

**PROSPECTUS SUPPLEMENT**

(To Prospectus dated December 29, 1992)

**\$37,718,643**

**Federal National Mortgage Association**



**Guaranteed REMIC Pass-Through Certificates  
Fannie Mae REMIC Trust 1994-68**

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "Certificates") will represent beneficial ownership interests in one of two trust funds. The Certificates, other than the RL Class, will represent beneficial ownership interests in Fannie Mae REMIC Trust 1994-68 (the "Trust"). The assets of the Trust will consist of the "regular interests" in a separate trust fund (the "Lower Tier REMIC"). The assets of the Lower Tier REMIC will consist of the REMIC Certificates specified herein (collectively, the "Underlying REMIC Certificates") evidencing beneficial ownership interests in the related Fannie Mae REMIC Trusts (collectively, the "Underlying REMIC Trusts"). The assets of each Underlying REMIC Trust consist of beneficial ownership interests in certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates ("MBS") having the characteristics described herein. Each MBS underlying the Underlying REMIC Certificates will represent a beneficial ownership interest in a pool (each, a "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, to the extent set forth herein, interest by Fannie Mae. Under certain circumstances described herein, investors will not receive, and Fannie Mae's guaranty will not cover, the full amount of interest accrued on the A Class at the fixed per annum rate of 8.25% and the F Class at the LIBOR-based formula rate. See "Description of the Certificates—Fannie Mae Guaranty" and "—Calculation of Interest Distributions" herein. The Certificates will be 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.

**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. SEE "DESCRIPTION OF THE CERTIFICATES—PREPAYMENT CONSIDERATIONS AND RISKS" AND "—YIELD CONSIDERATIONS" HEREIN.**

Elections will be made to treat the Lower Tier REMIC and the Trust as "real estate mortgage investment conduits" ("REMICs") pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). The R and RL Classes will be subject to transfer restrictions. See "Description of the Certificates—Characteristics of the R and RL Classes" 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.

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**THE CERTIFICATES, TOGETHER WITH ANY INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES. THE OBLIGATIONS OF FANNIE MAE UNDER ITS LIMITED 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	\$10,000,000	(2)	8.25%(3)	FIX	January 2023
F	\$27,718,643	(2)	(4)	FLT	January 2023
R(5)	0	NPR	0	EXE	January 2023
RL(6)	0	NPR	0	EXE	January 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) Each of the A and F Classes will be entitled to receive the related Principal Distribution Amount (as defined herein) on each Distribution Date until the respective principal balance thereof is reduced to zero. See "Description of the Certificates—Distributions of Principal" herein.
- (3) The A Class will bear interest at a rate equal to 8.25% per annum and will be entitled to receive the related Interest Distribution Amount (as defined herein) on each Distribution Date. See "Description of the Certificates—Distributions of Interest" herein.
- (4) The F Class 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 and will be entitled to receive the related Interest Distribution Amount (as defined herein) on each Distribution Date. See "Description of the Certificates—Distributions of Interest" herein.
- (5) The R Class will be entitled to receive an amount equal to 73.4879115349% of the distributions on any remaining Underlying REMIC Certificates, after the principal balance of the F Class has been reduced to zero and any unpaid interest deficiency (together with any accrued and unpaid interest thereon) with respect to such Class has been paid in full. See "Description of the Certificates—Characteristics of the R and RL Classes" herein.
- (6) The RL Class will be entitled to receive an amount equal to 26.5120884651% of the distributions on any remaining Underlying REMIC Certificates, after the principal balance of the A Class has been reduced to zero and any unpaid interest deficiency (together with any accrued and unpaid interest thereon) with respect to such Class has been paid in full. See "Description of the Certificates—Characteristics of the R and RL Classes" herein.

The Certificates will be offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated (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, and subject to approval of certain legal matters by counsel. It is expected that the A and F Classes will be available through the book-entry system of the Federal Reserve Banks on or about March 30, 1994 (the "Settlement Date"). It is expected that the R and RL Classes in registered, certificated form will be available for delivery at the offices of the Dealer, New York, New York, on or about the Settlement Date.

**Merrill Lynch & Co.**

**March 23, 1994**

(Cover continued from previous page)

The yield to investors in each Class will be directly related to, among other things, the rate of distributions on the Underlying REMIC Certificates, which in turn will be sensitive in varying degrees to the rate of principal payments of the Mortgage Loans, the characteristics of the Mortgage Loans included in the related Pools, the priority sequences affecting principal distributions on the Underlying REMIC Certificates and, in the case of the F Class, the level of LIBOR. Each yield will also be sensitive to the amount of Excess Interest (as defined herein) available for distribution to the related Class and the purchase price paid for such Class. 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 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.
- The yield on the A Class will be sensitive to the rate of prepayments of the Mortgage Loans. Under certain prepayment scenarios, the related Interest Distribution Amount may not be sufficient to pay the full amount of interest accrued on the A Class. Any such deficiency on a particular Distribution Date will be carried forward, with interest, to subsequent Distribution Dates. Once the respective principal and notional principal balances of the Underlying REMIC Certificates have been reduced to zero, Holders of the A Class will have no further entitlement to any unpaid interest deficiency or interest thereon.
- The yield on the F Class will be sensitive to the level of LIBOR and the rate of prepayments of the Mortgage Loans. Under certain LIBOR and prepayment scenarios, the related Interest Distribution Amount may not be sufficient to pay the full amount of interest accrued on the F Class at the LIBOR-based formula rate. Any such deficiency on a particular Distribution Date will be carried forward, with interest, to subsequent Distribution Dates. Once the principal and notional principal balances of the Underlying REMIC Certificates have been reduced to zero, Holders of the F Class will have no further entitlement to any unpaid interest deficiency or interest thereon.
- The distributions on the R Class will be especially sensitive to the level of LIBOR and the rate of prepayments on the Mortgage Loans, since no distributions will be made on such Class until the principal balance of the F Class is reduced to zero and any accrued and unpaid interest thereon (including any unpaid interest deficiency and accrued interest thereon) is paid in full. Under certain LIBOR and prepayment scenarios, little or no assets would remain in the Trust at such time.
- The distributions on the RL Class will be especially sensitive to the rate of prepayments on the Mortgage Loans, since no distributions will be made on such Class until the principal balance of the A Class is reduced to zero and any accrued and unpaid interest thereon (including any unpaid interest deficiency and accrued interest thereon) is paid in full. Under certain prepayment scenarios, little or no assets would remain in the Lower Tier REMIC at such time.
- The relationship among the various factors that affect the availability of principal and interest distributions, and correspondingly, the yield on the Certificates, is complex, and an investment in the Certificates should only be made by persons familiar with the analysis of mortgage loan prepayment rates and mortgage-backed securities structures.

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

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

- The rate of 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.
- Certain of the Underlying REMIC Certificates are “Interest Only” securities with nominal or notional principal balances. If such nominal or notional principal balances are reduced disproportionately faster than the principal balances of the remaining Underlying REMIC Certificates, the interest accrued on the Underlying REMIC Certificates (some of which are “principal only” Underlying REMIC Certificates) may not be sufficient to cover interest accrued on the principal balances of the A and F Classes.
- Certain of the Underlying REMIC Certificates included in the Lower Tier REMIC have Principal Balance Schedules and, in certain cases, may not be scheduled to receive principal payments in accordance with their Principal Balance Schedules for extended periods. However, prepayments on the related Mortgage Loans may have occurred at a rate faster or slower than that initially assumed. This Prospectus Supplement contains no information as to whether any such Underlying REMIC Certificates have adhered to their Principal Balance Schedules, whether any support securities remain outstanding or whether the Underlying REMIC Certificates otherwise have performed as originally anticipated. Such information as to particular Underlying REMIC Certificates may be obtained through an analysis of current Fannie Mae principal factors in the context of applicable information contained in the related Underlying Prospectus (as defined below) which may be obtained from Fannie Mae as described below.
- The actual final payment of the A and F Classes will likely occur earlier, and could occur much earlier, than the Final Distribution Date for such Classes specified on the cover page. In particular, exercise of the right of optional liquidation of the Lower Tier REMIC by Holders of the RL Class, with the consent of the Holders of the R Class, as described herein will effect the early retirement of the A and F Classes. 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.
- 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 MBS Prospectus, the Prospectus Supplements for the respective Underlying REMIC Trusts (collectively, the “Underlying Prospectuses”) or the REMIC 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 January 1, 1994, the Underlying Prospectuses 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, together with the Underlying Prospectuses, may be obtained from Fannie Mae by writing or calling its MBS Helpline at 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 (telephone 1-800-BEST-MBS or 202-752-6547). Such documents, other than the Underlying Prospectuses, may also be obtained from Merrill Lynch, Pierce, Fenner & Smith Incorporated by writing or calling its Prospectus Department at 4 Corporate Place, Corporate Park 287, Piscataway, New Jersey 08855 (telephone 908-878-6526).

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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, the Underlying Prospectuses 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, the Underlying Prospectuses or the Trust Agreement (as the context may require). In addition, references herein to the “principal balance” of any Underlying REMIC Certificate shall be deemed to refer to the principal balance or notional principal balance thereof, as applicable.

### General

*Structure.* The Trust and the Lower Tier REMIC will be created pursuant to a trust agreement dated as of March 1, 1994 (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 A and F Classes will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust. The interests in the Lower Tier REMIC other than the RL Class (the “Lower Tier Regular Interests”) will be designated as the “regular interests,” and the RL Class will be designated as the “residual interest,” in the Lower Tier REMIC.

The assets of the Trust will consist of the Lower Tier Regular Interests, and the Certificates, other than the RL Class, will evidence the entire beneficial ownership interest in the distributions of principal and interest on the Lower Tier Regular Interests.

The assets of the Lower Tier REMIC will consist of the Underlying REMIC Certificates (which evidence beneficial ownership interests in the Underlying REMIC Trusts), and the Lower Tier Regular Interests and the RL Class (collectively, the “Lower Tier Interests”) will in the aggregate evidence the entire beneficial ownership interest in the distributions of principal and interest on the Underlying REMIC Certificates.

*Distributions on Underlying Securities.* The Underlying REMIC Certificates provide that payments thereon will be passed through monthly, commencing on the 25th day of the month following the month of the initial issuance thereof (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day).

*Fannie Mae Limited Guaranty.* Fannie Mae guarantees to the Holders of Certificates (i) distribution on each Distribution Date of the related Principal Distribution Amount and the related Interest Distribution Amount, in each case calculated as provided herein, and (ii) distribution in full of the principal balance of the A and F Classes no later than the Final Distribution Date, whether or not sufficient funds are available. Fannie Mae’s guaranty does not cover the receipt of any unpaid interest deficiency (or any accrued and unpaid interest thereon) once the principal balances of the Underlying REMIC Certificates have been reduced to zero. In such event, Holders of the A and F Classes will have no further entitlement to any such payments and, accordingly, will not receive the full amount of interest accrued and unpaid in respect of such Classes. See “Distributions of Interest” herein. 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 received. In addition, Fannie Mae guarantees to each holder of each of the Underlying REMIC Certificates payment of any required installments of principal and interest and payment in full of the principal

balance, if any, thereof not later than the applicable final distribution date, whether or not sufficient funds are otherwise available therefor.

The limited 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, “Description of Certificates—The Corporation’s Guaranty” in the MBS Prospectus and “Description of the REMIC Certificates—General—*Fannie Mae Guaranty*” or “Description of the Certificates—General—*Fannie Mae Guaranty*” as applicable in the Underlying Prospectuses.

*Characteristics of Certificates.* The Certificates offered hereby, other than the R and RL 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.

The R and RL Certificates will not be issued in book-entry form but will be issued in fully registered, certificated form. As to the R and RL Certificates, “Holders” or “Certificateholders” refers to the registered owners thereof. The R and RL Certificates will be transferable and, if applicable, exchangeable 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 or, if applicable, exchange of the R and RL Certificates and Fannie Mae may require payment of a sum sufficient to cover any tax or other governmental charge. See also “Characteristics of the R and RL Classes” herein.

Distributions, if any, on the R and RL Classes will be made by check mailed by the Paying Agent to the address of each person entitled thereto as it appears on the Certificate Register maintained by the Certificate Registrar (initially State Street) not later than each Distribution Date; provided, however, that the final distributions to the Holders of the R and RL Classes of the proceeds of any remaining assets of the Trust and the Lower Tier REMIC, as applicable, will be made only upon presentation and surrender of the related Certificates at the office of the Paying Agent. The Paying Agent initially will be State Street.

*Authorized Denominations.* The Certificates offered hereby, other than the R and RL Certificates, will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. The R and RL Certificates will be issued in minimum percentage interests of 10% and integral multiples of 1% percentage interests in excess thereof.

*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 Interest Distributions.* Interest on the A and F Classes is calculated on the basis of a 360-day year consisting of twelve 30-day months and is distributable monthly on each Distribution Date, commencing in the month after the Settlement Date. Interest to be distributed on each of the A and F Classes on a Distribution Date will be in an amount (as to each Class, the “Interest Distribution Amount”) equal to the lesser of (a) the sum of (i) one month’s interest at the related interest rate on the outstanding principal balance of such Class immediately prior to such Distribution Date, (ii) any related unpaid interest deficiency (as defined herein) and (iii) interest, if any, accrued on a compounded basis and unpaid on any such related unpaid interest deficiency and (b) the sum of (i) with respect to the A Class, 26.5120884651%, and with respect to the F Class, 73.4879115349%, of the aggregate distributions of interest concurrently made on the Underlying REMIC Certificates and (ii) following the reduction of the principal balance of such Class to zero, the

amount calculated pursuant to clause (i) of the definition of Principal Distribution Amount for such Class. Interest will accrue on such interest-bearing Classes during the one month periods set forth herein under “Distributions of Interest—*Interest Accrual Periods*.” In the event that the Interest Distribution Amount for either Class for any Distribution Date is less than the interest accrued on the principal balance thereof during the preceding related Interest Accrual Period, such deficiency will accrue interest during each Interest Accrual Period thereafter, at the per annum interest rate applicable to such Class from time to time to the extent such deficiency remains unpaid on a subsequent Distribution Date. The distributions on the Underlying REMIC Certificates may not be sufficient to pay all accrued and unpaid interest on the A and F Classes under certain scenarios, including scenarios involving high rates of prepayments on the Mortgage Loans and/or high levels of LIBOR. See “Prepayment Considerations and Risks” and “Yield Considerations” herein.

*Calculation of Principal Distributions.* On each Distribution Date, principal will be distributed, concurrently, on each of the A and F Classes in an amount (as to each Class, the “Principal Distribution Amount”) equal to the sum of (i) with respect to the A Class, 26.5120884651%, and with respect to the F Class, 73.4879115349%, of the aggregate distributions of principal concurrently made on the Underlying REMIC Certificates and (ii) the amount (as to each Class, “Excess Interest”) by which distributions of interest concurrently made on the Underlying REMIC Certificates and allocated to such Class exceeds the amount calculated pursuant to clause (a) of the definition of Interest Distribution Amount for such Class for such Distribution Date. 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 of the A and F Classes 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.

*Voting the Underlying REMIC Trusts.* In the event any issue arises under the applicable trust agreement governing any of the Underlying REMIC Trusts that requires the vote of holders of certificates outstanding thereunder, the Trustee will vote the related Underlying REMIC Certificates in accordance with instructions received from Holders of Certificates having principal denominations aggregating not less than 51% of the aggregate principal denominations of each of the A and F Classes that remain outstanding and, following the final distribution on such Class, Holders of Certificates of the RL and R Classes, respectively, having percentage interests aggregating not less than 51% of the aggregate percentage interests of such Class. In the absence of such instructions, the Trustee will vote in a manner consistent, in its sole judgment, with the best interests of Certificateholders.

*Optional Liquidation.* At the option of the Holders of the RL Class and with the consent of the Holders of the R Class, in each case representing in the aggregate 100% of the ownership percentages thereof, the Lower Tier REMIC may adopt a plan of complete liquidation pursuant to which the Holders of the RL Class, or their designees, will purchase the Underlying REMIC Certificates remaining in the Lower Tier REMIC at such time. The Holders of the RL Class, however, may not exercise this option unless (i) the aggregate of the outstanding principal balances of the A and F Classes is less than 25% of the aggregate of the original principal balances of such Classes, (ii) the proceeds of such liquidation are at least equal to the sum of (x) the aggregate of the outstanding principal balances of the A and F Classes and (y) any accrued and unpaid interest on such Classes (including any unpaid interest deficiency and interest accrued thereon) and (iii) Fannie Mae has received an opinion of counsel, satisfactory to it, that such purchase will be part of a “qualified liquidation” of the Lower Tier REMIC within the meaning of Section 860F(a)(4)(A) of the Code. Upon such liquidation (i) Holders of each of the A and F Classes will receive an amount equal to the sum of (x) the outstanding principal balance of such Class at the time of such liquidation and (y) any accrued and unpaid interest thereon (including any unpaid interest deficiency and interest accrued

thereon) and (ii) Holders of the RL Class will receive an amount equal to the excess of (x) the aggregate liquidation proceeds over (y) the amount distributable to the A and F Classes in retirement thereof. Such liquidation will effect an early retirement of the A, F, R and RL Classes.

### **The Underlying REMIC Certificates**

The Underlying REMIC Certificates represent beneficial ownership interests in the respective Underlying REMIC Trusts, the assets of which evidence the beneficial ownership interests in certain MBS having the general characteristics set forth in the MBS Prospectus. Each MBS evidences beneficial ownership interests in a Pool of conventional Level Payment Mortgage Loans secured by a first mortgage or deed of trust on a one- to four-family residential property, as described under “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus.

The table contained in Exhibit A hereto sets forth certain information with respect to each class of Underlying REMIC Certificates including the numerical designation of the Underlying REMIC Trust, the class designation of the Underlying REMIC Certificate, the date of issue, the CUSIP number, the interest rate, the interest type, the final distribution date, the principal type, the original principal balance of the entire class, the percentage of such class in the Lower Tier REMIC, the current principal factor for such class and the current principal balance of such class contained in the Lower Tier REMIC as of March 1, 1994 (the “Issue Date”). The table also sets forth the approximate weighted average WAC, approximate weighted average WAM and approximate weighted average CAGE of the Mortgage Loans underlying the related MBS as of the Issue Date and the underlying security type.

### **Final Data Statement**

Following the issuance of the Certificates, Fannie Mae will prepare a Final Data Statement setting forth, among other things, the current principal balance or the current notional principal balance, as applicable, of each of the Underlying REMIC Certificates as of the Settlement 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 or further information regarding the Underlying REMIC Certificates, 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. It should be noted that there may have been material changes in facts and circumstances since the dates the Underlying Prospectuses were prepared, including, but not limited to, changes in prepayment speeds and prevailing interest rates and other economic factors, which may limit the usefulness of the information set forth in such documents.

### **Prepayment Considerations and Risks**

The rate of distributions of principal of the A and F Classes will be directly related to the rate of principal distributions on the Underlying REMIC Certificates and to the amount of any related Excess Interest, which in turn will be sensitive in varying degrees to the rate of payments of principal of the underlying Mortgage Loans. Certain of the Underlying REMIC Certificates are subordinate in priority of principal distributions to certain other classes of certificates evidencing beneficial ownership interests in the related Underlying REMIC Trusts and, accordingly, distributions of principal of the related Mortgage Loans may for extended periods be applied to the distribution of principal of those classes of certificates having priority over such Underlying REMIC Certificates. In addition, certain of the Underlying REMIC Certificates have Principal Balance Schedules and, in some cases, may not be scheduled to receive principal payments in accordance with their Principal Balance Schedules for extended periods. See Exhibit A hereto. As a result of the foregoing characteristics, distributions of principal in respect of the A and F Classes during certain periods may occur at a slower rate than would otherwise be the case. However, prepayments on the related Mortgage Loans may have occurred at a rate faster or slower than that initially assumed. This Prospectus Supplement

contains no information as to whether any such Underlying REMIC Certificates have adhered to their Principal Balance Schedules, whether any support securities remain outstanding or whether the Underlying REMIC Certificates otherwise have performed as originally anticipated. Such information as to a particular Underlying REMIC Certificate may be obtained through an analysis of current Fannie Mae principal factors in the context of applicable information contained in the related Underlying Prospectus, which may be obtained from Fannie Mae as described above.

The amount available for distributions of interest on the A and F Classes will be directly related to the amount of interest distributed on the Underlying REMIC Certificates, which in turn will be sensitive in varying degrees to the rate of payments of principal of the related underlying Mortgage Loans. Certain of the Underlying REMIC Certificates are “Interest Only” securities with nominal or notional principal balances. See Exhibit A hereto. If such nominal or notional principal balances are reduced disproportionately faster than the principal balances of the remaining Underlying REMIC Certificates, the interest accrued on such remaining Underlying REMIC Certificates (some of which are “principal only” Underlying REMIC Certificates) may not be sufficient to cover interest accrued on the principal balances of the A and F Classes. Commencing on the date on which the principal balance of the A Class is reduced to zero, 26.5120884651% of the distributions on any remaining Underlying REMIC Certificates, if any (net of the amount necessary to reduce the principal balance of the A Class to zero on such date), will be applied to any unpaid interest deficiency (and any accrued and unpaid interest thereon) with respect to such Class. Commencing on the date on which the principal balance of the F Class is reduced to zero, 73.4879115349% of the distributions on any remaining Underlying REMIC Certificates, if any (net of the amount necessary to reduce the principal balance of the F Class to zero on such date), will be applied to any unpaid interest deficiency (and any accrued and unpaid interest thereon) with respect to such Class. However, as described above under “General—*Fannie Mae Limited Guaranty*,” Fannie Mae’s guaranty does not cover the receipt of any unpaid interest deficiency (or any accrued and unpaid interest thereon) once the principal balances of the respective Underlying REMIC Certificates have been reduced to zero. In such event, Holders of the A and F Classes will have no further entitlement to any such payments. See “Distributions of Interest” herein.

## 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
Floating Rate	F
Excess	R and RL

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

*General.* The A Class will bear interest at a per annum interest rate of 8.25% and the F Class will bear interest at the per annum interest rate described herein. Interest on such interest-bearing Classes is calculated on the basis of a 360-day year consisting of twelve 30-day months and is distributable monthly on each Distribution Date, commencing in the month after the Settlement Date. Interest to be distributed on each of the A and F Classes on a Distribution Date will be in an amount (as to each Class, the “Interest Distribution Amount”) equal to the lesser of (a) the sum of (i) one month’s interest at the related interest rate on the outstanding principal balance of such Class immediately prior to such Distribution Date, (ii) any related unpaid interest deficiency (as defined below) and (iii) interest, if any, accrued on a compounded basis and unpaid on any such related unpaid interest deficiency and (b) the sum of (i) with respect to the A Class, 26.5120884651%, and with respect to the F Class, 73.4879115349%, of the aggregate distributions of interest concurrently made on the Underlying REMIC Certificates and (ii) following the reduction of the principal balance of such Class



to zero, the amount calculated pursuant to clause (i) of the definition of Principal Distribution Amount for such Class.

On each Distribution Date, the related Interest Distribution Amount for each of the A and F Classes will be applied to the distribution of interest on such Class in the following order:

(i) an amount equal to the interest accrued on the principal balance of such Class during the immediately preceding related Interest Accrual Period;

(ii) an amount equal to the interest, if any, accrued and unpaid on the principal balance of such Class prior to the immediately preceding related Interest Accrual Period that has not been previously paid (as to such Class, an “interest deficiency”); and

(iii) an amount equal to the interest, if any, accrued on a compounded basis and unpaid on any such unpaid interest deficiency during each related Interest Accrual Period as to which such interest deficiency remained unpaid to the Distribution Date on which such interest deficiency is paid, at, in the case of the A Class, the per annum interest rate of 8.25% and, in the case of the F Class, the per annum interest rate applicable to the F Class from time to time.

If an unpaid interest deficiency remains with respect to the A Class on the Distribution Date upon which the principal balance of such Class is reduced to zero, 26.5120884651% of all distributions on any remaining Underlying REMIC Certificates, if any (net of the amount necessary to reduce the principal balance of the A Class to zero on such date), will be applied to the payment of any such unpaid interest deficiency (together with any accrued and unpaid interest thereon) on such date and each Distribution Date thereafter. If an unpaid interest deficiency remains with respect to the F Class on the Distribution Date upon which the principal balance of such Class is reduced to zero, 73.4879115349% of all distributions on any remaining Underlying REMIC Certificates, if any (net of the amount necessary to reduce the principal balance of the F Class to zero on such date), will be applied to the payment of any such unpaid interest deficiency (together with any accrued and unpaid interest thereon) on such date and each Distribution Date thereafter. Once the principal balances and notional principal balances of the Underlying REMIC Certificates have been reduced to zero, Holders of the A and F Classes will have no further entitlement to any unpaid interest deficiencies (or any accrued and unpaid interest thereon).

On each Distribution Date following the reduction of the principal balance of the A Class to zero and the payment in full of all accrued and unpaid interest (including any unpaid interest deficiency together with interest thereon) with respect to such Class, 26.5120884651% of the distributions on any remaining Underlying REMIC Certificates, if any (reduced on the first such Distribution Date by the amount of the final payment on the A Class), will be distributed to the RL Class. On each Distribution Date following the reduction of the principal balance of the F Class to zero and the payment in full of all accrued and unpaid interest (including any unpaid interest deficiency together with interest thereon) with respect to such Class, 73.4879115349% of the distributions on any remaining Underlying REMIC Certificates, if any (reduced on the first such Distribution Date by the amount of the final payment on the F Class), will be distributed to the R Class.

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

<u>Class</u>	<u>Interest Accrual Period</u>
F	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
A	Calendar month preceding the month in which the Distribution Date occurs

See “Yield Considerations” herein.

**Floating Rate Class.** The F Class 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 for Interest Rate</u>
F .....	5.375%	11.50%	1.75%	LIBOR + 175 basis points

The yield with respect to the F Class will be affected by changes in LIBOR, which changes may not correlate with changes in mortgage interest rates. It is possible that lower mortgage interest rates could occur concurrently with an increase in the level of LIBOR. Conversely, higher mortgage interest rates could occur concurrently with a decrease in the level of LIBOR. Under certain circumstances of increased LIBOR levels, the Interest Distribution Amount for the F Class may not be sufficient to pay the full amount of interest accrued on the F Class at the LIBOR-based formula rate. Any such unpaid interest deficiency on a particular Distribution Date will be carried forward, with interest, to subsequent Distribution Dates. If any such unpaid interest deficiency remains on the Distribution Date upon which the principal balance of the F Class is reduced to zero, 73.4879115349% of all distributions on any remaining Underlying REMIC Certificates, if any (net of the amount necessary to reduce the principal balance of the F Class to zero on such date), will be applied to the payment of any such unpaid interest deficiency (together with accrued and unpaid interest thereon) on such date and each Distribution Date thereafter. Once the principal balances and notional principal balances of the Underlying REMIC Certificates have been reduced to zero, Holders of the F Class will have no further entitlement to any unpaid interest deficiency (or any accrued and unpaid interest thereon).

Each LIBOR 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 each LIBOR value by Fannie Mae and Fannie Mae’s determination of the rate of interest for the F Class 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, 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 3.625%.

## 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>
(1)	A and F
No Payment Residual(2)	R and RL

- (1) Each of the A and F Classes will be entitled to receive the related Principal Distribution Amount on each Distribution Date until the respective principal balance thereof is reduced to zero.
- (2) See “Description of the Certificates—Class Definitions and Abbreviations” in the REMIC Prospectus.

### *Principal Distribution Amount*

On each Distribution Date, principal will be distributed, concurrently, on each of the A and F Classes in an amount (as to each Class, the “Principal Distribution Amount”) equal to the sum of (i) with respect to the A Class, 26.5120884651%, and with respect to the F Class, 73.4879115349%, of the aggregate distributions of principal concurrently made on the Underlying REMIC Certificates and (ii) the amount (as to each Class, “Excess Interest”) by which distributions of interest concurrently made on the Underlying REMIC Certificates and allocated to such Class exceeds the amount calculated pursuant to clause (a) of the definition of Interest Distribution Amount for such Class for such Distribution Date.

### **Structuring Assumptions**

*Pricing Assumptions.* Unless otherwise specified in Exhibit A, the information in the tables in this Prospectus Supplement has been prepared on the basis of the actual characteristics of the Pools underlying the Underlying REMIC Certificates and the priority sequences affecting the principal distributions on the Underlying REMIC Certificates and the following assumptions (the “Pricing Assumptions”):

- the Mortgage Loans underlying the Underlying REMIC Certificates prepay at the CPR levels for each Scenario (as defined below) specified in the related tables;
- the closing date for the sale of the Certificates is the Settlement Date;
- the first Distribution Date for the Certificates occurs in the month following the Settlement Date; and
- the right to cause the optional liquidation of the Lower Tier REMIC described herein is not exercised by the Holders of the RL Class.

*CPR Assumptions.* Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this Prospectus Supplement is the “Constant Prepayment Rate” or “CPR” model. The CPR Model represents an assumed *constant* rate of prepayment each month, expressed as a per annum percentage of the then outstanding principal balance of the pool of mortgage loans. There is no assurance that prepayments will occur at any CPR level or at any other constant prepayment rate. *CPR does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans underlying the Underlying REMIC Certificates.*

The CPR levels applicable to the Mortgage Loans underlying the related Underlying REMIC Certificates for each of the four scenarios (each, a “Scenario”) used for purposes of the sensitivity tables and Decrement Tables set forth herein are as follows:

<u>Underlying REMIC Trust</u>	<u>CPR Prepayment Assumptions</u>			
	<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>	<u>Scenario 4</u>
1990-73 .....	15%	70%	70%	75%
1991-117 .....	10%	40%	50%	65%
1991-158 .....	15%	70%	70%	75%
1992-14 .....	8%	35%	40%	65%
1992-25 .....	7%	15%	35%	60%
1992-34 .....	8%	35%	40%	65%
1992-41 .....	8%	35%	40%	65%
1992-76 .....	9%	38%	45%	65%
1992-93 .....	9%	38%	45%	65%
1992-118 .....	7%	10%	30%	60%
1992-122 .....	8%	35%	40%	65%
1992-135 .....	7%	10%	30%	60%
1992-193 .....	4%	5%	25%	55%
1993-9 .....	8%	35%	40%	65%
1993-22 .....	7%	10%	30%	60%

### **Characteristics of the R and RL Classes**

The R and RL Certificates will not have principal balances and will not bear interest. The Holders of the R Class will be entitled to receive an amount equal to 73.4879115349% of the distributions on any remaining Underlying REMIC Certificates, if any, after (i) the principal balance of the F Class has been reduced to zero and (ii) any unpaid interest deficiency (together with accrued and unpaid interest thereon) with respect to such Class has been paid in full. The Holders of the RL Class will be entitled to receive an amount equal to 26.5120884651% of the distributions on any remaining Underlying REMIC Certificates, if any, after (i) the principal balance of the A Class has been reduced to zero and (ii) any unpaid interest deficiency (together with accrued and unpaid interest thereon) with respect to such Class has been paid in full.

The R Class and RL Class will be subject to certain transfer restrictions. No transfer of record or beneficial ownership of an R or RL Certificate will be allowed to a “disqualified organization.” In addition, no transfer of record or beneficial ownership of an R or RL 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. Any transferee of an R or RL 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 an R or RL Certificate should consult with their own tax advisors for further information regarding such transfers.

The Holders of the R Class will be considered to be the holders of the “residual interest” in the REMIC constituted by the Trust, and the Holders of the RL Class will be considered to be the holders of the “residual interest” in the REMIC constituted by the Lower Tier REMIC. See “Certain Federal Income Tax Consequences” in the REMIC Prospectus. Pursuant to the Trust Agreement, Fannie Mae will be obligated to provide to such Holders (i) such information as is necessary to enable them

to prepare their federal income tax returns and (ii) any reports regarding the Certificates that may be required under the Code.

## **Yield Considerations**

There can be no assurance that the Mortgage Loans will prepay at any of the rates assumed herein or at any other particular rate, that the pre-tax yields on the A and F Classes will correspond to any of the pre-tax yields shown herein or that the aggregate purchase prices of the A and F Classes will be as assumed. In addition, there can be no assurance that LIBOR will correspond to the levels shown herein. The rate of distributions of principal of the A and F Classes will be directly related to the rate of principal distributions on the Underlying REMIC Certificates and the amount of any related Excess Interest, which in turn will be related to the amortization (including prepayments) of the Mortgage Loans and the priority sequences affecting principal distributions on certain of the Underlying REMIC Certificates. Certain of the Underlying REMIC Certificates are subordinate in priority of principal distributions to certain other classes of certificates evidencing beneficial ownership interests in the related Underlying REMIC Trusts, and, accordingly, distributions of principal of the related Mortgage Loans may for extended periods be applied to the distribution of principal of those classes of certificates having priority over such Underlying REMIC Certificates. In addition, certain of the Underlying REMIC Certificates have Principal Balance Schedules and, in some cases, may not be scheduled to receive principal payments in accordance with their Principal Balance Schedules for extended periods. As a result of the foregoing characteristics, distributions of principal in respect of the A and F Classes during certain periods may occur at a slower rate than would otherwise have been the case. However, prepayments on the related Mortgage Loans may have occurred at a rate faster or slower than that initially assumed. Consequently, such Underlying REMIC Certificates may not adhere to their Principal Balance Schedules, and any support securities may not remain outstanding. This Prospectus Supplement contains no information as to whether any such Underlying REMIC Certificates have adhered to their Principal Balance Schedules, whether any support securities remain outstanding or whether the Underlying REMIC Certificates otherwise have performed as originally anticipated. Such information as to particular Underlying REMIC Certificates may be obtained through an analysis of current Fannie Mae principal factors in the context of applicable information contained in the related Underlying Prospectus which may be obtained from Fannie Mae as described herein. Further, it is not likely that the Mortgage Loans will prepay at the indicated CPR levels or at any other constant rate until maturity, that all of such Mortgage Loans will prepay at the same rate or that the level of LIBOR will remain constant.

The amount available for distributions of interest on the A and F Classes will be directly related to the amount of interest distributed on the Underlying REMIC Certificates, which in turn will be sensitive in varying degrees to the rate of payments of principal of the related underlying Mortgage Loans. Certain of the Underlying REMIC Certificates are “Interest Only” securities with nominal or notional principal balances. If such nominal or notional principal balances are reduced disproportionately faster than the principal balances of the Underlying REMIC Certificates, the interest accrued on the Underlying REMIC Certificates (some of which are “principal only” Underlying REMIC Certificates) may not be sufficient to cover interest accrued on the principal balances of the A and F Classes. Further, Fannie Mae’s guaranty does not cover the receipt of any unpaid interest deficiency (or any accrued and unpaid interest thereon) relating to either the A or F Class once the principal balances of the Underlying REMIC Certificates have been reduced to zero. In such event, Holders of the A and F Classes will have no further entitlement to any such payments. See “Distributions of Interest” herein.

The yield on the A Class will be sensitive to the rate of prepayments. Under certain prepayment scenarios, the Interest Distribution Amount for the A Class may not be sufficient to pay the full amount of interest accrued on such Class. Although any such deficiency will be carried forward, with interest, to subsequent Distribution Dates, the effective yield on the A Class may be reduced below the

yield otherwise produced because interest payable on a Distribution Date will not be distributed until and unless funds become available.

The yield on the F Class will be sensitive to the level of LIBOR and to the rate of prepayments. Under certain LIBOR and prepayment scenarios, the Interest Distribution Amount for the F Class may not be sufficient to pay the full amount of interest accrued on such Class at the LIBOR-based formula rate. Although any such deficiency will be carried forward, with interest, to subsequent Distribution Dates, the effective yield on the F Class may be reduced below the yield otherwise produced because interest payable on a Distribution Date will not be distributed until and unless funds become available.

The distributions on the R Class will be especially sensitive to the level of LIBOR and the rate of prepayments on the Mortgage Loans, since no distributions will be made on such Class until the principal balance of the F Class is reduced to zero and any accrued and unpaid interest (including any unpaid interest deficiency and any accrued and unpaid interest thereon) is paid in full. Under certain LIBOR and prepayment scenarios, little or no assets would remain in the Trust at such time.

The distributions on the RL Class will be especially sensitive to the rate of prepayments on the Mortgage Loans, since no distributions will be made on such Class until the principal balance of the A Class is reduced to zero and any accrued and unpaid interest (including any unpaid interest deficiency and any accrued and unpaid interest thereon) is paid in full. Under certain prepayment scenarios, little or no assets would remain in the Lower Tier REMIC at such time.

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

The effective yield on the A Class 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. As a result of the foregoing, the market value of the A Class 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 A and F Classes to various constant CPR levels and, where specified, to changes in LIBOR. 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 Class, would cause the discounted present value of such assumed streams of cash flows to equal the assumed aggregate purchase price of such Class 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 Fixed Rate Class.*** **The yield to investors in the A Class will be sensitive to the rate of principal payments (including prepayments) of the Mortgage Loans, which generally can be prepaid at any time. In addition, the rate of principal payments (including prepayments) of the Mortgage Loans is likely to vary, and may vary considerably, from Pool to Pool.**

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

<u>Class</u>	<u>Price*</u>
A .....	100%

\* 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 A Class to Prepayments (Pre-Tax Yields to Maturity)

<u>Class</u>	<u>CPR Prepayment Assumptions</u>			
	<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>	<u>Scenario 4</u>
A .....	8.2%	7.9%	8.1%	6.2%

**The Floating Rate Class.** The yield to investors in the F Class will be sensitive to the level of LIBOR and to the rate of principal payments (including prepayments) of the Mortgage Loans, which generally can be prepaid at any time. In addition, the rate of principal payments (including prepayments) of the Mortgage Loans is likely to vary, and may vary considerably, from Pool to Pool.

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

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

<u>Class</u>	<u>Price*</u>
F .....	100%

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

<u>LIBOR</u>	<u>CPR Prepayment Assumptions</u>			
	<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>	<u>Scenario 4</u>
1.625% .....	3.4%	3.5%	3.5%	3.5%
3.625% .....	5.4%	5.4%	5.4%	5.4%
5.625% .....	7.4%	7.4%	7.4%	6.6%
7.625% .....	9.5%	9.3%	9.4%	6.6%
9.750% .....	10.8%	11.4%	9.8%	6.6%

### 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). The weighted average life of a

Certificate will be influenced by the rate and distributions among Pools of prepayments of principal of the underlying Mortgage Loans, whether the Holders of the RL Class, with the consent of the Holders of the R Class, exercise their option to liquidate the Lower Tier REMIC when the aggregate of the principal balances of the A and F Classes is less than 25% of their original principal balances and other factors. In addition, the weighted average life of the F Class will be influenced by the level of LIBOR. 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 level of LIBOR, the timing of changes in the rate of principal payments, the amount of any related Excess Interest available for distribution on each Distribution Date and the priority sequences of principal distributions on the Underlying REMIC Certificates. See “Distributions of Principal” herein.

The interaction of the foregoing factors may have varying effects at different times during the lives of the A and F Classes. Accordingly, no assurance can be given as to the weighted average lives of the A and F Classes. 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 Certificates could result in variability in the related yields to maturity. For an example of how the weighted average lives of the A and F Classes may be affected at various *constant* prepayment rates and with respect to the F Class, levels of LIBOR, see the Decrement Tables below.

#### **Decrement Tables**

The following tables indicate the percentages of original principal balance of the specified Classes that would be outstanding after each of the dates shown at various CPR levels comprising each Scenario and, with respect to the F Class, LIBOR levels, and the corresponding weighted average lives of such Classes. Such tables have been prepared on the basis of the Pricing Assumptions and, with respect to the F Class, the assumption that interest rates applicable to the F Class for each Interest Accrual Period subsequent to the initial Interest Accrual Period will be calculated based on the indicated level of LIBOR. It is not likely that (i) all of the underlying Mortgage Loans will have the interest rates, CAGEs or remaining terms to maturity assumed, (ii) the Mortgage Loans underlying the related Underlying REMIC Certificates will prepay at the indicated CPR levels comprising each Scenario or (iii) LIBOR will correspond to the levels shown herein. In addition, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal distributions than indicated in the tables at the specified CPR levels comprising each Scenario, even if distributions of the weighted average remaining terms to maturity and CAGEs of the Mortgage Loans are identical to the distributions of the remaining terms to maturity and CAGEs assumed.



## Percent of Original Principal Balance of A Class Outstanding

Date	A Class			
	CPR Prepayment Assumption			
	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Initial Percent .....	100	100	100	100
March 1995 .....	80	64	68	63
March 1996 .....	66	18	28	28
March 1997 .....	58	2	16	8
March 1998 .....	53	0	12	0
March 1999 .....	50	0	7	0
March 2000 .....	43	0	0	0
March 2001 .....	31	0	0	0
March 2002 .....	22	0	0	0
March 2003 .....	14	0	0	0
March 2004 .....	7	0	0	0
March 2005 .....	2	0	0	0
March 2006 .....	0	0	0	0
March 2007 .....	0	0	0	0
March 2008 .....	0	0	0	0
March 2009 .....	0	0	0	0
Weighted Average Life (years)** .....	4.8	1.4	1.8	1.5

## Percent of Original Principal Balance of F Class Outstanding

Date	LIBOR = 1.625%				LIBOR = 3.625%			
	CPR Prepayment Assumption				CPR Prepayment Assumption			
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Initial Percent .....	100	100	100	100	100	100	100	100
March 1995 .....	75	60	64	61	77	62	65	62
March 1996 .....	58	11	22	25	61	14	24	26
March 1997 .....	46	0	10	5	51	0	12	6
March 1998 .....	39	0	6	0	44	0	9	0
March 1999 .....	33	0	1	0	39	0	4	0
March 2000 .....	22	0	0	0	30	0	0	0
March 2001 .....	10	0	0	0	18	0	0	0
March 2002 .....	0	0	0	0	8	0	0	0
March 2003 .....	0	0	0	0	0	0	0	0
March 2004 .....	0	0	0	0	0	0	0	0
March 2005 .....	0	0	0	0	0	0	0	0
March 2006 .....	0	0	0	0	0	0	0	0
March 2007 .....	0	0	0	0	0	0	0	0
March 2008 .....	0	0	0	0	0	0	0	0
March 2009 .....	0	0	0	0	0	0	0	0
Weighted Average Life (years)** .....	3.3	1.2	1.5	1.4	3.8	1.3	1.7	1.5

Date	LIBOR = 5.625%				LIBOR = 7.625%				LIBOR = 9.75%			
	CPR Prepayment Assumption				CPR Prepayment Assumption				CPR Prepayment Assumption			
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Initial Percent .....	100	100	100	100	100	100	100	100	100	100	100	100
March 1995 .....	79	63	67	63	80	65	69	64	82	67	70	64
March 1996 .....	65	16	26	27	68	19	28	28	72	22	30	29
March 1997 .....	55	*	15	7	60	3	17	8	66	7	18	8
March 1998 .....	50	0	11	0	57	0	13	0	64	2	15	0
March 1999 .....	46	0	6	0	54	0	8	0	62	*	10	0
March 2000 .....	38	0	0	0	47	0	1	0	55	0	2	0
March 2001 .....	27	0	0	0	36	0	0	0	43	0	0	0
March 2002 .....	18	0	0	0	26	0	0	0	34	0	0	0
March 2003 .....	10	0	0	0	18	0	0	0	26	0	0	0
March 2004 .....	3	0	0	0	12	0	0	0	20	0	0	0
March 2005 .....	0	0	0	0	6	0	0	0	14	0	0	0
March 2006 .....	0	0	0	0	1	0	0	0	9	0	0	0
March 2007 .....	0	0	0	0	0	0	0	0	4	0	0	0
March 2008 .....	0	0	0	0	0	0	0	0	0	0	0	0
March 2009 .....	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)** .....	4.4	1.3	1.8	1.5	5.2	1.4	1.9	1.5	6.0	1.5	2.0	1.6

\* 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.

## **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 Elections and Special Tax Attributes**

Elections will be made to treat the Lower Tier REMIC and the Trust as REMICs for federal income tax purposes. The A and F Classes will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust. The Lower Tier Regular Interests will be designated as the “regular interests,” and the RL Class will be designated as the “residual interest,” in the Lower Tier REMIC.

As a consequence of the qualification of the Trust and the Lower Tier REMIC as REMICs, 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 and RL Classes, 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 A and F Classes will 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 the CPR Levels for Scenario 2 as provided in “Description of the Certificates—Structuring Assumptions—*CPR Assumptions*” herein. 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 Underlying REMIC Certificates 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.

The A Class will qualify as a regular interest under the Regulations because it will receive all of the interest on two of the Lower Tier Regular Interests, both of which are subject to a “funds-available cap.” Consequently, the funds-available cap will limit the amount of interest to be paid on the A Class to the sum of (i) its proportionate share of the aggregate distributions of interest concurrently made on the Underlying REMIC Certificates and (ii) its proportionate share of the aggregate distributions of principal concurrently made on the Underlying REMIC Certificates following the reduction of the principal balance of the A Class to zero. The A Class, however, will be issued with original issue discount because under certain circumstances all or a portion of the interest that has accrued at the fixed rate may not be paid currently.

The F Class will qualify as a regular interest under the Regulations because it will receive interest at a variable rate subject to a “funds-available cap.” The funds-available cap will limit the amount of interest to be paid on the F Class to the sum of (i) its proportionate share of the aggregate distributions of interest concurrently made on the Underlying REMIC Certificates and (ii) its proportionate share of the aggregate distributions of principal concurrently made on the Underlying REMIC Certificates following the reduction of the principal balance of the F Class to zero. The

F Class, however, will be issued with original issue discount because under certain circumstances all or a portion of the interest that has accrued at the variable rate may not be paid currently.

The Treasury Department has issued final regulations relating to the tax treatment of debt instruments with original issue discount (the “OID Regulations”). These regulations replace proposed OID regulations issued on December 22, 1992 (the “1992 Proposed OID Regulations”). The OID Regulations apply to debt instruments issued on or after April 4, 1994, and to sales or exchanges that occur on or after that date. Further, investors may rely on the OID Regulations for debt instruments issued after December 21, 1992, and for sales or exchanges that occur after that date. The OID Regulations do not provide guidance under section 1272(a)(6) of the Code, which contains special original issue discount rules applicable to the Regular Certificates.

The OID Regulations provide that for purposes of measuring the accrual of original issue discount on a debt instrument, Holders may use an interest accrual period of any length as long as each distribution date falls on either the final day or the first day of an accrual period. Fannie Mae intends to report original issue discount based on accrual periods of one month, beginning on a payment date and ending on the day before a payment date.

### **Taxation of Beneficial Owners of Residual Certificates**

Under the Regulations, neither the R Class nor the RL Class will have significant value. As a result, an organization to which section 593 of the Code applies and which is the beneficial owner of an R or RL 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 (or the Lower Tier REMIC) that generally will not be treated as excess inclusions, the rate to be used is 7.43% (which is 120% of the “federal long-term rate”). 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 an R or RL Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

Under the OID Regulations, the Lower Tier Regular Interests will be treated as a single debt instrument for original issue discount purposes because they were issued to the Trust in a single transaction. Consequently, Fannie Mae intends to calculate the taxable income (or net loss) of the Trust and of the Lower Tier REMIC (and to report to the R and RL Certificateholders) by treating the Lower Tier Regular Interests as a single debt instrument.

### **PLAN OF DISTRIBUTION**

The Dealer will receive the Certificates in exchange for the Underlying REMIC Certificates 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.

### **LEGAL MATTERS**

Certain legal matters will be passed upon for the Dealer by Milbank, Tweed, Hadley & McCloy.

## Underlying REMIC Certificates

Underlying REMIC Trust	Class	Date of Issue	CUSIP Number	Interest Rate	Interest Type (1)	Final Distribution Date	Principal Type (1) (2)	Original Principal Balance of Class	Class % in the Lower Tier REMIC	March 1994 Class Factor	Current Principal Balance in the Lower Tier REMIC	Approximate Weighted Average WAC	Approximate Weighted Average WAM (in months)	Approximate Weighted Average CAGE (in months)	Underlying Security Type
1990-73	K	July 1990	31358ERH7	(3)	PO	July 2020	PAC	\$23,973,529	98.6504740291%	1.00000000	\$23,650,000	9.7651%	301	50	MBS
1991-117	H	September 1991	31358JCZ2	760.07500%	FIX/IO	September 2006	PAC	200,000	49.9985000000	0.27695905	27,695	9.1485	144	33	MBS
1991-158	D	December 1991	31358KHH4	(3)	PO	December 2021	SUP	5,042,520	100.0000000000	1.00000000	5,042,520	9.5480	325	30	MBS
1992-14	G	February 1992	31358LSJ6	1009.00000	FIX/IO	November 2013	PAC	102,579	100.0000000000	1.00000000	102,579	8.6068	321	32	MBS
1992-25	H	March 1992	31358LU53	(4)	FIX/IO	August 2005	PAC	448,000	99.9997767857	0.43785618	196,159	8.0502	149	28	MBS
1992-34	H	March 1992	31358MDP6	982.77500	FIX/IO	July 2020	PAC	1,129,600	14.5161118980	0.57424842	94,162	8.6213	325	29	MBS
1992-41	PK	March 1992	31358MLU6	1006.40438	FIX/IO	February 2015	PAC	308,000	100.0000000000	0.55035409	169,509	8.5657	326	28	MBS
1992-76	H	May 1992	31358M5H3	988.87500	FIX/IO	May 2005	PAC	400,000	24.4997500000	0.31398450	30,770	8.5276	152	24	MBS
1992-93	M	June 1992	31358NKK7	997.74108	FIX/IO	November 2006	PAC	309,000	25.8896440129	0.48905670	39,124	8.5451	154	23	MBS
1992-118	PM	July 1992	31358PFK8	907.11675	FIX/IO	March 2018	PAC	200,000	28.0000000000	0.66470330	37,223	8.1726	325	28	MBS
1992-122	PH	July 1992	31358N2Y7	1008.00000	FIX/IO	September 2017	PAC	191,290	99.9984317006	0.50450844	96,506	8.5828	328	26	MBS
1992-135	M	August 1992	31358PD38	1047.23805	FIX/IO	March 2015	PAC	360,000	83.8886111111	0.67972414	205,276	8.1677	331	24	MBS
1992-193	JA	November 1992	31358RHW6	6.75000	FIX/IO	September 2004	NTL	99,922,962	25.5947166578	0.72817339	18,623,034	7.5554	160	18	MBS
1993-9	PJ	January 1993	31358TDG1	(3)	PO	January 2023	PAC	8,027,120	100.0000000000	1.00000000	8,027,120	8.4551	339	18	MBS
1993-22	PN	February 1993	31358TMB2	7.50000	FIX/IO	September 2016	NTL	45,729,266	10.3872189858	0.89698515	4,260,679	8.0753	342	15	MBS

- (1) See “Description of the Certificates—Class Definitions and Abbreviations” in the REMIC Prospectus.
- (2) Certain of the Underlying REMIC Certificates included in the Lower Tier REMIC have Principal Balance Schedules and, in certain cases, may not be scheduled to receive principal payments in accordance with their Principal Balance Schedules for extended periods. However, prepayments on the related Mortgage Loans may have occurred at a rate faster or slower than that initially assumed. This Prospectus Supplement contains no information as to whether any such Underlying REMIC Certificates have adhered to their Principal Balance Schedules, whether any support securities remain outstanding or whether any Underlying REMIC Certificates otherwise have performed as originally anticipated. Such information as to a particular Underlying REMIC Certificate may be obtained through an analysis of current Fannie Mae principal factors in the context of applicable information contained in the related Underlying Prospectus, which may be obtained from Fannie Mae as described herein.
- (3) These Classes are Principal Only Classes and bear no interest.
- (4) Interest will accrue on the Class 25-H REMIC Certificates at the per annum rate of 1135.89433% during the March 1994 interest accrual period for such class, and thereafter at a per annum rate calculated as of each Distribution Date as the weighted average of the rates borne by the Class 25-H1, Class 25-H2, Class 25-H3, Class 25-H4, Class 25-H5 and Class 25-H6 Components, based on their respective outstanding principal balances immediately prior to such Distribution Date.

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

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**\$37,718,643**

**Federal National  
Mortgage Association**



**Guaranteed  
REMIC Pass-Through  
Certificates**

**Fannie Mae REMIC Trust  
1994-68**

**PROSPECTUS SUPPLEMENT**

**Merrill Lynch & Co.**

**March 23, 1994**