

**\$200,000,000**  
**Federal National Mortgage Association**



**Guaranteed REMIC Pass-Through Certificates**  
**Fannie Mae REMIC Trust 1995-2**

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "Certificates") will represent beneficial ownership interests in Fannie Mae REMIC Trust 1995-2 (the "Trust"). The assets of the Trust will consist of certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the "MBS"), each of which will represent a beneficial interest in a pool (the "Pool") of first lien, single-family, fixed-rate residential mortgage loans (the "Mortgage Loans") having the characteristics described herein. The Certificates will be issued and guaranteed as to timely distribution of principal and interest by Fannie Mae.

Investors should not purchase the Certificates before reading this Prospectus Supplement and the additional Disclosure Documents listed at the bottom of page S-2. *(Cover continued on next page)*

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

**THE CERTIFICATES, TOGETHER WITH ANY INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES. THE OBLIGATIONS OF FANNIE MAE UNDER ITS GUARANTY OF THE CERTIFICATES ARE OBLIGATIONS SOLELY OF FANNIE MAE AND DO NOT CONSTITUTE AN OBLIGATION OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY THEREOF OTHER THAN FANNIE MAE. THE CERTIFICATES ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND ARE "EXEMPTED SECURITIES" WITHIN THE MEANING OF THE SECURITIES EXCHANGE ACT OF 1934.**

Class	Original Principal Balance	Principal Type (1)	Interest Rate	Interest Type (1)	CUSIP Number	Final Distribution Date	Class	Original Principal Balance	Principal Type (1)	Interest Rate	Interest Type (1)	CUSIP Number	Final Distribution Date
A .....	\$50,000,000	SEQ	8.50%	FIX	31359LMJ1	December 2017	L .....	\$ 5,000,000	SEQ	8.50%	FIX	31359LMR3	August 2021
B .....	26,500,000	SEQ	8.50	FIX	31359LMK8	March 2021	M .....	15,000,000	SEQ	8.50	FIX	31359LMS1	December 2022
C .....	4,800,000	SEQ	8.50	FIX	31359LML6	March 2022	N .....	4,700,000	SEQ	8.50	FIX	31359LMT9	April 2023
D .....	6,100,000	SEQ	8.50	FIX	31359LMM4	April 2023	O .....	20,500,000	SEQ	8.50	FIX	31359LMU6	February 2013
E .....	4,700,000	AD/LIQ	8.50	FIX	31359LMN2	September 1999	T .....	30,800,000	SEQ	8.50	FIX	31359LMV4	March 2021
G .....	3,700,000	AD	8.50	FIX	31359LMP7	May 2002	Z .....	10,000,000	SEQ	8.50	Z	31359LMW2	January 2025
H .....	18,200,000	AD	8.50	FIX	31359LMQ5	June 2010	R .....	0	NPR	0	NPR	31359LMX0	January 2025

(1) See "Description of the Certificates—Class Definitions and Abbreviations" in the REMIC Prospectus and "Description of the Certificates—Distributions of Interest" and "—Distributions of Principal" herein.

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

The Certificates will be offered by the Dealer, subject to issuance by Fannie Mae and to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by the Dealer, subject to the right by the Dealer to reject any order in whole or in part and subject to approval of certain legal matters by counsel. It is expected that the Certificates, except for the R Class, will be available through the book-entry system of the Federal Reserve Banks on or about February 28, 1995 (the "Settlement Date"). It is expected that the R Class in registered, certificated form will be available for delivery at the offices of the Dealer, Seven World Trade Center, New York, New York 10048, on or about the Settlement Date.

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## Salomon Brothers Inc

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The date of this Prospectus Supplement is January 26, 1995.

*(Cover continued from previous page)*

The yield to investors in each Class will be sensitive in varying degrees to the rate of principal payments of the Mortgage Loans, the characteristics of the Mortgage Loans actually included in the Pool, and the purchase price paid for the related Class. Accordingly, investors should consider the following risks:

- The Mortgage Loans generally may be prepaid at any time without penalty, and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time.
- Slight variations in Mortgage Loan characteristics could substantially affect the weighted average lives and yields of some or all of the Classes.
- In the case of any Certificates purchased at a discount to their principal amounts, a slower than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of any Certificates purchased at a premium to their principal amounts, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield.

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

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

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

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

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

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

Investors should purchase the Certificates only if they have read and understood this Prospectus Supplement and the following documents (collectively, the “Disclosure Documents”):

- Fannie Mae’s Prospectus for Guaranteed REMIC Pass-Through Certificates dated April 7, 1994 (the “REMIC Prospectus”), which is attached to this Prospectus Supplement;
- Fannie Mae’s Prospectus for Guaranteed Mortgage Pass-Through Certificates dated January 1, 1994 (the “MBS Prospectus”); and
- Fannie Mae’s Information Statement dated March 31, 1994 and any supplements thereto (collectively, the “Information Statement”).

The MBS Prospectus and the Information Statement are incorporated herein by reference and may be obtained from Fannie Mae by writing or calling its MBS Helpline at 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 (telephone 1-800-BEST-MBS or 202-752-6547). Such documents may also be obtained from Salomon Brothers Inc by writing or calling its Prospectus Department at Brooklyn Army Terminal, 140 58th Street, Brooklyn, New York 11220 (telephone 718-567-2005).

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## REFERENCE SHEET

This reference sheet is not a summary of the REMIC transaction and it does not contain complete information about the Certificates. Investors should purchase the Certificates only after reading this Prospectus Supplement and each of the additional Disclosure Documents described herein.

### Assumed Mortgage Loan Characteristics (as of February 1, 1995)

<u>Approximate Principal Balance</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Calculated Loan Age (in months)</u>	<u>Approximate Weighted Average Coupon</u>
\$200,000,000	356	3	9.10%

The actual remaining terms to maturity, calculated loan ages and interest rates of most of the Mortgage Loans will differ from the weighted averages shown above, perhaps significantly. See “Description of the Certificates—The MBS” herein.

### Interest Rates

The interest-bearing Certificates will bear interest at the respective per annum interest rates set forth on the cover.

### Distributions of Principal

#### *Accrual Amount*

To the E, G and H Classes, in that order, to zero and thereafter to the Z Class.

#### *Cash Flow Distribution Amount*

1. To the A, O and T Classes, in the order and proportions set forth herein under “Description of the Certificates—Distributions of Principal—*Cash Flow Distribution Amount*,” until the respective balances of the A Class and O Class are reduced to zero;
2. To the B and T Classes, in the proportions set forth herein under “Description of the Certificates—Distributions of Principal—*Cash Flow Distribution Amount*,” to zero;
3. To the C, D, L, M and N Classes, in the order and proportions set forth herein under “Description of the Certificates—Distributions of Principal—*Cash Flow Distribution Amount*,” to zero; and
4. To the E, G, H and Z Classes, sequentially, to zero.

# **Weighted Average Lives (years) \***

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>170%</u>	<u>300%</u>	<u>500%</u>
A .....	15.7	4.5	3.1	2.1	1.6
B .....	24.5	11.3	7.6	4.8	3.2
C .....	26.6	15.4	10.5	6.5	4.2
D .....	27.6	18.5	13.0	8.0	5.1
E .....	2.4	2.4	2.4	2.4	2.4
G .....	6.0	6.0	6.0	6.0	5.5
H .....	11.7	11.7	11.7	9.6	6.6
L .....	26.3	14.7	9.9	6.2	4.0
M .....	27.2	17.1	11.8	7.3	4.6
N .....	28.0	19.8	14.1	8.7	5.5
O .....	11.8	2.7	2.0	1.4	1.1
T .....	22.4	8.8	5.9	3.8	2.7
Z .....	29.1	24.8	20.3	15.1	10.2

\* Determined as specified under “Weighted Average Lives of the Certificates” herein.

## DESCRIPTION OF THE CERTIFICATES

The following summaries describing certain provisions of the Certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the remaining provisions of this Prospectus Supplement, the additional Disclosure Documents and the provisions of the Trust Agreement (defined below). Capitalized terms used and not otherwise defined in this Prospectus Supplement have the meanings assigned to such terms in the applicable Disclosure Document or the Trust Agreement (as the context may require).

### General

*Structure.* The Trust will be created pursuant to a trust agreement dated as of September 1, 1987, as supplemented by an issue supplement thereto, dated as of February 1, 1995 (together, the “Trust Agreement”), executed by the Federal National Mortgage Association (“Fannie Mae”) in its corporate capacity and in its capacity as Trustee, and the Certificates in the Classes and aggregate original principal balances set forth on the cover hereof will be issued by Fannie Mae pursuant thereto. A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement.

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

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

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

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

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

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

*Distribution Dates.* Distributions on the Certificates will be made on the 25th day of each month (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day), commencing in the month following the Settlement Date. See “Distributions of Interest—*General*” and “—*Interest Accrual Period*” and “Distributions of Principal—*Principal Distribution Amount*” herein.

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

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

*Optional Termination.* Consistent with its policy described under “Description of Certificates—Termination” in the MBS Prospectus, Fannie Mae will agree not to effect indirectly an early termination of the Trust through the exercise of its right to repurchase the Mortgage Loans underlying any MBS unless only one Mortgage Loan remains in the related Pool or the principal balance of such Pool at the time of repurchase is less than one percent of the original principal balance thereof.

*Liquid Asset.* The E Class is intended to qualify as a “liquid asset” for purposes of the liquidity requirements applicable to federal savings associations, federal savings banks and state chartered associations whose deposits are insured by the Federal Deposit Insurance Corporation.

## The MBS

The MBS underlying the Certificates will have the aggregate unpaid principal balance and Pass-Through Rate set forth below and the general characteristics described in the MBS Prospectus. The MBS will provide that principal and interest on the underlying Mortgage Loans will be passed through monthly, commencing on the 25th day of the month following the month of the initial issuance of the MBS (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day). The Mortgage Loans will be conventional Level Payment Mortgage Loans secured by a first mortgage or deed of trust on a one- to four-family (“single-family”) residential property and having an original maturity of up to 30 years, as described under “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus. The characteristics of the MBS and Mortgage Loans as of February 1, 1995 (the “Issue Date”) are expected to be as follows:

Aggregate Unpaid Principal Balance .....	\$200,000,000
MBS Pass-Through Rate .....	8.50%
Range of WACs (per annum percentages) .....	8.75% to 11.00%
Range of WAMs .....	241 months to 359 months
Approximate Weighted Average WAM .....	356 months
Approximate Weighted Average CAGE .....	3 months

Following the issuance of the Certificates, Fannie Mae will prepare a Final Data Statement setting forth the Pool number, the current WAC (or original WAC, if the current WAC is not available) and the current WAM (or Adjusted WAM, if the current WAM is not available) of the Mortgage Loans underlying each MBS, along with the weighted average of all the current or original WACs and the weighted average of all the current or Adjusted WAMs, based on the current unpaid principal balances



of the Mortgage Loans underlying the MBS as of the Issue Date. The Final Data Statement will not accompany this Prospectus Supplement but will be made available by Fannie Mae. To request the Final Data Statement, telephone Fannie Mae at 1-800-BEST-MBS or 202-752-6547. The contents of the Final Data Statement and other data specific to the Certificates are available in electronic form by calling Fannie Mae at 1-800-752-6440 or 202-752-6000.

## Distributions of Interest

### *Categories of Classes*

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

<u>Interest Type*</u>	<u>Classes</u>
Fixed Rate	All Classes except the R Class
Accrual	Z
No Payment Residual	R

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

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

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

<u>Classes</u>	<u>Interest Accrual Period</u>
All interest-bearing Classes (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs

See “Yield Considerations” herein.

*Accrual Class.* The Z Class is an Accrual Class. Interest will accrue on the Accrual Class at the per annum rate set forth on the cover hereof; however, such interest will not be distributed thereon until the Distribution Date following the Distribution Date on which the principal balance of the H Class has been reduced to zero. Interest so accrued and unpaid on the Accrual Class will be added as principal to the principal balance thereof on each Distribution Date. Distributions of principal of the Accrual Class will be distributed as described herein.

## Distributions of Principal

### *Categories of Classes*

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

<u>Principal Type*</u>	<u>Classes</u>
Sequential Pay	A, B, C, D, E, G, H, L, M, N, O, T and Z
Accretion Directed	E, G and H
Liquid Asset	E
No Payment Residual	R

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



### *Principal Distribution Amount*

Principal will be distributed monthly on the Certificates in an amount (the “Principal Distribution Amount”) equal to the sum of (i) the aggregate distributions of principal concurrently made on the MBS (the “Cash Flow Distribution Amount”) and (ii) any interest accrued and added on such Distribution Date to the principal balance of the Accrual Class (the “Accrual Amount”).

### *Accrual Amount*

On each Distribution Date, the Accrual Amount, if any, will be distributed, sequentially, as principal of the E, G and H Classes, in that order, until the respective principal balances thereof are reduced to zero, and thereafter to the Z Class.

Accretion  
Directed  
and  
Accrual  
Classes

### *Cash Flow Distribution Amount*

(a) On each Distribution Date, the Cash Flow Distribution Amount will be distributed as principal of the Classes specified below as follows:

(i) concurrently, to the A and O Classes, in the proportions of 57.4712643678% and 42.5287356322%, respectively, until the principal balance of the O Class is reduced to zero; and

(ii) concurrently, to the A and T Classes, in the proportions of 57.4712643678% and 42.5287356322%, respectively, until the principal balance of the A Class is reduced to zero.

(b) On each Distribution Date, the excess of the Cash Flow Distribution Amount over the amount applied pursuant to paragraph (a) above will be distributed as principal of the B and T Classes, concurrently, in the proportions of 64.9509803922% and 35.0490196078%, respectively, until the principal balances thereof are reduced to zero.

(c) On each Distribution Date, the excess of the Cash Flow Distribution Amount over the amount applied pursuant to paragraphs (a) and (b) above will be distributed as principal of the Classes specified below as follows:

(i) 30.6179775281% of such amount, sequentially, to the C and D Classes, in that order, until the respective principal balances thereof are reduced to zero; and

(ii) 69.3820224719% of such amount, sequentially, to the L, M and N Classes, in that order, until the respective principal balances thereof are reduced to zero.

(d) On each Distribution Date, the excess of the Cash Flow Distribution Amount over the amount applied pursuant to paragraphs (a) through (c) above will be distributed, sequentially, as principal of the E, G, H and Z Classes, in that order, until the respective principal balances thereof are reduced to zero.

Sequential  
Classes

## **Structuring Assumptions**

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

- the Mortgage Loans bear interest at a rate of 9.10% per annum and have an original term to maturity of 360 months, a CAGE of 3 months and a remaining term to maturity of 356 months;
- the Mortgage Loans prepay at the *constant* percentages of PSA specified in the related table;
- the closing date for the sale of the Certificates is the Settlement Date; and
- the first Distribution Date for the Certificates occurs in the month following the Settlement Date.

*PSA Assumptions.* Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this Prospectus Supplement is the Public Securities Association's standard prepayment model ("PSA"). To assume a specified rate of PSA (for example, 170% PSA) is to assume a specified rate of prepayment each month of the then outstanding principal balance of a pool of new mortgage loans computed as described under "Description of the Certificates—Prepayment Considerations and Risks" in the REMIC Prospectus. It is highly unlikely that prepayments will occur at any PSA rate or at any other constant rate.

### **Yield Considerations**

*General.* The yield to maturity for each Certificate will depend upon the purchase price thereof, the rate of principal payments, including prepayments, on the Mortgage Loans, and the actual characteristics of the Mortgage Loans. An investor should purchase Certificates only after performing an analysis of such Certificates based upon the investor's own assumptions as to future rates of prepayment.

There can be no assurance that the Mortgage Loans will have the characteristics assumed herein or will prepay at any of the rates assumed herein, or at any other particular rate. Because the rate of principal distributions on the Certificates will be related to the rate of amortization of the Mortgage Loans in each Pool, which are likely to include Mortgage Loans with remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the rate of principal distribution 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 PSA. In addition, it is not likely that the Mortgage Loans will prepay at a *constant* PSA rate until maturity or that all Mortgage Loans will prepay at the same rate.

The timing of changes in the rate of principal prepayments may significantly affect the yield to an investor, even if the average rate of principal prepayments is consistent with such investor's expectations. In general, the earlier the payment of principal, the greater the effect on an investor's yield to maturity. As a result, the effect on an investor's yield of principal prepayments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the Settlement Date will not be offset by any subsequent equivalent reduction (or increase) in the rate of principal prepayments.

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

### **Weighted Average Lives of the Certificates**

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

In general, the weighted average lives of the Certificates will be shortened if the level of prepayments of principal of the Mortgage Loans increases. However, the weighted average lives will depend upon a variety of other factors, including the timing of changes in such rate of principal

payments and the priority sequence of distributions of principal of the Classes. See “Distributions of Principal” herein.

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

### **Decrement Tables**

The following tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each of the dates shown at various *constant* PSA levels and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions, except that with respect to the information set forth for each such Class under 0% PSA it has been assumed that each underlying Mortgage Loan bears an interest rate of 11.00% per annum and has an original and remaining term to maturity of 360 months and 359 months, respectively. It is not likely that (i) all of the underlying Mortgage Loans will have the interest rates, CAGEs or remaining terms to maturity assumed or (ii) the underlying Mortgage Loans will prepay at a *constant* PSA level. In addition, the diverse remaining terms to maturity of the Mortgage Loans (which will include recently originated Mortgage Loans) could produce slower or faster principal distributions than indicated in the tables at the specified *constant* PSA levels, even if the weighted average remaining term to maturity and the weighted average CAGE of the Mortgage Loans are identical to the remaining term to maturity and CAGE specified in the Pricing Assumptions.

## Percent of Original Principal Balances Outstanding

Date	A Class					B Class					C Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	170%	300%	500%	0%	100%	170%	300%	500%	0%	100%	170%	300%	500%
Initial Percent .....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 1996 .....	99	94	91	85	77	100	100	100	100	100	100	100	100	100	100
February 1997 .....	98	83	73	56	31	100	100	100	100	100	100	100	100	100	100
February 1998 .....	96	68	51	22	0	100	100	100	100	62	100	100	100	100	100
February 1999 .....	95	55	31	0	0	100	100	100	85	0	100	100	100	100	70
February 2000 .....	93	42	13	0	0	100	100	100	36	0	100	100	100	100	0
February 2001 .....	92	30	0	0	0	100	100	94	0	0	100	100	100	89	0
February 2002 .....	90	18	0	0	0	100	100	63	0	0	100	100	100	3	0
February 2003 .....	87	8	0	0	0	100	100	36	0	0	100	100	100	0	0
February 2004 .....	85	0	0	0	0	100	94	11	0	0	100	100	100	0	0
February 2005 .....	82	0	0	0	0	100	74	0	0	0	100	100	72	0	0
February 2006 .....	79	0	0	0	0	100	54	0	0	0	100	100	20	0	0
February 2007 .....	75	0	0	0	0	100	35	0	0	0	100	100	0	0	0
February 2008 .....	72	0	0	0	0	100	18	0	0	0	100	100	0	0	0
February 2009 .....	67	0	0	0	0	100	1	0	0	0	100	100	0	0	0
February 2010 .....	62	0	0	0	0	100	0	0	0	0	100	62	0	0	0
February 2011 .....	57	0	0	0	0	100	0	0	0	0	100	23	0	0	0
February 2012 .....	51	0	0	0	0	100	0	0	0	0	100	0	0	0	0
February 2013 .....	44	0	0	0	0	100	0	0	0	0	100	0	0	0	0
February 2014 .....	37	0	0	0	0	100	0	0	0	0	100	0	0	0	0
February 2015 .....	28	0	0	0	0	100	0	0	0	0	100	0	0	0	0
February 2016 .....	19	0	0	0	0	100	0	0	0	0	100	0	0	0	0
February 2017 .....	9	0	0	0	0	100	0	0	0	0	100	0	0	0	0
February 2018 .....	0	0	0	0	0	94	0	0	0	0	100	0	0	0	0
February 2019 .....	0	0	0	0	0	66	0	0	0	0	100	0	0	0	0
February 2020 .....	0	0	0	0	0	35	0	0	0	0	100	0	0	0	0
February 2021 .....	0	0	0	0	0	1	0	0	0	0	100	0	0	0	0
February 2022 .....	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0
February 2023 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2024 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2025 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average															
Life (years)** .....	15.7	4.5	3.1	2.1	1.6	24.5	11.3	7.6	4.8	3.2	26.6	15.4	10.5	6.5	4.2

Date	D Class					E Class					G Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	170%	300%	500%	0%	100%	170%	300%	500%	0%	100%	170%	300%	500%
Initial Percent .....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 1996 .....	100	100	100	100	100	81	81	81	81	81	100	100	100	100	100
February 1997 .....	100	100	100	100	100	61	61	61	61	61	100	100	100	100	100
February 1998 .....	100	100	100	100	100	38	38	38	38	38	100	100	100	100	100
February 1999 .....	100	100	100	100	100	14	14	14	14	14	100	100	100	100	100
February 2000 .....	100	100	100	100	51	0	0	0	0	0	85	85	85	85	85
February 2001 .....	100	100	100	100	0	0	0	0	0	0	48	48	48	48	0
February 2002 .....	100	100	100	100	0	0	0	0	0	0	8	8	8	8	0
February 2003 .....	100	100	100	48	0	0	0	0	0	0	0	0	0	0	0
February 2004 .....	100	100	100	3	0	0	0	0	0	0	0	0	0	0	0
February 2005 .....	100	100	100	0	0	0	0	0	0	0	0	0	0	0	0
February 2006 .....	100	100	100	0	0	0	0	0	0	0	0	0	0	0	0
February 2007 .....	100	100	80	0	0	0	0	0	0	0	0	0	0	0	0
February 2008 .....	100	100	47	0	0	0	0	0	0	0	0	0	0	0	0
February 2009 .....	100	100	18	0	0	0	0	0	0	0	0	0	0	0	0
February 2010 .....	100	100	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2011 .....	100	100	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2012 .....	100	89	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2013 .....	100	62	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2014 .....	100	35	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2015 .....	100	10	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2016 .....	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2017 .....	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2018 .....	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2019 .....	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2020 .....	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2021 .....	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2022 .....	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2023 .....	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2024 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2025 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average															
Life (years)** .....	27.6	18.5	13.0	8.0	5.1	2.4	2.4	2.4	2.4	2.4	6.0	6.0	6.0	6.0	5.5

\*\* Determined as specified under “Weighted Average Lives of the Certificates” herein.

Date	H Class					L Class					M Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	170%	300%	500%	0%	100%	170%	300%	500%	0%	100%	170%	300%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 1996	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 1997	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 1998	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 1999	100	100	100	100	100	100	100	100	100	35	100	100	100	100	100
February 2000	100	100	100	100	100	100	100	100	100	0	100	100	100	100	16
February 2001	100	100	100	100	87	100	100	100	76	0	100	100	100	100	0
February 2002	100	100	100	100	24	100	100	100	0	0	100	100	100	63	0
February 2003	93	93	93	93	0	100	100	100	0	0	100	100	100	13	0
February 2004	83	83	83	83	0	100	100	100	0	0	100	100	100	0	0
February 2005	73	73	73	37	0	100	100	38	0	0	100	100	100	0	0
February 2006	62	62	62	0	0	100	100	0	0	0	100	100	75	0	0
February 2007	49	49	49	0	0	100	100	0	0	0	100	100	42	0	0
February 2008	36	36	36	0	0	100	100	0	0	0	100	100	12	0	0
February 2009	21	21	21	0	0	100	100	0	0	0	100	100	0	0	0
February 2010	5	5	0	0	0	100	18	0	0	0	100	100	0	0	0
February 2011	0	0	0	0	0	100	0	0	0	0	100	78	0	0	0
February 2012	0	0	0	0	0	100	0	0	0	0	100	51	0	0	0
February 2013	0	0	0	0	0	100	0	0	0	0	100	25	0	0	0
February 2014	0	0	0	0	0	100	0	0	0	0	100	1	0	0	0
February 2015	0	0	0	0	0	100	0	0	0	0	100	0	0	0	0
February 2016	0	0	0	0	0	100	0	0	0	0	100	0	0	0	0
February 2017	0	0	0	0	0	100	0	0	0	0	100	0	0	0	0
February 2018	0	0	0	0	0	100	0	0	0	0	100	0	0	0	0
February 2019	0	0	0	0	0	100	0	0	0	0	100	0	0	0	0
February 2020	0	0	0	0	0	100	0	0	0	0	100	0	0	0	0
February 2021	0	0	0	0	0	100	0	0	0	0	100	0	0	0	0
February 2022	0	0	0	0	0	0	0	0	0	0	62	0	0	0	0
February 2023	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	11.7	11.7	11.7	9.6	6.6	26.3	14.7	9.9	6.2	4.0	27.2	17.1	11.8	7.3	4.6

Date	N Class					O Class					T Class					Z Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	170%	300%	500%	0%	100%	170%	300%	500%	0%	100%	170%	300%	500%	0%	100%	170%	300%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 1996	100	100	100	100	100	98	89	84	74	58	100	100	100	100	100	109	109	109	109	109
February 1997	100	100	100	100	100	96	69	52	21	0	100	100	100	100	83	118	118	118	118	118
February 1998	100	100	100	100	100	94	43	12	0	0	100	100	100	72	29	129	129	129	129	129
February 1999	100	100	100	100	100	91	18	0	0	0	100	100	84	40	0	140	140	140	140	140
February 2000	100	100	100	100	100	88	0	0	0	0	100	97	62	17	0	153	153	153	153	153
February 2001	100	100	100	100	0	85	0	0	0	0	100	82	44	0	0	166	166	166	166	166
February 2002	100	100	100	100	0	81	0	0	0	0	100	68	29	0	0	181	181	181	181	181
February 2003	100	100	100	100	0	77	0	0	0	0	100	55	17	0	0	197	197	197	197	154
February 2004	100	100	100	9	0	73	0	0	0	0	100	44	5	0	0	214	214	214	214	106
February 2005	100	100	100	0	0	68	0	0	0	0	100	34	0	0	0	233	233	233	233	73
February 2006	100	100	100	0	0	62	0	0	0	0	100	25	0	0	0	254	254	254	241	50
February 2007	100	100	100	0	0	56	0	0	0	0	100	16	0	0	0	276	276	276	194	34
February 2008	100	100	100	0	0	49	0	0	0	0	100	8	0	0	0	301	301	301	155	24
February 2009	100	100	53	0	0	41	0	0	0	0	100	1	0	0	0	327	327	327	124	16
February 2010	100	100	0	0	0	32	0	0	0	0	100	0	0	0	0	356	356	350	98	11
February 2011	100	100	0	0	0	22	0	0	0	0	100	0	0	0	0	366	366	303	78	7
February 2012	100	100	0	0	0	11	0	0	0	0	100	0	0	0	0	366	366	262	61	5
February 2013	100	100	0	0	0	0	0	0	0	0	100	0	0	0	0	366	366	225	48	3
February 2014	100	100	0	0	0	0	0	0	0	0	91	0	0	0	0	366	366	192	37	2
February 2015	100	30	0	0	0	0	0	0	0	0	81	0	0	0	0	366	366	162	29	1
February 2016	100	0	0	0	0	0	0	0	0	0	69	0	0	0	0	366	338	136	22	1
February 2017	100	0	0	0	0	0	0	0	0	0	57	0	0	0	0	366	293	112	17	1
February 2018	100	0	0	0	0	0	0	0	0	0	43	0	0	0	0	366	249	91	12	*
February 2019	100	0	0	0	0	0	0	0	0	0	31	0	0	0	0	366	208	73	9	*
February 2020	100	0	0	0	0	0	0	0	0	0	16	0	0	0	0	366	168	56	6	*
February 2021	100	0	0	0	0	0	0	0	0	0	*	0	0	0	0	366	129	41	4	*
February 2022	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	366	92	28	3	*
February 2023	41	0	0	0	0	0	0	0	0	0	0	0	0	0	0	366	57	16	1	*
February 2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	199	22	6	*	*
February 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	28.0	19.8	14.1	8.7	5.5	11.8	2.7	2.0	1.4	1.1	22.4	8.8	5.9	3.8	2.7	29.1	24.8	20.3	15.1	10.2

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

\*\* Determined as specified under “Weighted Average Lives of the Certificates” herein.

## **Characteristics of the R Class**

The R Class will not have a principal balance and will not bear interest. The Holder of the R Class will be entitled to receive the proceeds of the remaining assets of the Trust, if any, after the principal balances of all Classes have been reduced to zero. It is not anticipated that there will be any material assets remaining in such circumstance.

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

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

## **CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES**

The following tax discussion, when read in conjunction with the discussion of “Certain Federal Income Tax Consequences” in the REMIC Prospectus, describes the current federal income tax treatment of investors in the Certificates. These two tax discussions do not purport to deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the Certificates.

### **REMIC Election and Special Tax Attributes**

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

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

### **Taxation of Beneficial Owners of Regular Certificates**

The Accrual Class will be, and certain other Classes of Certificates may be, issued with original issue discount for federal income tax purposes, which generally will result in recognition of some taxable income in advance of the receipt of the cash attributable to such income. The Prepayment Assumption that will be used in determining the rate of accrual of original issue discount will be 170% PSA. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of



Regular Certificates—*Original Issue Discount*” in the REMIC Prospectus. No representation is made as to whether the Mortgage Loans underlying the MBS will prepay at that or any other rate. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus. In addition, certain Classes of Certificates may be treated as having been issued at a premium for federal income tax purposes. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Certificates Purchased at a Premium*” in the REMIC Prospectus.

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

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

For purposes of determining the portion of the taxable income of the Trust that generally will not be treated as excess inclusions, the rate to be used is 9.38% (which is 120% of the “federal long-term rate”). See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” and “—Foreign Investors—*Residual Certificates*” in the REMIC Prospectus. The federal income tax consequences of any consideration paid to a transferee on the transfer of an R Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

### **PLAN OF DISTRIBUTION**

*General.* The Dealer will receive the Certificates in exchange for the MBS pursuant to a Fannie Mae commitment. The Dealer proposes to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect such transactions to or through dealers.

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

### **LEGAL MATTERS**

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



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

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**\$200,000,000**

**Federal National  
Mortgage Association**



**Guaranteed REMIC  
Pass-Through Certificates**

**Fannie Mae REMIC Trust 1995-2**

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**Salomon Brothers Inc**

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**Prospectus Supplement**  
**Dated January 26, 1995**