is uncertain and investors may be unable to reinvest the distributions thereon at yields equaling the yields on the Certificates. See “Description of the Certificates—Reinvestment Risk” in the REMIC Prospectus.
- Investors whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities may be subject to restrictions on investment in certain Classes of the Certificates. Investors should consult their legal advisors to determine whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment. See “Legal Investment Considerations” in the REMIC Prospectus.

The Dealer intends to make a market for the Certificates but is not obligated to do so. There can be no assurance that such a secondary market will develop or, if developed, that it will continue. Thus, investors may not be able to sell their Certificates readily or at prices that will enable them to realize their anticipated yield. No investor should purchase Certificates unless such investor understands and is able to bear the risk that the value of the Certificates will fluctuate over time and that the Certificates may not be readily salable.

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

This Prospectus Supplement does not contain complete information about the Certificates. Investors should purchase Certificates only after reading this Prospectus Supplement, the REMIC Prospectus, the MBS Prospectus dated May 1, 1993 and the Fannie Mae 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 MBS Helpline at 3900 Wisconsin Avenue, N.W., Area 2H-2N, Washington, D.C. 20016 (telephone 1-800-BEST-MBS or 202-752-6547). Such documents may also be obtained from Salomon Brothers Inc by writing or calling its Prospectus Department at Brooklyn Army Terminal, 140 58th Street, Brooklyn, New York (telephone 718-567-2005).

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DESCRIPTION OF THE CERTIFICATES

The following summaries describing certain provisions of the Certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the REMIC Prospectus, the MBS Prospectus and the provisions of the Trust Agreement (defined below). Capitalized terms used and not otherwise defined in this Prospectus Supplement have the respective meanings assigned to such terms in the REMIC Prospectus (including the Glossary contained therein), the MBS Prospectus or the Trust Agreement (as the context may require).

General

Structure. The Trust will be created pursuant to a trust agreement dated as of September 1, 1987, as supplemented by an Issue Supplement thereto, dated as of October 1, 1993 (together, the “Trust Agreement”), executed by the Federal National Mortgage Association (“Fannie Mae”) in its corporate capacity and in its capacity as Trustee, and the Certificates in the Classes and aggregate original principal balances set forth on the cover hereof will be issued by Fannie Mae pursuant thereto. A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement.

The Certificates (other than the R Class) will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust. The assets of the Trust will consist of the MBS.

MBS Distributions. The MBS will provide that principal and interest on the underlying Mortgage Loans will be passed through monthly, commencing on the 25th day of the month following the month of the initial issuance of the MBS (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day).

Fannie Mae Guaranty. Fannie Mae guarantees to each holder of an MBS the timely payment of scheduled installments of principal of and interest on the underlying Mortgage Loans, whether or not received, together with the full principal balance of any foreclosed Mortgage Loan, whether or not such balance is actually recovered. In addition, Fannie Mae will be obligated to distribute on a timely basis to the Holders of Certificates required installments of principal and interest and to distribute the principal balance of each Class of Certificates in full no later than the applicable Final Distribution Date, whether or not sufficient funds are available in the MBS Account. The guaranties of Fannie Mae are not backed by the full faith and credit of the United States. See “Description of the Certificates—Fannie Mae’s Guaranty” in the REMIC Prospectus and “Description of Certificates—The Corporation’s Guaranty” in the MBS Prospectus.

Characteristics of Certificates. The Certificates, other than the R Certificate, 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.

The R Certificate will not be issued in book-entry form but will be issued in fully registered, certificated form. As to the R Certificate, “Holder” or “Certificateholder” refers to the registered owner thereof. The R Certificate will be transferable at the corporate trust office of the Transfer Agent, or at the agency of the Transfer Agent in New York, New York. The Transfer Agent initially will be State Street Bank and Trust Company in Boston, Massachusetts (“State Street”). A service charge may be imposed for any registration of transfer of the R Certificate and Fannie Mae may require payment of a sum sufficient to cover any tax or other governmental charge. See also “Characteristics of the R Class” herein.

The distribution to the Holder of the R Certificate of the proceeds of any remaining assets of the Trust will be made only upon presentation and surrender of such Certificate at the office of the Paying Agent. The Paying Agent initially will be State Street.

Notional Class. The IO Class will be a Notional Class. A Notional Class will have no principal balance and will bear interest at the per annum interest rate set forth on the cover or described herein during each Interest Accrual Period on the related notional principal balance. The notional principal balance of the Notional Class will be equal to the indicated percentage of the outstanding principal balance of the following Class immediately prior to the related Distribution Date:

<u>Class</u>	<u>Percentage of Principal Balance of Specified Class</u>
IO	3.5714285714% of all the Classes

The notional principal balance of a Notional Class is used for purposes of the determination of interest distributions thereon and does not represent an interest in the principal distributions of the MBS or the underlying Mortgage Loans. Although a Notional Class will not have a principal balance, a REMIC Trust Factor (as described herein) will be published with respect to any such Class that will be applicable to the notional principal balance thereof, and references herein to the principal balances of the Certificates generally shall be deemed to refer also to the notional principal balance of any Notional Class.

Authorized Denominations. The Certificates, other than the R Certificate, will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. The R Class will be issued as a single certificate and will not have a principal balance.

Distribution Dates. Distributions on the Certificates will be made on the 25th day of each month (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day), commencing in the month following the Settlement Date.

Calculation of Distributions. Interest on the interest-bearing Certificates is calculated on the basis of a 360-day year consisting of twelve 30-day months and is distributable monthly on each Distribution Date, commencing (except with respect to the Accrual Classes, if any) in the month after the Settlement Date. Interest to be distributed or, in the case of any Accrual Classes, added to principal on each interest-bearing Certificate on a Distribution Date will consist of one month's interest on the outstanding principal balance of such Certificate immediately prior to such Distribution Date. Interest to be distributed or, in the case of any Accrual Classes, added to principal on a Distribution Date will accrue on the interest-bearing Certificates during the one month periods set forth herein under "Distributions of Interest—Interest Accrual Periods." Principal on the Certificates will be distributed on each Distribution Date in an amount equal to the sum of the aggregate distributions of principal concurrently made on the MBS and any interest accrued and added on such Distribution Date to the principal balances of the Accrual Classes, if any. See "Distributions of Principal" herein.

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

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

Optional Termination. Consistent with its policy described under "Description of Certificates—Termination" in the MBS Prospectus, Fannie Mae will agree not to effect indirectly an early termination of the Trust through the exercise of its right to repurchase the Mortgage Loans underlying any MBS unless only one Mortgage Loan remains in the related Pool or the principal

balance of such Pool at the time of repurchase is less than one percent of the original principal balance thereof.

The MBS

The MBS underlying the Certificates will have the aggregate unpaid principal balance and Pass-Through Rate set forth below and the general characteristics described in the MBS Prospectus. The Mortgage Loans will be conventional Level Payment Mortgage Loans secured by a first mortgage or deed of trust on a one- to four-family (“single-family”) residential property and having an original maturity of up to 30 years, as described under “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus. The characteristics of the MBS and Mortgage Loans as of October 1, 1993 (the “Issue Date”) are expected to be as follows:

Aggregate Unpaid Principal Balance	\$500,000,000
MBS Pass-Through Rate	7.00%
Range of WACs (per annum percentages)	7.25% to 9.50%
Range of WAMs	241 months to 360 months
Approximate Weighted Average WAM	354 months
Approximate Weighted Average CAGE	6 months

Following the issuance of the Certificates, Fannie Mae will prepare a Final Data Statement setting forth the Pool number, the current WAC (or original WAC, if the current WAC is not available) and the current WAM (or Adjusted WAM, if the current WAM is not available) of the Mortgage Loans underlying each MBS, along with the weighted average of all the current or original WACs and the weighted average of all the current or Adjusted WAMs, based on the current unpaid principal balances of the Mortgage Loans underlying the MBS as of the Issue Date. The Final Data Statement will not accompany this Prospectus Supplement but will be made available by Fannie Mae. To request the Final Data Statement, telephone Fannie Mae at 1-800-BEST-MBS or 202-752-6547. The contents of the Final Data Statement and other data specific to the Certificates are available in electronic form by calling Fannie Mae at 1-800-752-6440 or 202-752-6000.

Distributions of Interest

Categories of Classes

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

<u>Interest Type*</u>	<u>Classes</u>
Fixed Rate	A, C and IO
Floating Rate	F
Inverse Floating Rate	S
Interest Only	IO
No Payment Residual	R

* See “Description of the Certificates—Class Definitions and Abbreviations” in the REMIC Prospectus.

General. The interest-bearing Certificates will bear interest at the respective per annum interest rates set forth on the cover or described herein. Interest on the interest-bearing Certificates is calculated on the basis of a 360-day year consisting of twelve 30-day months and is distributable monthly on each Distribution Date, commencing (except with respect to any Accrual Class) in the month after the Settlement Date. Interest to be distributed or, in the case of any Accrual Classes, added to principal on each interest-bearing Certificate on a Distribution Date will consist of one month’s interest on the outstanding principal balance of such Certificate immediately prior to such Distribution Date.

Interest Accrual Periods. Interest to be distributed or added to principal on a Distribution Date will accrue on the interest-bearing Certificates during the one-month periods set forth below (each, an “Interest Accrual Period”).

<u>Classes</u>	<u>Interest Accrual Period</u>
F and S (collectively, the “No Delay Classes”)	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
All other interest-bearing Classes (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs

See “Yield Considerations” herein.

Floating Rate and Inverse Floating Rate Classes. Each of the following Classes will bear interest during its initial Interest Accrual Period at the Initial Interest Rate set forth below, and will bear interest during each Interest Accrual Period thereafter, subject to the applicable Maximum and Minimum Interest Rates, at the rate determined as described below:

<u>Class</u>	<u>Initial Interest Rate</u>	<u>Maximum Interest Rate</u>	<u>Minimum Interest Rate</u>	<u>Formula for Calculation of Interest Rate</u>
F.....	2.0%	13.5%	0.0%	$(4.25 \times \text{LIBOR}) - 11.54688\%$
S.....	11.5%	13.5%	0.0%	$25.04688\% - (4.25 \times \text{LIBOR})$

The yields with respect to such Classes will be affected by changes in the applicable Index, as set forth in the table above (an “Index”), which changes may not correlate with changes in mortgage interest rates. It is possible that lower mortgage interest rates could occur concurrently with an increase in the level of the Index. Conversely, higher mortgage interest rates could occur concurrently with a decrease in the level of the Index.

Each Index value will be established as described herein by Fannie Mae two business days prior to the commencement of the related Interest Accrual Period. The establishment of the Index value by Fannie Mae and Fannie Mae’s determination of the rate of interest for the applicable Classes for the related Interest Accrual Period shall (in the absence of manifest error) be final and binding. Each such rate of interest may be obtained by telephoning Fannie Mae at 1-800-BEST-MBS or 202-752-6547.

Calculation of LIBOR

On each LIBOR Determination Date, until the principal balances of the F and S Classes (the “LIBOR Classes”) have been reduced to zero, Fannie Mae will establish LIBOR for the related Interest Accrual Period in the manner described in the REMIC Prospectus under “Description of the Certificates—Indices Applicable to Floating Rate and Inverse Floating Rate Classes—*LIBOR*.”

If on the initial LIBOR Determination Date, Fannie Mae is unable to determine LIBOR in the manner specified in the REMIC Prospectus, LIBOR for the next succeeding Interest Accrual Period will be 3.1875%.

Distributions of Principal

Categories of Classes

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

<u>Principal Type*</u>	<u>Classes</u>
Sequential Pay	A, C, F and S
Notional	IO
No Payment Residual	R

* See “Description of the Certificates—Class Definitions and Abbreviations” in the REMIC Prospectus.

Principal Distribution Amount

Principal will be distributed monthly on the Certificates in an amount (the “Principal Distribution Amount”) equal to the aggregate distributions of principal concurrently made on the MBS.

On each Distribution Date, the Principal Distribution Amount will be distributed as principal of the Classes in the following order of priority:

- | | | |
|---|---|------------------------------|
| <ul style="list-style-type: none">(i) to the A Class, until the principal balance thereof is reduced to zero;(ii) to the C Class, until the principal balance thereof is reduced to zero; and(iii) concurrently, to the F and S Classes, in the proportions of 50% and 50%, respectively, until the principal balances thereof are reduced to zero. | } | Sequential
Pay
Classes |
|---|---|------------------------------|

Structuring Assumptions

Pricing Assumptions. Unless otherwise specified, the information in the tables in this Prospectus Supplement has been prepared on the basis of the following assumptions (the “Pricing Assumptions”):

- each Mortgage Loan bears interest at a rate of 7.6% per annum and has an original term to maturity of 360 months, a CAGE of 6 months and a remaining term to maturity of 354 months;
- the Mortgage Loans prepay at the *constant* percentages of PSA specified in the related table;
- the closing date for the sale of the Certificates is the Settlement Date; and
- the first Distribution Date for the Certificates occurs in the month following the Settlement Date.

PSA Assumptions. Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this Prospectus Supplement is the Public Securities Association’s standard prepayment model (“PSA”). To assume a specified rate of PSA (for example, 275% PSA) is to assume a specified rate of prepayment each month of the then outstanding principal balance of a pool of new mortgage loans computed as described under “Description of the Certificates—Prepayment Considerations and Risks” in the REMIC Prospectus. There is no assurance that prepayments will occur at any PSA rate or at any other constant rate.

Characteristics of the R Class

The R Certificate will not have a principal balance and will not bear interest. The Holder of the R Certificate will be entitled to receive the proceeds of the remaining assets of the Trust, if any, after

the principal balances of all Classes have been reduced to zero. It is not anticipated that there will be any material assets remaining in such circumstance.

The R Class will be subject to certain transfer restrictions. No transfer of record or beneficial ownership of an R Certificate will be allowed to a “disqualified organization.” In addition, no transfer of record or beneficial ownership of an R Certificate will be allowed to any person that is not a “U.S. Person” without the written consent of Fannie Mae. Under regulations issued by the Treasury Department on December 23, 1992 (the “Regulations”), a transfer of a “noneconomic residual interest” to a U.S. Person will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. The R Certificate will constitute a noneconomic residual interest under the Regulations. Any transferee of an R Certificate must execute and deliver an affidavit and an Internal Revenue Service Form W-9 on which the transferee provides its taxpayer identification number. See “Description of the Certificates—Additional Characteristics of Residual Certificates” and “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates” in the REMIC Prospectus. Transferors of the R Certificate should consult with their own tax advisors for further information regarding such transfers.

The Holder of the R Certificate will be considered to be the holder of the “residual interest” in the REMIC constituted by the Trust. See “Certain Federal Income Tax Consequences” in the REMIC Prospectus. Pursuant to the Trust Agreement, Fannie Mae will be obligated to provide to such Holder (i) such information as is necessary to enable it to prepare its federal income tax returns and (ii) any reports regarding the Certificate that may be required under the Code.

Yield Considerations

General. There can be no assurance that the Mortgage Loans will have the characteristics assumed herein or will prepay at any of the rates assumed herein or at any other particular rate, that the pre-tax yields on the Certificates will correspond to any of the pre-tax yields shown herein or that the aggregate purchase prices of the Certificates will be as assumed. In addition, there can be no assurance that the applicable Index will correspond to the levels shown herein. Because the rate of principal distributions on the Certificates will be related to the amortization of the Mortgage Loans in each Pool, which are likely to include Mortgage Loans that have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the principal distributions on the Certificates are likely to differ from those assumed, even if all Mortgage Loans prepay at the indicated constant percentages of PSA. In addition, it is not likely that the Mortgage Loans will prepay at a constant PSA rate until maturity, that all of such Mortgage Loans will prepay at the same rate or that the level of the applicable Index will remain constant.

The timing of changes in the rate of prepayments or the level of the applicable Index may significantly affect the actual yield to maturity to investors, even if the average rate of principal prepayments or the average level of the Index is consistent with the expectations of investors. In general, the earlier the payment of principal of the Mortgage Loans or change in the level of the Index, the greater the effect on an investor’s yield to maturity. As a result, the effect on an investor’s yield of principal prepayments or the level of the Index occurring at a rate or level higher (or lower) than the rate or level anticipated by the investor during the period immediately following the issuance of the Certificates will not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments or level of the Index.

The effective yield on the Delay Classes will be reduced below the yield otherwise produced because principal and interest payable on a Distribution Date will not be distributed until the 25th day following the end of the related Interest Accrual Period and will not bear interest during such delay. No interest at all will be paid on any Class after its principal balance has been reduced to zero. As a result of the foregoing, the market value of the Delay Classes will be lower than would have been the case if there were no such delay. Investors must make their own decisions as to the appropriate

assumptions, including prepayment assumptions, to be used in deciding whether to purchase the Certificates.

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

The Interest Only Class. As indicated in the table below, the yield to investors in the IO Class will be sensitive to the rate of principal payments (including prepayments) of the Mortgage Loans, which generally can be prepaid at any time. On the basis of the assumptions described below, the yield to maturity on the IO Class would be 0% if prepayments were to occur at a constant rate of approximately 475% PSA. If the actual prepayment rate of the Mortgage Loans were to exceed the foregoing level for as little as one month while equaling such level for the remaining months, the investors in the IO Class would not fully recoup their initial investments.

The information set forth in the following table was prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase price of the IO Class (expressed as a percentage of original principal balance) is as follows:

<u>Class</u>	<u>Price*</u>
IO	25.01666%

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

Sensitivity of the IO Class to Prepayments (Pre-Tax Yields to Maturity)

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>275%</u>	<u>350%</u>	<u>500%</u>
IO	24.8%	22.0%	12.0%	7.6%	(1.6)%

The Inverse Floating Rate Class. The yield to investors in the Inverse Floating Rate Class will be highly sensitive to the level of the Index. As indicated in the table below, a high level of the Index will have a negative effect on the yield to investors in the Inverse Floating Rate Class.

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

The information set forth in the following table was prepared on the basis of the Pricing Assumptions and the assumptions that (i) the interest rates applicable to the Inverse Floating Rate Class for each Interest Accrual Period subsequent to the initial Interest Accrual Period will be based on the indicated level of the applicable Index and (ii) the aggregate purchase price of the Inverse Floating Rate Class (expressed as a percentage of original principal balance) is as follows:

<u>Class</u>	<u>Price*</u>
S	90.34056%

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

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

<u>LIBOR</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>100%</u>	<u>275%</u>	<u>350%</u>	<u>500%</u>
2.7169%	15.4%	15.4%	15.5%	15.6%	15.8%
3.1875%	13.1%	13.1%	13.2%	13.3%	13.5%
5.1875%	3.6%	3.6%	3.8%	3.9%	4.1%
5.8933%	0.4%	0.4%	0.6%	0.7%	0.9%

Weighted Average Lives of the Certificates

The weighted average life of a Certificate is determined by (a) multiplying the amount of the reduction, if any, of the principal balance of such Certificate from one Distribution Date to the next Distribution Date by the number of years from the Settlement Date to the second such Distribution Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the reductions in principal balance of such Certificate referred to in clause (a). For a description of the factors which may influence the weighted average life of a Certificate, see “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus.

In general, the weighted average lives of the Certificates will be shortened if the level of prepayments of principal of the Mortgage Loans increases. However, the weighted average lives will depend upon a variety of other factors, including the timing of changes in such rate of principal payments and the priority sequence of distributions of principal of the Classes. See “Distributions of Principal” herein.

The interaction of the foregoing factors may have different effects on various Classes and the effects on any Class may vary at different times during the life of such Class. Accordingly, no assurance can be given as to the weighted average life of any Class. Further, to the extent the prices of the Certificates represent discounts or premiums to their respective original principal balances, variability in the weighted average lives of such Classes of Certificates could result in variability in the related yields to maturity. For an example of how the weighted average lives of the Classes may be affected at various *constant* prepayment rates, see the Decrement Tables below.

Decrement Tables

The following tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each of the dates shown at various *constant* PSA levels and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions, except that with respect to the information set forth for each such Class under 0% PSA it has been assumed that each underlying Mortgage Loan bears an interest rate of 9.50% per annum and has an original and remaining term to maturity of 360 months. It is not likely that (i) all of the underlying Mortgage Loans will have the interest rates, CAGEs or remaining terms to maturity assumed or (ii) the underlying Mortgage Loans will prepay at a *constant* PSA level. In addition, the diverse remaining terms to maturity of the Mortgage Loans (which will include recently originated Mortgage Loans) could produce slower or faster principal distributions than indicated in the tables at the specified *constant* PSA levels, even if the weighted average remaining term to maturity and the weighted average CAGE of the Mortgage Loans are identical to the remaining term to maturity and CAGE specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

Date	A Class					C Class					F and S Classes					IO† Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	275%	350%	500%	0%	100%	275%	350%	500%	0%	100%	275%	350%	500%	0%	100%	275%	350%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
October 1994	99	95	90	87	82	100	100	100	100	100	100	100	100	100	100	99	97	92	90	87
October 1995	98	88	72	65	52	100	100	100	100	100	100	100	100	100	100	99	91	79	74	65
October 1996	97	79	53	43	26	100	100	100	100	100	100	100	100	100	100	98	84	65	58	45
October 1997	96	71	38	26	7	100	100	100	100	100	100	100	100	100	100	97	78	54	45	31
October 1998	95	63	25	13	0	100	100	100	100	79	100	100	100	100	100	96	73	44	35	21
October 1999	94	56	14	2	0	100	100	100	100	49	100	100	100	100	100	95	67	36	27	15
October 2000	92	49	6	0	0	100	100	100	79	27	100	100	100	100	100	94	62	30	21	10
October 2001	91	43	0	0	0	100	100	94	57	13	100	100	100	100	100	93	58	25	17	7
October 2002	89	37	0	0	0	100	100	74	40	2	100	100	100	100	100	92	53	20	13	5
October 2003	87	31	0	0	0	100	100	57	26	0	100	100	100	100	77	90	49	16	10	3
October 2004	85	26	0	0	0	100	100	43	16	0	100	100	100	100	53	89	45	13	8	2
October 2005	82	21	0	0	0	100	100	31	8	0	100	100	100	100	36	87	41	11	6	2
October 2006	80	16	0	0	0	100	100	21	1	0	100	100	100	100	24	85	38	9	5	1
October 2007	77	11	0	0	0	100	100	13	0	0	100	100	100	81	17	83	34	7	3	1
October 2008	74	7	0	0	0	100	100	7	0	0	100	100	100	62	11	81	31	6	3	*
October 2009	70	3	0	0	0	100	100	2	0	0	100	100	100	47	8	78	28	5	2	*
October 2010	67	0	0	0	0	100	97	0	0	0	100	100	87	35	5	75	25	4	2	*
October 2011	62	0	0	0	0	100	84	0	0	0	100	100	69	27	3	72	22	3	1	*
October 2012	58	0	0	0	0	100	73	0	0	0	100	100	54	20	2	69	20	2	1	*
October 2013	53	0	0	0	0	100	61	0	0	0	100	100	42	15	1	65	17	2	1	*
October 2014	47	0	0	0	0	100	51	0	0	0	100	100	33	11	1	61	15	1	*	*
October 2015	41	0	0	0	0	100	41	0	0	0	100	100	25	8	1	56	13	1	*	*
October 2016	35	0	0	0	0	100	31	0	0	0	100	100	19	5	*	51	11	1	*	*
October 2017	27	0	0	0	0	100	22	0	0	0	100	100	14	4	*	46	9	1	*	*
October 2018	19	0	0	0	0	100	14	0	0	0	100	100	10	3	*	40	7	*	*	*
October 2019	10	0	0	0	0	100	6	0	0	0	100	100	7	2	*	33	5	*	*	*
October 2020	1	0	0	0	0	100	0	0	0	0	100	90	4	1	*	26	4	*	*	*
October 2021	0	0	0	0	0	65	0	0	0	0	100	52	2	*	*	18	2	*	*	*
October 2022	0	0	0	0	0	25	0	0	0	0	100	17	1	*	*	10	1	*	*	*
October 2023	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	18.8	7.5	3.5	2.9	2.2	28.4	21.3	10.9	8.8	6.3	29.8	28.1	20.2	16.7	11.9	21.3	11.3	5.8	4.7	3.5

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

** Determined as specified under "Weighted Average Lives of the Certificates" herein.

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

CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES

The following tax discussion, when read in conjunction with the discussion of “Certain Federal Income Tax Consequences” in the REMIC Prospectus, describes the current federal income tax treatment of investors in the Certificates. These two tax discussions do 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.

REMIC Election and Special Tax Attributes

An election will be made to treat the Trust as a REMIC for federal income tax purposes. The Certificates, other than the R Class, will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust.

As a consequence of the qualification of the Trust as a REMIC, the Certificates generally will be treated as “qualifying real property loans” for mutual savings banks and domestic building and loan associations, “regular or residual interests in a REMIC” for domestic building and loan associations, “real estate assets” for real estate investment trusts, and, except for the R Class, as “qualified mortgages” for other REMICs. See “Certain Federal Income Tax Consequences—Special Tax Attributes” in the REMIC Prospectus.

Taxation of Beneficial Owners of Regular Certificates

The IO Class will be, and certain other Classes of Certificates may be, issued with original issue discount for federal income tax purposes, which generally will result in recognition of some taxable income in advance of the receipt of the cash attributable to such income. The Prepayment Assumption that will be used in determining the rate of accrual of original issue discount will be 275% PSA. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the REMIC Prospectus. No representation is made as to whether the Mortgage Loans underlying the MBS will prepay at that or any other rate. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus. In addition, the F Class will be, and certain other Classes of Certificates may be, treated as having been 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.

Taxation of Beneficial Owners of Residual Certificates

Under the Regulations, the R Certificate will not have significant value. As a result, an organization to which section 593 of the Code applies and which is the beneficial owner of the R Certificate may not use its allowable deductions to offset any “excess inclusions” with respect to such Certificate. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” in the REMIC Prospectus.

For purposes of determining the portion of the taxable income of the Trust that generally will not be treated as excess inclusions, the rate to be used is 120% of the “federal long-term rate.” The rate will be published on or about September 20, 1993. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” and “—Foreign Investors—*Residual Certificates*” in the REMIC Prospectus. The federal income tax consequences of any consideration paid to a transferee on the transfer of the R Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

PLAN OF DISTRIBUTION

General. The Dealer will receive the Certificates in exchange for the MBS pursuant to a Fannie Mae commitment. The Dealer proposes to offer the Certificates directly to the public from time to

time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect such transactions to or through dealers.

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

LEGAL MATTERS

Certain legal matters will be passed upon for the Dealer by Cleary, Gottlieb, Steen & Hamilton.