Prospectus

$400,000,000
Federal National Mortgage Association

FannieMae

Swap Trust 1994-001
Swap Trust Certificates

The Swap Trust Certificates (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 $400,000,000 outstanding principal balance (as of the Settlement Date (as defined below)) of adjustable rate "fully modified pass-through" mortgaged-backed securities (the "GNMA Certificates") guaranteed as to timely payment of principal and interest by Government National Mortgage Association ("GNMA"), with an initial interest rate of 5.50% per annum that adjusts annually. The GNMA Certificates represent ownership interests in pools of first lien, single family residential mortgages (the "Mortgage Loans") that are insured by the Federal Housing Administration. The obligations of GNMA under its guarantees of the GNMA Certificates are backed by the full faith and credit of the United States. The Trust will pledge the GNMA Certificates to Caisse des Depots et Consignations, an autonomous instrumentality of France ("CDC"), as security for the Trust's obligations under two swap agreements (the "Swap Agreements") between the Trust and CDC.
- The right to receive certain floating rate interest payments under the Swap Agreements. Under the Swap Agreements, the Trust will be obligated to make certain floating rate interest payments to CDC.

Fannie Mae will make payments on the Certificates on each monthly "Distribution Date," beginning in January 1995 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 at the applicable "Floating Interest Rate" specified below and (ii) payments received on the GNMA Certificates, to the extent not required to be paid to CDC 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.

On any Distribution Date on or after the December 1997 Distribution Date and prior to the liquidation of the Trust, CDC may purchase from the Trust all (but not fewer than all) of the GNMA Certificates then outstanding at a price equal to 100% of their outstanding principal balance on such Distribution Date, plus accrued interest (the "Purchase Price"). Upon any such purchase, the Trust will be liquidated and the Swap Agreements will terminate, but no swap breakage fee will be payable by either CDC or the Trust in connection with such termination. The Trustee will distribute to the Certificateholders on such Distribution Date their proportionate interests in the Purchase Price of the GNMA Certificates paid by CDC.

The Swap Agreements will terminate by their respective terms in October 2004. The Swap Agreements are subject to earlier termination under the circumstances described under "Termination" in this Prospectus. Upon any such 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 GNMA Certificates, if any, owned by the Trust at that time and (ii) any applicable swap breakage fee owed by CDC. Such distribution will be made after the payment to CDC, from the assets of the Trust (including, if necessary, collections on and proceeds from the sale of GNMA Certificates), of any applicable swap breakage fee owed by the Trust. Upon early termination, the Trust may be required to pay significant swap breakage fees, which would adversely affect Certificateholders.

Investors should read this Prospectus in conjunction with the document 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 Principal Balance	Floating Interest Rate	CUSIP Number	Final Distribution Date(2)
Class A-1 Certificates	$325,000,000	(1)	31359LKJ3	October 2004
Class A-2 Certificates	$ 75,000,000	(1)	31359LKK0	October 2004

(1) Except as described under "Termination" in this Prospectus, Certificateholders will receive interest, calculated on the outstanding principal balance of the GNMA Certificates owned by such Certificateholders, at a per annum rate (not greater than 20.0% in the case of the Class A-1 Certificates and 11.65% in the case of the Class A-2 Certificates) 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) .45% in the case of the Class A-1 Certificates and .65% in the case of the Class A-2 Certificates (each a "Floating Interest Rate"). The Floating Interest Rate applicable to the first Distribution Date will be 5.575% per annum in the case of the Class A-1 Certificates and 5.775% per annum in the case of the Class A-2 Certificates. Certificateholders will receive other amounts as described under "Payments—Certificate Payment Amount" in this Prospectus.

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

The Certificates are being offered by Lehman Brothers Inc., including Lehman Government Securities Inc. (the "Dealer") directly to the public from time to time for sale in negotiated transactions at varying prices to be determined at the time of sale. The Certificates are so offered when, as and if issued, subject to delivery by Fannie Mae and receipt and acceptance by the Dealer and subject to the Dealer's right to reject any order in whole or in part. It is expected that the Certificates will be available through the book-entry facilities of The Depository Trust Company on or about December 22, 1994 (the "Settlement Date").

LEHMAN BROTHERS

November 3, 1994

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, its sensitivity to the rate of principal payments on the GNMA Certificates, which will depend upon the principal payment rate and characteristics of the Mortgage Loans, the levels of LIBOR and the One-Year Treasury Index, the effect of the lifetime and annual caps on the GNMA Floating Interest Rate (as defined herein), and whether or not the Trust is terminated early. Mortgage prepayment rates are likely to fluctuate significantly from time to time, as are the levels of LIBOR and the One-Year Treasury Index. Investors should consider the associated risks, including:

- **Low levels of LIBOR and the One-Year Treasury Index can reduce the yields of the Certificates.**
- **The Mortgage Loans 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.**
- **Small differences in the characteristics of the Mortgage Loans can affect the payment behavior of the GNMA Certificates and, thus, of the Certificates.**
- **Under certain circumstances, including a purchase of the GNMA Certificates by CDC or a rating downgrade of CDC, the Swap Agreements may be terminated. Upon certain early terminations, the Trust may be required to pay significant swap breakage fees, which would adversely affect investors in the Certificates.**
- **Upon liquidation of the Trust in connection with the exercise by CDC of its option to purchase the GNMA Certificates, the Trustee will distribute to Certificateholders their proportionate interests in the Purchase Price paid by CDC. It is likely that such Purchase Price will be less than the market value of the GNMA Certificates.**

See "Prepayment and Yield Analysis," "Termination" and "Certain Federal Income Tax Consequences" in this Prospectus.

The Dealer 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 Fannie Mae's Information Statement dated March 31, 1994, and any supplements thereto (the "Information Statement").

The Information Statement is 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-3S, Washington, D.C. 20016 (telephone 1-800-BEST-MBS or 202-752-6547). Such documents may also be obtained from Lehman Brothers Inc. by writing or calling their Registration Department at 536 Broadhollow Road, Melville, New York, 11747 (telephone 516-254-7106).

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 MBS Helpline.

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, Class A-1 and Class A-2, 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 December 1, 1994 (the "Trust Agreement").
Trustee and Guarantor of Certificates	Fannie Mae.
Trust Assets	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 GNMA Certificates. The Trust will pledge the GNMA Certificates to CDC 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 Agreements between the Trust and CDC. • The rights of the Trust under the Swap Agreements (which rights will be subject to the Trust's obligations to CDC under the Swap Agreements).
The GNMA Certificates	$400,000,000 outstanding principal balance (as of the Settlement Date) of GNMA II Mortgage Backed Securities fully guaranteed as to principal and interest by GNMA, having an interest rate (the "GNMA Floating Interest Rate") that adjusts annually based on the weekly average yield on United States Treasury Securities adjusted to a constant maturity of one year plus 1.50% (subject to a lifetime cap of 10.50% and an annual cap of ±1.0%), and a maturity date of July 20, 2024. See "The GNMA Certificates and the Mortgage Loans—The GNMA Certificates" herein.
Swap Agreements	The Trust and CDC will enter into the Swap Agreements on the Settlement Date. Under each Swap Agreement, CDC will be obligated, on each Distribution Date through the October 2004 Distribution Date, to pay to the Trust the excess, if any, of the applicable "Swap Floating Interest Amount" over the applicable "GNMA Floating Interest Amount" for that Distribution Date (such excess, the applicable "Swap Floating Net Amount"). Conversely, the Trust will be obligated, on each such Distribution Date, to pay to CDC the excess, if any, of the applicable GNMA Floating Interest Amount over the applicable Swap Floating Interest Amount for that Distribution Date (such excess, the applicable "GNMA Floating Net Amount"). The Trust will pay the GNMA Floating Net Amounts from payments received on the GNMA Certificates on the same Distribution Date. • The applicable *Swap Floating Interest Amount* for any Class of Certificates and Distribution Date will equal $1/12$ of the Floating Interest Rate applicable to that Class and Distribution Date, multiplied by the outstanding principal balance of such Class of Certificates.

- The applicable *GNMA Floating Interest Amount* for any Class of Certificates and Distribution Date will equal 1/12 of the GNMA Floating Interest Rate applicable to that Distribution Date, multiplied by the outstanding principal balance of such Class of Certificates.

Certificate Payment Amount . . . . Except as otherwise described under "Termination" in this Prospectus, on each Distribution Date each Class of Certificateholders will receive an aggregate payment (the applicable "Certificate Payment Amount") equal to the sum of (i) the GNMA Principal Payment Amount (as defined herein) allocable to such Class on that Distribution Date and (ii) the applicable Swap Floating Interest Amount for such Class for that Distribution Date.

The applicable Certificate Payment Amount will be distributed to Certificateholders of a Class on a pro rata basis. See "Payments—Certificate Payment Amount" herein.

Guaranty . . . . Fannie Mae, in its corporate capacity, guarantees to each Certificateholder the timely payment of the Certificateholder's pro rata portion of (i) the Certificate Payment Amount, (ii) the GNMA Certificates distributed upon liquidation of the Trust and (iii) any applicable swap breakage fee which may be due to the Certificateholders in the event of an early liquidation of the Trust, in each case as described in this Prospectus. See "Payments—Guaranty of Fannie Mae" herein.

Distribution Date . . . . The 20th of each month or, if the 20th is not a "Business Day," the next Business Day, beginning in January 1995 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) a day on which the offices of the federal government located in the District of Columbia generally are closed for business, (iv) 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 (v) a day on which the offices of Fannie Mae are closed.

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

Accrual Period . . . . As to each Distribution Date, the one month period beginning on the 1st day of the month preceding the month of the Distribution Date and ending on the last day of such month; provided, however, that the Accrual Period with respect to the January 1995 Distribution Date is the period beginning on the Settlement Date and ending on December 31, 1994.

Floating Interest Rate . . . . LIBOR plus 0.45%, subject to a cap of 20.0% in the case of the Class A-1 Certificates. LIBOR plus 0.65%, subject to a cap of 11.65% in the case of the Class A-2 Certificates. The Floating Interest Rate applicable to the first Accrual Period, from December 22, 1994 through December 31, 1994, will be 5.575% in the case of the Class A-1 Certificates and 5.775% per annum in the

	case of the Class A-2 Certificates. 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"). See "Payments—Swap Agreements—Determination of LIBOR" herein.
Day Count Convention	360-day year consisting of twelve 30-day months.
Custodian	The custodian appointed pursuant to the Security and Custody Agreement (the "Custodian"), initially State Street Bank and Trust Company ("State Street"), to hold the GNMA Certificates.
Form of Certificates; Certificateholders; Minimum Denominations and Transfers; Method of Distribution	The Certificates will be represented by one or more certificates to be registered at all times in the name of the nominee of the Depository (as defined herein), which Depository will maintain such Certificates through its book-entry facilities. When used herein the terms "Holders" and "Certificateholders" refer to the nominee of the Depository. A Holder is not necessarily the beneficial owner of a book-entry Certificate. Beneficial owners will ordinarily hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. The Certificates will be issued and may be maintained and transferred in minimum denominations representing $1,000 of the original principal balance and additional increments of $1. Each distribution on the Certificates will be distributed by the Trustee to the Depository in immediately available funds. See "Payments—Book-Entry Procedures" herein.
Purchase of GNMA Certificates by CDC; Liquidation of the Trust	On any Distribution Date on or after the December 1997 Distribution Date and prior to the liquidation of the Trust, CDC may purchase from the Trust all (but not fewer than all) of the GNMA Certificates then outstanding at a price equal to 100% of their principal balance outstanding on such Distribution Date, plus accrued interest (the "Purchase Price"). Upon any such purchase, the Trust will be liquidated and the Swap Agreements will terminate, but no swap breakage fee will be payable by either CDC or the Trust in connection with such termination. The Trustee will distribute to the Certificateholders on such Distribution Date their proportionate interests in the Purchase Price of the GNMA Certificates paid by CDC. See "Termination—Terminating Purchase" herein.

Termination of Swap Agreements; Liquidation of Trust	By its terms, each Swap Agreement will terminate on the October 2004 Distribution Date. If the financial programs rating of CDC is downgraded to "A+" or lower by Standard and Poor's Corporation ("S&P") or the long-term deposit rating of CDC is downgraded to "A1" or lower by Moody's Investors Service, Inc. ("Moody's"), and in certain other events, the Trustee may either terminate the Swap Agreements or require CDC to post certain collateral to secure CDC's obligations. The Swap Agreements may also be terminated by the Trustee or CDC under the other circumstances described under "Termination" in this Prospectus. Upon any such termination of the Swap Agreements, the Trustee will liquidate the Trust on the earliest practicable Distribution Date. Upon liquidation, the Trustee will distribute to each Class of Certificateholders on a pro rata basis (i) the outstanding GNMA Certificates, if any, owned by the Trust at that time and allocable to such Class and (ii) any applicable swap breakage fee owed by CDC to such Class. Such distribution will be made after the payment to CDC, from the assets of the Trust (including, if necessary, collections on and proceeds from the sale of GNMA Certificates), of any applicable swap breakage fee owed by the Trust. The GNMA Certificates so distributed in connection with an early termination of the Swap Agreements may have a market value that differs from the market value of the Certificates prior to such early termination. See "Termination" herein.
Tax Status	A beneficial owner of a Certificate (a "Beneficial Owner") generally will be treated for federal income tax purposes as having purchased an undivided interest in the GNMA Certificates and as having entered into the applicable 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 GNMA Certificates and will take into account a proportionate share of the net payment under the applicable Swap Agreement. See "Certain Federal Income Tax Consequences" herein.
Legal Investment Considerations; ERISA Considerations	See "Legal Investment Considerations" herein. Fiduciaries of ERISA plans should review "ERISA Considerations" herein.
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.

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 December 1, 1994. 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 GNMA Certificates. The Trust will pledge the GNMA Certificates to CDC under the Security and Custody Agreement as security for the Trust's obligations under the Swap Agreements between the Trust and CDC.

- The rights of the Trust under the Swap Agreements (which rights will be subject to the Trust's obligations to CDC under the Swap Agreements).

Final Distribution Dates

The Final Distribution Date for the Certificates is October 2004, the date on which the Swap Agreement will terminate by its terms. The maturity date for the GNMA Certificates is July 20, 2024.

Form of Certificates and Certificateholders

The Certificates will be represented by one or more certificates to be registered at all times in the name of the nominee of the Depository (as defined herein), which Depository will maintain such Certificates through its book-entry facilities. When used herein, the terms ''Holders'' and ''Certificateholders'' refer to the nominee of the Depository. A Holder is not necessarily the beneficial owner of a book-entry Certificate. Beneficial owners will ordinarily hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations.

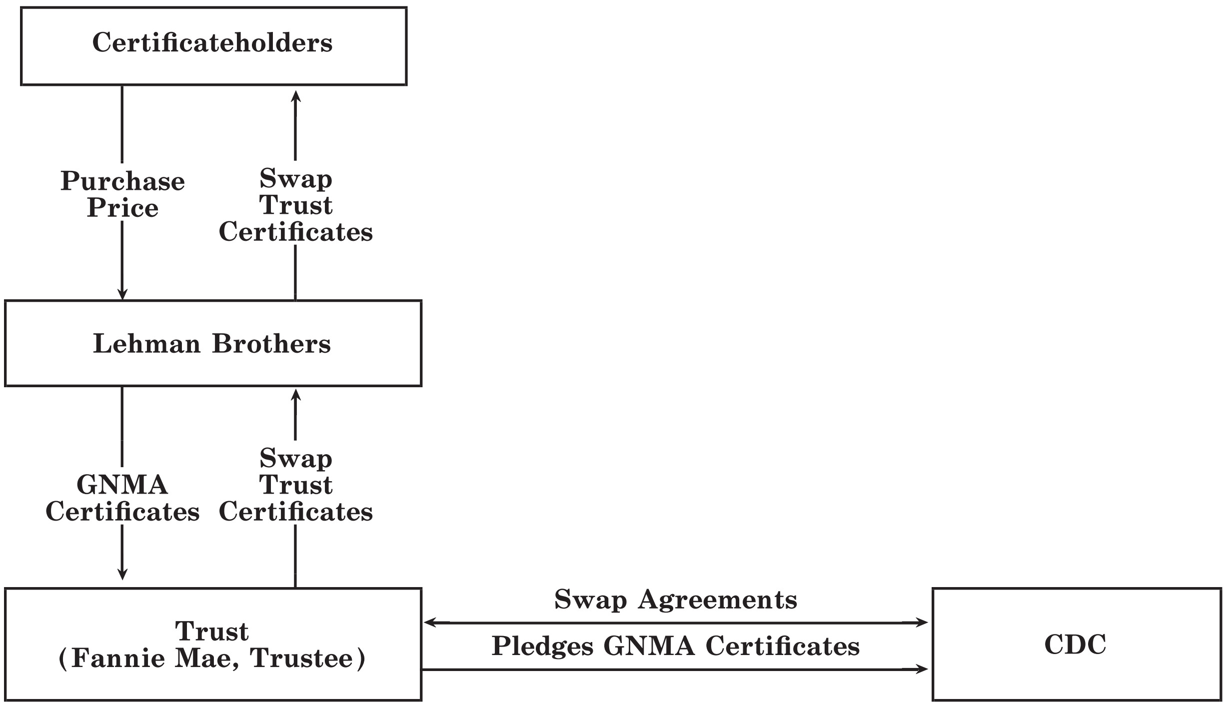
Minimum Denominations and Transfers

The Certificates will be issued and may be maintained and transferred in minimum denominations representing $1,000 of the original principal balance and additional increments of $1.

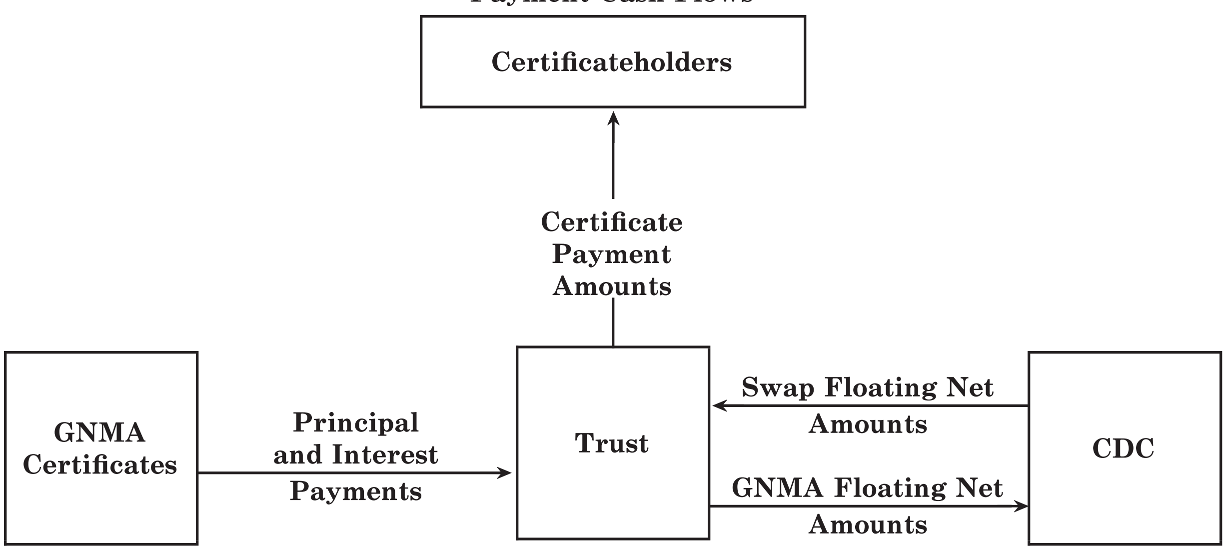
Structure of Transaction

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

Structure of Transaction



Payment Cash Flows



PAYMENTS

Distribution Dates; Record Dates

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

Book-Entry Procedures

General

The Certificates will be represented by one or more certificates to be registered at all times in the name of the nominee of The Depository Trust Company, a New York chartered limited purpose trust company, or any successor depository selected or approved by Fannie Mae (the "Depository"). In accordance with its normal procedures, the Depository will record the positions held by each Depository participating firm (each, a "Depository Participant") in the Certificates, whether held for its own account or as a nominee for another person.

No person acquiring a beneficial ownership interest in the Certificates (a "beneficial owner" or an "investor") will be entitled to receive a physical certificate representing such ownership interest. An investor's interest in the Certificates will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (a "financial intermediary") that maintains such investor's account for such purpose. In turn, the financial intermediary's record ownership of such interest will be recorded on the records of the Depository (or of a Depository Participant that acts as agent for the financial intermediary if such intermediary is not a Depository Participant). Accordingly, an investor will not be recognized by the Trustee or the Depository as a Certificateholder and must rely on the foregoing arrangements to evidence its interest in the Certificates. Beneficial ownership of an investor's interest in the Certificates may be transferred only by compliance with the procedures of an investor's financial intermediary and of Depository Participants. In general, beneficial ownership of an investor's interest in the Certificates will be subject to the rules, regulations and procedures governing the Depository and Depository Participants as in effect from time to time.

Method of Distribution

Each distribution on the Certificates will be distributed by the Trustee to the Depository in immediately available funds. The Depository will be responsible for crediting the amount of such distributions to the accounts of the Depository Participants entitled thereto, in accordance with the Depository's normal procedures, which currently provide for distributions in same-day funds settled through the New York Clearing House. Each Depository Participant and each financial intermediary will be responsible for disbursing such distributions to the beneficial owners of the Certificates that it represents. Accordingly, the beneficial owners may experience some delay in their receipt of distributions.

Swap Agreements

General

In connection with its acquisition of the GNMA Certificates, the Trust and CDC, as principals, will enter into the Swap Agreements on the Settlement Date. The Swap Agreements will be governed by New York law and will be documented on a standard form published by the International Swap Dealers Association, Inc., as supplemented by a schedule and a confirmation. Under each Swap Agreement, CDC will be obligated, on each Distribution Date through the October 2004 Distribution Date, to pay to the Trust the applicable Swap Floating Net Amount, which will equal the excess, if any, of the applicable Swap Floating Interest Amount over the applicable GNMA Floating Interest Amount. Conversely, the Trust will be obligated, on each such Distribution Date, to pay to CDC the applicable GNMA Floating Net Amount, which will equal the excess, if any, of the applicable GNMA Floating Interest Amount over the applicable Swap Floating Interest Amount. The Trust will pay the

GNMA Floating Net Amounts from payments received on the GNMA Certificates on the same Distribution Date. The GNMA Floating Interest Amounts and the Swap Floating Interest Amounts for each Distribution Date will be calculated on the outstanding principal balance of the Certificates prior to the effect of any principal payments on such Distribution Date.

Determination of LIBOR

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

(i) As of each Rate Determination Date, the Trustee 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 Trustee is unable to calculate LIBOR in accordance with the method set forth in paragraph (i) above, the Trustee 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 Trustee by the principal London office of four major banks in the London interbank market ("Reference Banks"). If at least two quotations are provided, LIBOR will be equal to the arithmetic mean of such quotes (expressed as a percentage) carried out to six decimal places and rounded to five decimal places. If fewer than two Reference Banks provide quotes in the manner described above, LIBOR will equal the arithmetic mean of the rates quoted by major banks in New York City, selected by the Trustee, 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 Rates was deemed to be 5.125%.

The establishment of LIBOR by the Trustee and the Trustee's subsequent calculation of the Floating Interest Rates 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 Period may be obtained by calling the Trustee at 1-800-BEST-MBS or 202-752-6547.

Caisse des Depots et Consignations

Caisse des Depots et Consignations ("CDC") is one of the oldest, largest and most creditworthy financial institutions in Europe. CDC was established in 1816 to safeguard the savings of the French people. It reports to the French parliament, and is an autonomous instrumentality of the French State. Its consolidated balance sheet is approximately $152 billion as of December 31, 1993. CDC's ratings, by U.S. rating agencies, S&P and Moody's, are the highest (AAA/Aaa), reflecting its financial strength.

The information in the preceding paragraph was furnished by CDC.

Certificate Payment Amount

On each Distribution Date, unless the Trust is being liquidated on that Distribution Date, the Trust will pay to each Class of Certificateholders, on a pro rata basis, the applicable Certificate Payment Amount. The Trustee will calculate the Certificate Payment Amounts. The Certificate Payment Amount for any Class and any Distribution Date will equal the sum of (i) the GNMA

Principal Payment Amount (as defined below) allocable to such Class on that Distribution Date and (ii) the Swap Floating Interest Amount for such Class for that Distribution Date.

The Trustee will calculate the amount of principal to be paid on the Certificates on each Distribution Date based in part on preliminary GNMA Certificate factors reported on or about the eighth business day of the same month. The Trustee will determine the remaining principal balance to which each GNMA Certificate would be reduced in each month on the basis of those reported factors. In some months, there may not be reported factors for some GNMA Certificates. For any GNMA Certificate for which a factor has not been reported, the Trustee will calculate the remaining principal balance to which the applicable GNMA Certificate would be reduced on the basis of assumed Mortgage Loan amortization schedules. The Trustee will create those schedules by using available remaining term to maturity and interest rate information and adjusting such remaining term to maturity to the current month. Such calculation will reflect payment factor information previously reported to the Trustee and estimated subsequent scheduled amortization (but not prepayments) on the related Mortgage Loans.

The Trustee will then calculate the aggregate of the remaining principal balances described in the preceding paragraph (the "Aggregate Remaining Balance"). Principal payments on the Certificates on any Distribution Date will be based on the difference between (i) the Aggregate Remaining Balance of the GNMA Certificates for the preceding month (or their aggregate principal balance on the Settlement Date, in the case of the first Distribution Date) and (ii) their Aggregate Remaining Balance for the current month. Such difference is called the "GNMA Principal Payment Amount."

Because the Aggregate Remaining Balance is based on preliminary GNMA Certificate factors or on the Trustee's calculations when such factors are not available, there are likely to be variances between the principal payments actually received in any month and the GNMA Principal Payment Amount for that month. However, the calculation of the GNMA Principal Payment Amount for any month will reconcile any variances that occurred in the preceding month. The Trustee's determination of the principal payments by the methodology described above will be final.

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

Guaranty of Fannie Mae

Fannie Mae, in its corporate capacity, guarantees to each Certificateholder the timely payment of the Certificateholder's pro rata portion of (i) the applicable Certificate Payment Amount, (ii) the GNMA Certificates distributed upon liquidation of the Trust and (iii) any applicable swap breakage fee which may be due to a Certificateholder in the event of an early liquidation of the Trust, in each case as described in this Prospectus. Under certain circumstances, the Swap Agreements may be terminated early and the Trust liquidated. In that event, Fannie Mae's guarantee of the Certificate Payment Amounts will terminate. See "Termination" below.

TERMINATION

Expiration of Trust Term

By their terms, the Swap Agreements will terminate on the October 2004 Distribution Date.

Terminating Purchase

On any Distribution Date on or after the December 1997 Distribution Date and prior to the liquidation of the Trust, CDC may purchase from the Trust all (but not fewer than all) of the GNMA Certificates then outstanding at a price equal to the Purchase Price. Upon any such purchase, the Trust will be liquidated and the Swap Agreements will terminate, but no swap breakage fee will be payable by either CDC or the Trust in connection with such termination. The Trustee will distribute to the Certificateholders on such Distribution Date their proportionate interests in the Purchase Price of the GNMA Certificates paid by CDC. It is likely that such Purchase Price will be less than the market value of the GNMA Certificates.

Events of Termination

Termination by the Trustee

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

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

(i) CDC fails to make any payment due under the Swap Agreements and such nonpayment continues for three Business Days after notice from the Trustee;

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

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

(iv) any representation made by CDC under the Swap Agreements 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) CDC fails to make scheduled payments with respect to, or otherwise defaults on, certain indebtedness or other specified transactions set forth in the Swap Agreements;

(vi) certain events of bankruptcy or insolvency occur with respect to CDC;

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

(viii) a withholding tax is imposed on payments by CDC under the Swap Agreements; 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 Agreements.

Termination by CDC

CDC will have the right to terminate the Swap Agreements if any of the following events occurs:

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

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

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

(iv) any representation made by the Trust under the Swap Agreements 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 Agreements (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 Agreements;

(ix) the Trust is terminated; or

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

Effect of Termination

Following any termination of the Swap Agreements as described under "Events of Termination" above, the Trustee will liquidate the Trust on the earliest practicable Distribution Date. Upon liquidation, the Trustee will distribute to each Class of Certificateholders, on a pro rata basis, the assets of the Trust, including (i) the outstanding GNMA Certificates, if any, owned by the Trust and allocable to such Class at that time and (ii) any applicable swap breakage fee paid by CDC to such Class. Such distribution will be made after the payment to CDC, from the assets of the Trust (including, if necessary, collections on and proceeds from the sale of GNMA Certificates), of any applicable swap breakage fee owed by the Trust. The GNMA Certificates so distributed in connection with an early termination of the Swap Agreements may have a market value that differs from the market value of the Certificates prior to such early termination. Upon such liquidation and distribution, the Certificates will be permanently retired.

Swap Breakage Fee

If the Swap Agreements are terminated by CDC as described under "Termination by CDC" above (other than pursuant to clause (x)) or by the Trustee pursuant to clause (ix) under "Termination by the Trustee" above, the market value of the Swap Agreements will be established by CDC on the basis of market quotations of the cost to, or the amount payable by, CDC of entering into replacement swap agreements, in accordance with the procedures set forth in the Swap Agreements. If the Swap Agreements are terminated by the Trustee as described under "Termination by the Trustee" above (other than pursuant to clause (ix)) or by CDC pursuant to clause (x) under the "Termination by CDC" above, the market value of the Swap Agreements 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 replacement swap agreements, in accordance with the procedures set forth in the Swap Agreements.

In either case, such market value may be positive for CDC, in which case it will be due from the Trust to CDC, or it may be positive for the Trust, in which case it will be due from CDC 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 GNMA Certificates in order to pay any swap breakage fees owed to CDC. 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 CDC for swap breakage fees if the amount of such fees were to exceed the assets of the Trust.

THE GNMA CERTIFICATES AND THE MORTGAGE LOANS

The GNMA Certificates

The GNMA Certificates were issued under the GNMA II program and are backed by adjustable rate mortgages representing interests in multiple issuer pools. The GNMA Certificates will represent interests in $400,000,000 of GNMA Pool No. 8456, with an issue date of July 1, 1994, a first payment date of August 20, 1994 and a maturity date of July 20, 2024.

The GNMA Certificates will have initial interest rates of 5.5% per annum and an aggregate principal balance, as of the Settlement Date, that equals the aggregate original principal balance of the Certificates. The initial interest rate of each GNMA Certificate will be in effect through September 30, 1995, and will adjust annually thereafter at a rate equal to the weekly average yield, expressed as a per annum rate, on U.S. Treasury Securities adjusted to a constant maturity of one year (the "One-Year Treasury Index"), as published by the Board of Governors of the Federal Reserve System in its Statistical Release No. H.15(519), +1.5%, rounded to the nearest whole multiple of ⅛th of one percent, and subject to (i) a minimum rate of 1.5% per annum, (ii) a maximum rate of 10.5% per annum and (iii) an annual adjustment cap of ±1%. The first interest rate adjustment (October 1995) will be reflected in the November 1995 payment on the GNMA Certificates.

The Mortgage Loans

All of the Mortgage Loans underlying the GNMA Certificates will be adjustable rate mortgages whose interest rates adjust annually. GNMA pooling specifications require that all adjustable rate mortgages in a given pool have an identical first adjustment date, annual adjustment date, index reference date and means of adjustment. All of the Mortgage Loans must have interest rates that are at least 50 basis points but not more than 150 basis points above the interest rate of the related GNMA Certificate. In addition, the mortgage margin for any given Mortgage Loan must be at least 50 basis points but not more than 150 basis points greater than the margin for the related GNMA Certificate. The Mortgage Loans will be subject to an annual adjustment cap of ±1% and a lifetime cap of 5% above the initial interest rate. On each annual adjustment date, the payment amount of a Mortgage Loan will be reset so that the remaining principal balance of that Mortgage Loan would fully amortize in equal monthly payments over its remaining term to maturity, assuming its interest rate were to remain constant at the new rate.

Specific information regarding the characteristics of the Mortgage Loans is not readily available. For purposes of this Prospectus, Fannie Mae has made certain assumptions regarding the remaining terms to maturity, interest rates and margins of the Mortgage Loans. However, the actual remaining terms to maturity, initial, minimum and maximum interest rates and mortgage margins of many of the Mortgage Loans may differ from those assumed, perhaps significantly. This will be the case even if the *weighted average* characteristics of the Mortgage Loans are the same as those of mortgages having the characteristics assumed. Small differences in the characteristics of the Mortgage Loans can have a significant effect on the weighted average lives of the Certificates. See "Prepayment and Yield Analysis" herein.

PREPAYMENT AND YIELD ANALYSIS

Mortgage Loan Prepayments

General

There can be no assurance as to the timing of distributions of principal of the GNMA Certificates because the timing and amount of distributions of principal of the GNMA Certificates will depend on the rate of principal payments (including prepayments) of the Mortgage Loans. The rate of principal payments of the GNMA Certificates, and therefore of distributions on the 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 GNMA). The Mortgage Loans are subject to prepayment at any time without penalty.

Mortgage prepayment rates are likely to fluctuate significantly. A number of factors may influence the prepayment rate, including, among other things, prevailing fixed and adjustable mortgage interest rates, general economic and job conditions, homeowner mobility, geographic distribution, refinancing opportunities and government subsidy programs, such as the Department of Housing and Urban Development ("HUD") Section 235 mortgage program for which HUD has established procedures for refinancing certain high-coupon mortgages. None of the Mortgage Loans includes a "due-on-sale" clause. Consequently, the holder of a Mortgage Loan generally may not demand the payment in full of the remaining principal balance of that Mortgage Loan on the sale or other transfer of the mortgaged property to a creditworthy transferee.

CPR Assumptions

Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this Prospectus is the constant prepayment rate ("CPR"). CPR represents an assumed constant rate of prepayment each month relative to the then outstanding principal balance of a pool of mortgages for the life of such mortgages.

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 constant rate. Because the rate of principal distributions on the Certificates will be related to the rate of amortization of the Mortgage Loans, which are likely to include Mortgage Loans with remaining terms to maturity shorter or longer than those assumed, the rate of principal distributions on the Certificates is likely to differ from the rate anticipated by an investor, even if all Mortgage Loans prepay at the indicated constant percentages of CPR. The rate of distribution of principal of the Certificates will also be affected by the distribution of a portion of the principal payments (including prepayments) on the Mortgage Loans underlying the GNMA Certificates in the month following the month in which they are received. In addition, it is not likely that all Mortgage Loans will prepay at a *constant* percentage of CPR until maturity or that all Mortgage Loans will prepay at the same rate or that the level of the One-Year Treasury Index will remain constant.

CPR does not purport to be 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.

Yield on Certificates

General

The yield of a Certificate will depend upon its purchase price, its sensitivity to the rate of principal payments on the GNMA Certificates (which will depend upon the principal payment rate and characteristics of the Mortgage Loans), the levels of LIBOR and the One-Year Treasury Index, the effect of the lifetime and annual caps on the GNMA Floating Interest Rate, and whether or not the Trust is terminated early. 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 and the One-Year Treasury Index under a variety of scenarios. Fannie Mae makes no representation regarding Mortgage Loan prepayment rates, the levels of LIBOR and the One-Year Treasury Index or the yield of any Certificate.

Payment Delay

The effective yield on the Certificates will be reduced below the yield otherwise produced because principal and interest payable on a Distribution Date will not be distributed until the 20th day following the end of the related Accrual Period and will not bear interest during such delay. No interest at all will be paid on any Certificate after its principal balance has been reduced to zero. As a result of the foregoing, the market value of the Certificates 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.

Reinvestment Risk

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.

LIBOR and the One-Year Treasury Index: 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. In addition, the Floating Interest Rate cannot exceed 20.0% per annum in the case of the Class A-1 Certificates and 11.65% per annum in the case of the Class A-2 Certificates. Investors should similarly consider the risk, after the Swap Agreements have been terminated and the GNMA Certificates distributed to such investors, that lower than anticipated levels of the One-Year Treasury Index could result in actual yields to investors that are lower than the anticipated yields. In this regard, investors should further consider the effect of the 10.5% lifetime cap and ±1.0% annual cap on the GNMA Floating Interest Rate.

Changes in LIBOR and the One-Year Treasury 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 increased levels of LIBOR or the One-Year Treasury Index. Conversely, higher prevailing mortgage interest rates, which might be expected to result in slower prepayments, could occur concurrently with decreased levels of LIBOR or the One-Year Treasury Index. LIBOR and the One-Year Treasury Index will not remain constant at any level. The timing of changes in the level of LIBOR or the One-Year Treasury Index 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 or the One-Year Treasury Index, 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 or the One-Year Treasury Index that is higher (or lower) than the level 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 Tables

The following tables show the pre-tax corporate bond equivalent yields to investors at various constant percentages of CPR and at various constant levels of LIBOR and the One-Year Treasury Index. Fannie Mae has prepared these tables using (i) the "Pricing Assumptions," (ii) the assumption that the Swap Agreements are not terminated before October 20, 2004 and (iii) an assumed purchase price (including accrued interest) of $326,056,927 in the case of the Class A-1 Certificates and of $75,252,656 in the case of the Class A-2 Certificates. The assumed purchase prices are not necessarily those at which actual sales will occur.

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

- the Mortgage Loans underlying the GNMA Certificates bear interest at the rate of 6.25% per annum and have an original term to maturity of 360 months, a WARM of 355 months and a WALA of 5 months;
- all payments (including prepayments) on the Mortgage Loans are distributed to Certificateholders in the month in which such payments are received;
- the Mortgage Loans prepay at the *constant* percentages of CPR specified in the related table;
- the One-Year Treasury Index is always 100 basis points in excess of any assumed constant level of LIBOR, and subject to the GNMA Floating Interest Rate's applicable lifetime and annual caps;
- 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.

The yields to investors in the Certificates indicated in the tables below include the cash flows attributable to the Certificates prior to the termination of the Swap Agreements and also include the cash flows attributable to any GNMA Certificates that are assumed to remain outstanding at the termination of the Swap Agreements. Such GNMA Certificates will be distributed to Certificateholders upon such termination. See "Decrement Tables for the GNMA Certificates" below. When so distributed the GNMA Certificates will bear interest at the GNMA Floating Interest Rate and, accordingly, the yield to investors in the Certificates will be adversely affected by low levels of the One-Year Treasury Index. In addition, such yields 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.

As indicated in the tables below, the yields to investors in the Certificates will be sensitive to the levels of LIBOR and the One-Year Treasury Index.

Pre-Tax Yields to Investors in the Class A-1 Certificates

	CPR Prepayment Assumption				
LIBOR / One-Year Treasury Index	**2%**	**4%**	**8%**	**12%**	**20%**
3.125% / 4.125%	4.3%	4.2%	4.0%	3.9%	3.7%
5.125% / 6.125%	6.3%	6.2%	6.0%	5.8%	5.7%
9.125% / 9.000%	9.9%	9.9%	9.8%	9.7%	9.6%
13.125% / 9.000%	13.2%	13.3%	13.4%	13.5%	13.5%
17.125% / 9.000%	16.9%	17.1%	17.3%	17.5%	17.6%
19.550% / 9.000%	19.4%	19.5%	19.8%	20.0%	20.1%

Pre-Tax Yields to Investors in the Class A-2 Certificates

LIBOR / One-Year Treasury Index	CPR Prepayment Assumption 2%	4%	8%	12%	20%
3.125% / 4.125%	4.4%	4.3%	4.2%	4.0%	3.9%
5.125% / 6.125%	6.4%	6.3%	6.1%	6.0%	5.9%
7.125% / 8.125%	8.4%	8.3%	8.1%	8.0%	7.8%
9.125% / 9.000%	10.1%	10.0%	10.0%	9.9%	9.8%
11.000% / 9.000%	11.6%	11.6%	11.6%	11.6%	11.6%

The Mortgage Loans will not prepay at any constant rate until maturity, nor will LIBOR or the One-Year Treasury Index remain constant at any level. Moreover, the Mortgage Loans and the GNMA Certificates underlying the GNMA Certificates will have characteristics that differ from those of the Pricing Assumptions. Therefore, it is likely that the actual pre-tax yield to investors will differ from those shown in the tables.

Weighted Average Life

The Certificateholders will receive the GNMA Principal Payment Amount while the Certificates are outstanding. Therefore, the weighted average life of the Certificates, assuming no early termination, are related to the weighted average life of the GNMA Certificates. Upon termination of the Trust, the Certificateholders will receive, after paying any applicable swap breakage fee, the remaining GNMA Certificates. The weighted average life of the GNMA Certificates will depend upon the rate at which principal is paid on the Mortgage Loans. This Prospectus contains a decrement table illustrating the weighted average lives for the GNMA Certificates under various Mortgage Loan prepayment assumptions. In each case, the weighted average life has been calculated by (i) multiplying the assumed net reduction, if any, in the principal balance on each Distribution Date by the number of years from the Settlement Date to such Distribution Date, (ii) summing the results and (iii) dividing the sum by the aggregate amount of the assumed net reductions in principal balance.

Decrement Table for the GNMA Certificates

The following table indicates the percentages of original principal balances of the GNMA Certificates that would be outstanding after each of the dates shown at various *constant* CPR levels and at a *constant* level of the One-Year Treasury Index equal to 6.125% and the corresponding weighted average lives of the GNMA Certificates. The table has been prepared on the basis of the Pricing Assumptions. It is not likely that (i) all of the underlying Mortgage Loans will have the remaining term to maturity assumed or (ii) the underlying Mortgage Loans will prepay at a *constant* CPR level or (iii) that the level of the One-Year Treasury Index will remain constant. In addition, a portion of the payments (including prepayments) on the Mortgage Loans will be distributed in the month following the month in which such payments are received. Moreover, the diverse remaining terms to maturity of the Mortgage Loans (which may include recently originated Mortgage Loans) could produce slower or faster principal distributions than indicated in the tables at the specified *constant* CPR levels, even if the weighted average WARM and WALA of the Mortgage Loans are identical to the weighted average WARM and WALA specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

Date	GNMA Certificates CPR Prepayment Assumption 0%	4%	8%	12%	20%
Initial Percent	100	100	100	100	100
December 1995	99	95	91	87	79
December 1996	98	90	83	76	63
December 1997	97	86	75	66	50
December 1998	96	81	69	57	39
December 1999	95	77	62	50	31
December 2000	93	73	57	43	24
December 2001	92	69	51	38	19
December 2002	91	65	47	33	15
December 2003	89	62	42	28	12
October 2004**	88	59	39	25	10
December 2004	87	58	38	24	9
December 2005	86	55	34	21	7
December 2006	84	51	31	18	6
December 2007	81	48	28	15	4
December 2008	79	45	25	13	3
December 2009	76	41	22	11	3
December 2010	74	38	19	10	2
December 2011	71	35	17	8	2
December 2012	67	32	15	7	1
December 2013	64	29	13	6	1
December 2014	60	26	11	5	1
December 2015	56	24	10	4	1
December 2016	51	21	8	3	*
December 2017	46	18	7	2	*
December 2018	40	15	5	2	*
December 2019	35	12	4	1	*
December 2020	28	10	3	1	*
December 2021	21	7	2	1	*
December 2022	13	4	1	*	*
December 2023	5	2	*	*	*
December 2024	0	0	0	0	0
Weighted Average Life (years)***	20.3	13.2	9.2	6.8	4.3

* Indicates an outstanding balance greater than 0% and less than 0.5% of the original principal balance.
** The Swap Agreements terminate by their terms on the October 2004 Distribution Date.
*** Determined as specified under "Prepayment and Yield Analysis—Mortgage Loan Prepayments—Weighted Average Life" herein.

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 GNMA Certificates from the Dealer in exchange for the Certificates and will enter into the Swap Agreements. The Trustee will deliver the GNMA Certificates to the Custodian, in pledge to CDC.

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, CDC will agree that the Trust's obligations under the Swap Agreements will be payable only from the assets 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 principal 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 principal 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 principal 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.

GNMA AND THE GNMA II PROGRAM

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

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

Each GNMA Certificate will be a "fully modified pass-through" mortgage-backed security issued under the GNMA II program and serviced by a mortgage banking company or other financial concern approved by GNMA as a seller-servicer of loans insured by the FHA and/or loans partially guaranteed by the VA.

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

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. The term "Swap Agreement" when used in this discussion refers to the Swap Agreement allocable to the Class of Certificates beneficially owned by an investor. 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 variable rate debt instruments, 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 tax 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. Fannie Mae 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 GNMA Certificates and an interest in the Swap Agreement for federal income tax purposes. 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 the GNMA 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 GNMA 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 GNMA 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 GNMA Certificates and the denominator of which is the sum of the fair market value of the GNMA 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 GNMA Certificates would be the same amount. Generally, the difference between the cost of the Certificate and the amount allocated to the GNMA 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 GNMA Certificates), or that is paid (if such cost is greater than the amount allocated to the GNMA 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 or upon termination of the Trust between the GNMA Certificates and the Swap Agreement, using fair market values at the time of sale or termination. Any amount so allocated to the Swap Agreement would be considered a termination payment.

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

Taxation of GNMA Certificates

Except as described below, the anticipated material federal income tax consequences to a Beneficial Owner of purchasing, owning and disposing of the GNMA Certificates are as described in the offering documents for the GNMA Certificates. Fannie Mae will determine the issue price of the GNMA Certificates by allocating the initial price at which a substantial portion of the Certificates are sold between the GNMA 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 GNMA 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 GNMA Certificates are purchased at a price equal to approximately 94% of the original principal amount. Thus, the GNMA Certificates will be treated as having been purchased with market discount for federal income tax purposes.

A Beneficial Owner will be required to allocate each principal distribution first to accrued market discount on the GNMA Certificates, and recognize ordinary income to the extent such distribution does not exceed the aggregate amount of accrued market discount that was not previously included in income. A Beneficial Owner that incurs or continues indebtedness to acquire a Certificate may also be required to defer the deduction of all or a portion of the interest on such indebtedness until the corresponding amount of market discount is included in income. Generally, market discount on the GNMA Certificates may be treated as accruing either (i) under a constant yield method, taking into account an assumption regarding the rate of Mortgage Loan Prepayments, or (ii) in proportion to remaining distributions of interest on the GNMA Certificates.

The sale or exchange of a Certificate also will be a sale or exchange of the GNMA Certificates. A Beneficial Owner generally will recognize gain or loss on the sale or exchange of its interest in the GNMA Certificates equal to the difference between the amount received for the GNMA Certificates and the Certificateholder's adjusted basis in the GNMA Certificates. The adjusted basis of the GNMA Certificates generally will equal the cost of the GNMA Certificates to the Beneficial Owner, increased by the amount of market discount on the GNMA Certificates previously included in income and reduced by distributions of principal. Gain or loss on the sale or disposition will be capital gain or loss if the Beneficial Owner holds the Certificate as a capital asset, except to the extent attributable to accrued but unpaid interest and accrued market discount not previously included in income. The amount received for the GNMA Certificates and the initial basis in the GNMA Certificates will be determined as described above under "Taxation of Certificates—*Allocations*."

The transfer of an ownership interest in the GNMA Certificates from the Trust to a Beneficial Owner upon the liquidation of the Trust will not constitute a taxable disposition of the GNMA 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. 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 Regulations issued by the Treasury Department under section 446 of the Code relating to notional principal contracts (the "Swap Regulations"), all taxpayers must recognize periodic payments with respect to a notional principal contract under the accrual method of accounting. 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.

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 CDC 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.

Nonperiodic Payments. An initial Beneficial Owner will be considered to have paid 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 asset 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 market discount on the GNMA Certificates. 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 market discount on the GNMA Certificates. 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 CDC 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.

A nonperiodic payment made under a notional principal contract is treated 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.

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 CDC in connection with the termination of the Swap Agreement, would be considered "termination" payments 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 GNMA Certificates constitute capital assets 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 GNMA Certificates only if such gain is capital gain.

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 GNMA 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 GNMA 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. The straddle rules of the Code generally provide that any recognized loss with respect to the disposition of one or more positions in a straddle may be deducted only to the extent the loss exceeds the unrecognized gain, if any, with respect to one or more offsetting positions in the straddle. The portion of the loss that is disallowed generally is deductible in the taxable year in which the taxpayer disposes of the offsetting position(s). In addition, if a taxpayer incurs or continues indebtedness to acquire or hold a position in a straddle, the taxpayer must capitalize any interest paid with respect to such indebtedness to the extent that the taxpayer's interest expenses exceed the taxpayer's interest (including market discount that the taxpayer elects to include in income) from the straddle position.

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 GNMA Certificates would constitute unrelated business taxable income if CDC 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—Nonperiodic Payments*."

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 Agreements, 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 CDC 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

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 and such dealers may receive compensation in the form of discounts, concessions or commissions from any purchaser of such Certificates, for whom they may act as agents.

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 the Dealer by Weil, Gotshal & Manges. 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 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 the Dealer. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Certificates offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The delivery of this Prospectus at any time does not imply that the information contained herein is correct as of any time subsequent to the date hereof.

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PROSPECTUS

LEHMAN BROTHERS

November 3, 1994