

Prospectus Supplement
(To Prospectus dated April 7, 1994)

\$30,357,143
Federal National Mortgage Association



Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 1995-16

The Guaranteed REMIC Pass-Through Certificates offered hereby (the “Certificates”) will represent beneficial ownership interests in Fannie Mae REMIC Trust 1995-16 (the “Trust”). The assets of the Trust will consist of certain of the Class 36-F and Class 36-S REMIC Certificates (collectively, the “Underlying REMIC Certificates”) evidencing beneficial ownership interests in Fannie Mae REMIC Trust 1994-36 (the “Underlying REMIC Trust”). The assets of the Underlying REMIC Trust evidence direct or indirect beneficial ownership interests in certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the “MBS”), each of which represents a beneficial ownership interest in a pool (each, a “Pool”) of first lien, single-family, fixed-rate residential mortgage loans (the “Mortgage Loans”) having the characteristics described herein. The Certificates will be issued and guaranteed as to timely distribution of principal and 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.

| <i>Class</i> | <i>Original Principal Balance</i> | <i>Principal Type(1)</i> | <i>Interest Rate</i> | <i>Interest Type(1)</i> | <i>CUSIP Number</i> | <i>Final Distribution Date</i> |
|--------------|---|------------------------------|--------------------------|-----------------------------|-------------------------|--|
| A | \$15,178,571 | SC | 8.00% | FIX | 31359LWW1 | March 2024 |
| B | 15,178,572 | SC | 6.00 | FIX | 31359LWX9 | March 2024 |
| R | 0 | NPR | 0 | NPR | 31359LWY7 | March 2024 |

(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 PaineWebber Incorporated (the “Dealer”) from time to time in negotiated transactions, at varying prices to be determined at the time of sale.

The Certificates will be offered by the Dealer, subject to issuance by Fannie Mae 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, 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 August 30, 1995 (the “Settlement Date”). It is expected that the R Class in registered, certificated form will be available for delivery at the offices of PaineWebber Incorporated, New York, New York, on or about the Settlement Date.

PaineWebber Incorporated

The date of this Prospectus Supplement is August 1, 1995.

(Cover continued from previous page)

The yield to investors in each Class will be sensitive in varying degrees to, among other things, the rate of distributions on the related Underlying REMIC Certificates, which in turn will be sensitive in varying degrees to the rate of principal payments of the Mortgage Loans, the characteristics of the Mortgage Loans included in the related Pools and the priority sequences affecting principal distributions on such Underlying REMIC Certificates. The yields to investors will also be sensitive to the purchase prices paid for the related Classes. 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 Underlying REMIC Certificates are subordinate in priority of distribution to certain other classes of certificates evidencing beneficial ownership interests in the Underlying REMIC Trust and, accordingly, there is no assurance that principal distributions will be made on the Underlying REMIC Certificates on any particular Distribution Date. In addition, the Underlying REMIC Certificates are Support classes which are entitled to receive principal distributions on any Distribution Date only if scheduled distributions have been made on specified PAC and/or TAC classes or components issued by the Underlying REMIC Trust. Accordingly, the Underlying REMIC Certificates may receive no principal distributions for extended periods of time or may receive principal distributions that vary widely from period to period.
- 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, the Prospectus Supplement for the Underlying REMIC Trust (the “Underlying Prospectus Supplement”) 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 November 1, 1994 (the “MBS Prospectus”);
- Fannie Mae’s Information Statement dated March 31, 1995 and any supplements thereto (collectively, the “Information Statement”); and
- The Underlying Prospectus Supplement.

The MBS Prospectus and the Information Statement are incorporated herein by reference and, together with the Underlying Prospectus Supplement, 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 PaineWebber Incorporated by writing or calling its Prospectus Department at 1000 Harbor Boulevard, Weehawken, New Jersey 07087 (telephone 201-902-7341).

TABLE OF CONTENTS

| | <u>Page</u> | | <u>Page</u> |
|--|-------------|---|-------------|
| Reference Sheet | S- 4 | <i>Categories of Classes</i> | S- 8 |
| Description of the Certificates | S- 5 | <i>Principal Distribution Amount</i> | S- 8 |
| General | S- 5 | Structuring Assumptions | S- 8 |
| <i>Structure</i> | S- 5 | <i>Pricing Assumptions</i> | S- 8 |
| <i>Fannie Mae Guaranty</i> | S- 5 | <i>Prepayment Assumptions</i> | S- 8 |
| <i>Characteristics of Certificates</i> | S- 5 | Yield Considerations | S- 9 |
| <i>Authorized Denominations</i> | S- 6 | Weighted Average Lives of the | |
| <i>Distribution Dates</i> | S- 6 | Certificates | S- 9 |
| <i>Record Date</i> | S- 6 | Decrement Tables | S-11 |
| <i>REMIC Trust Factors</i> | S- 6 | Characteristics of the R Class | S-12 |
| <i>Optional Termination</i> | S- 6 | Certain Additional Federal Income | |
| <i>Voting the Underlying REMIC</i> | | Tax Consequences | S-12 |
| <i>Certificates</i> | S- 6 | REMIC Election and Special Tax | |
| The Underlying REMIC | | Attributes | S-12 |
| Certificates | S- 6 | Taxation of Beneficial Owners of | |
| Prepayment Considerations and | | Regular Certificates | S-12 |
| Risks | S- 7 | Taxation of Beneficial Owners of | |
| Distributions of Interest | S- 7 | Residual Certificates | S-13 |
| <i>Categories of Classes</i> | S- 7 | Plan of Distribution | S-13 |
| <i>General</i> | S- 7 | Legal Matters | S-13 |
| <i>Interest Accrual Period</i> | S- 8 | Exhibit A | A- 1 |
| Distributions of Principal | S- 8 | | |

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 in their entirety.

Characteristics of the Underlying REMIC Certificates

The table contained in Exhibit A hereto sets forth certain information with respect to each Class of Underlying REMIC Certificates, including certain information regarding the Mortgage Loans underlying each such Class. Certain additional information as to particular Underlying REMIC Certificates may be obtained by performing an analysis of current Fannie Mae principal factors of such Underlying REMIC Certificates in the context of applicable information contained in the Underlying Prospectus Supplement, which may be obtained as described herein.

See “Description of the Certificates—The Underlying REMIC Certificates” herein.

Interest Rates

The interest-bearing Classes will bear interest at the applicable per annum interest rates set forth on the cover hereof.

Distributions of Principal

Principal Distribution Amount

Concurrently to the A and B Classes, in proportion to their original principal balances, to zero.

Weighted Average Lives (years) *

| Classes | PSA Prepayment Assumption | | | | |
|--------------|---------------------------|------|------|------|------|
| | 0% | 100% | 185% | 325% | 500% |
| A and B..... | 28.3 | 25.8 | 19.9 | 1.0 | 0.4 |

* 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 August 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 (the “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 Underlying REMIC Certificates (which evidence beneficial ownership interests in the Underlying REMIC Trust).

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. The guaranty obligations of Fannie Mae with respect to the Underlying REMIC Certificates are described in the Underlying Prospectus Supplement. 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, “Description of the REMIC Certificates—General—*Fannie Mae Guaranty*” in the Underlying Prospectus Supplement 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 and, if applicable, exchangeable at the corporate trust office of the Transfer Agent, or at the agency of the Transfer Agent in New York, New York. The Transfer Agent initially will be State Street Bank and Trust Company in Boston, Massachusetts (“State Street”). A service charge may be imposed for any exchange, if applicable, or 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 Class of the proceeds of any remaining assets of the Trust will be made only upon presentation and surrender of such Certificate at the office of the Paying Agent. The Paying Agent initially will be State Street.

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 Certificate 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) (each, a “Distribution Date”), 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.

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.

Voting the Underlying REMIC Certificates. In the event any issue arises under the trust agreement governing the Underlying REMIC Trust that requires the vote of holders of certificates outstanding thereunder, the Trustee will vote the related Underlying REMIC Certificates in accordance with instructions received from Holders of Certificates of the related Classes having principal balances aggregating not less than 51% of the aggregate principal balance of all such Classes outstanding. In the absence of such instructions, the Trustee will vote in a manner consistent, in its sole judgment, with the best interests of Certificateholders.

The Underlying REMIC Certificates

The Underlying REMIC Certificates represent beneficial ownership interests in the Underlying REMIC Trust, the assets of which evidence the direct or indirect beneficial ownership interests in certain MBS having the general characteristics set forth in the MBS Prospectus. The Underlying REMIC Certificates provide that principal and interest payments thereon will be passed through monthly, commencing on the 25th day of the month following the initial issuance thereof (or, in each case, if such 25th day is not a business day, on the first business day next succeeding such 25th day). Each MBS evidences beneficial ownership interests in a Pool of conventional Level Payment Mortgage Loans secured by a first-mortgage or deed of trust on a one- to four-family residential property, as described under “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus.

The table contained in Exhibit A hereto sets forth certain information with respect to each class of Underlying REMIC Certificates including the numerical designation of the Underlying REMIC Trust, the class designation of the Underlying REMIC Certificate, the date of issue, the CUSIP number, the interest rate, the interest type, the final distribution date, the principal type, the original principal balance of the entire class, the percentage of such class in the Trust, the current principal factor for such class and the current principal balance of such class contained in the Trust as of

August 1, 1995 (the “Issue Date”). The table also sets forth the approximate weighted average WAC, approximate weighted average WAM and approximate weighted average CAGE of the Mortgage Loans underlying the MBS as of the Issue Date.

To request further information regarding the Underlying REMIC Certificates, telephone Fannie Mae at 1-800-BEST-MBS or 202-752-6547. Other data specific to the Certificates is available in electronic form by calling Fannie Mae at 1-800-752-6440 or 202-752-6000. It should be noted that there may have been material changes in facts and circumstances since the date the Underlying Prospectus Supplement was prepared, including, but not limited to, changes in prepayment speeds and prevailing interest rates and other economic factors, which may limit the usefulness of the information set forth in such document.

Prepayment Considerations and Risks

The rate of distributions of principal of the Certificates will be determined by the rate of principal distributions on the related Underlying REMIC Certificates, which in turn will be very sensitive to the rate of payments of principal of the underlying Mortgage Loans and the priority sequence affecting principal distributions on the Underlying REMIC Certificates. As described in the Underlying Prospectus Supplement, the Underlying REMIC Certificates are subordinate in priority of distributions to certain classes of certificates and components evidencing beneficial ownership interests in the Underlying REMIC Trust and, accordingly, distributions of principal of the related Mortgage Loans may for extended periods be applied to the distribution of principal of those classes and components having priority over the Underlying REMIC Certificates. In addition, the Underlying REMIC Certificates are Support classes which are entitled to receive principal distributions on any Distribution Date only if scheduled distributions have been made on specified PAC and/or TAC classes or components issued by the Underlying REMIC Trust. As illustrated in the Decrement Tables herein, it is possible under certain prepayment scenarios that no principal distributions would be made on the Certificates for extended periods of time or, conversely, that Certificateholders would receive distributions of principal earlier than they anticipated. This Prospectus Supplement contains no information as to whether the Underlying REMIC Certificates have performed as originally anticipated. Such information may be obtained by performing an analysis of the current Fannie Mae principal factors of such Underlying REMIC Certificates in the context of applicable information contained in the Underlying Prospectus Supplement, which may be obtained from Fannie Mae as described above.

Distributions of Interest

Categories of Classes

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

| <u>Interest Type*</u> | <u>Classes</u> |
|-----------------------|----------------|
| Fixed Rate | A and B |
| 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 in the month after the Settlement Date. Interest to be distributed 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 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.

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> |
|-------------------------|----------------|
| Structured Collateral** | A and B |
| No Payment Residual | R |

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

** A Structured Collateral Class (“SC”) is designed to receive principal payments based on actual distributions on the related Underlying Securities (as defined in the REMIC Prospectus).

Principal Distribution Amount

On each Distribution Date, the aggregate distributions of principal concurrently made on the Underlying REMIC Certificates (the “Principal Distribution Amount”) will be distributed, concurrently, as principal of the A and B Classes, in proportion to their original principal balances, until the principal balances thereof are reduced to zero. The portion of each class of Underlying REMIC Certificates held by the Trust will be as set forth in Exhibit A.

Structured
Collateral
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 actual characteristics of each Pool underlying the Underlying REMIC Certificates, the priority sequences affecting the principal distributions on the Underlying REMIC Certificates and the following assumptions (such characteristics and assumptions, collectively, the “Pricing Assumptions”):

- 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.

Prepayment 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, 185% 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

There can be no assurance that the Mortgage Loans will have the characteristics assumed herein or will prepay at any of the rates assumed herein or at any other particular rate, that the pre-tax yields on the Certificates will correspond to any of the pre-tax yields shown herein or that the aggregate purchase price of the Certificates will be as assumed. Furthermore, because some of the Mortgage Loans will likely have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the principal distributions on the Certificates are likely to differ from those assumed, even if all Mortgage Loans prepay at the indicated constant percentages of PSA. In addition, it is not likely that the Mortgage Loans will prepay at a constant PSA rate until maturity or that all of such Mortgage Loans will prepay at the same rate.

The rate of distributions of principal of the Certificates will be directly related to the rate of principal distributions on the related Underlying REMIC Certificates, which in turn will be very sensitive to the amortization (including prepayments) of the Mortgage Loans and the priority sequences affecting principal distributions on the Underlying REMIC Certificates. As described in the Underlying Prospectus Supplement, the Underlying REMIC Certificates are subordinate in priority of principal distributions to certain other classes of certificates evidencing beneficial ownership interests in the Underlying REMIC Trust and, accordingly, distributions of principal on the related Mortgage Loans may for extended periods be applied to the distribution of principal of those classes of certificates having priority over the Underlying REMIC Certificates. In addition, the Underlying REMIC Certificates are Support classes which are entitled to receive principal distributions on any Distribution Date only if scheduled distributions have been made on specified PAC and/or TAC classes or components issued by the Underlying REMIC Trust. As illustrated in the Decrement Tables herein, it is possible under certain prepayment scenarios that no principal distributions would be made on the Certificates for extended periods of time or, conversely, that Certificateholders would receive distributions of principal earlier than they anticipated. This Prospectus Supplement contains no information as to whether the Underlying REMIC Certificates have performed as originally anticipated. Such information may be obtained by performing an analysis of the current Fannie Mae principal factors of the Underlying REMIC Certificates in the context of applicable information contained in the Underlying Prospectus Supplement, which may be obtained from Fannie Mae as described herein.

The timing of changes in the rate of prepayments may significantly affect the actual yield to maturity to investors, even if the average rate of principal prepayments is consistent with the expectations of investors. In general, the earlier the payment of principal of the Mortgage Loans, the greater the effect on an investor's yield to maturity. As a result, the effect on an investor's yield of principal prepayments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the issuance of the Certificates will not be offset by a subsequent like 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 Underlying REMIC Certificates evidencing beneficial ownership interests in the Underlying REMIC Trust. See “Distributions of Principal” herein and “Description of the Certificates—Distributions of Principal” in the Underlying Prospectus Supplement.

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 has an original term to maturity of 360 months and a remaining term to maturity of 343 months and bears interest at a rate equal to 9.0% per annum. 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 could produce slower or faster principal distributions than indicated in the tables at the specified *constant* PSA levels, even if the distributions of the weighted average remaining terms to maturity and the weighted average CAGEs of the Mortgage Loans are identical to the distributions of the remaining terms to maturity and CAGEs specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

| Date | A and B Classes | | | | |
|---------------------------------------|---------------------------|------|------|------|------|
| | PSA Prepayment Assumption | | | | |
| | 0% | 100% | 185% | 325% | 500% |
| Initial Percent | 100 | 100 | 100 | 100 | 100 |
| August 1996 | 100 | 100 | 100 | 46 | 0 |
| August 1997 | 100 | 100 | 100 | 0 | 0 |
| August 1998 | 100 | 100 | 100 | 0 | 0 |
| August 1999 | 100 | 100 | 100 | 0 | 0 |
| August 2000 | 100 | 100 | 100 | 0 | 0 |
| August 2001 | 100 | 100 | 100 | 0 | 0 |
| August 2002 | 100 | 100 | 100 | 0 | 0 |
| August 2003 | 100 | 100 | 100 | 0 | 0 |
| August 2004 | 100 | 100 | 100 | 0 | 0 |
| August 2005 | 100 | 100 | 100 | 0 | 0 |
| August 2006 | 100 | 100 | 100 | 0 | 0 |
| August 2007 | 100 | 100 | 100 | 0 | 0 |
| August 2008 | 100 | 100 | 100 | 0 | 0 |
| August 2009 | 100 | 100 | 100 | 0 | 0 |
| August 2010 | 100 | 100 | 92 | 0 | 0 |
| August 2011 | 100 | 100 | 81 | 0 | 0 |
| August 2012 | 100 | 100 | 71 | 0 | 0 |
| August 2013 | 100 | 100 | 61 | 0 | 0 |
| August 2014 | 100 | 100 | 52 | 0 | 0 |
| August 2015 | 100 | 100 | 44 | 0 | 0 |
| August 2016 | 100 | 100 | 36 | 0 | 0 |
| August 2017 | 100 | 100 | 29 | 0 | 0 |
| August 2018 | 100 | 100 | 23 | 0 | 0 |
| August 2019 | 100 | 90 | 18 | 0 | 0 |
| August 2020 | 100 | 67 | 12 | 0 | 0 |
| August 2021 | 100 | 44 | 8 | 0 | 0 |
| August 2022 | 100 | 23 | 4 | 0 | 0 |
| August 2023 | 82 | 3 | * | 0 | 0 |
| August 2024 | 0 | 0 | 0 | 0 | 0 |
| Weighted Average Life (years)** | 28.3 | 25.8 | 19.9 | 1.0 | 0.4 |

* Indicates an outstanding balance greater than 0% and less 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 B Class will be, and A Class 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 185% PSA. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the REMIC Prospectus. No representation is made as to whether the Mortgage Loans underlying the MBS will prepay at that or any other rate. See “Description of the Certificates—Weighted Average

Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus. In addition, the A Class 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 7.68% (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.

The Prepayment Assumption that will be used to determine the accruals of OID on the Underlying REMIC Certificates is different from the Prepayment Assumption, as provided above, that will be used to determine the accruals of OID on the Regular Certificates. Because of the different Prepayment Assumptions and the tax characteristics of the Underlying REMIC Certificates, the beneficial owner of an R Certificate may be required to accrue OID on the Underlying REMIC Certificates without being entitled to a corresponding deduction for OID accrued on the Regular Certificates. Investors should refer to “Certain Additional Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates” in the Underlying Prospectus Supplement for the Prepayment Assumption that will be used to determine the accruals of OID on the Underlying REMIC Certificates. See also “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Taxable Income or Net Loss of a REMIC Trust*” in the REMIC Prospectus.

PLAN OF DISTRIBUTION

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

LEGAL MATTERS

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

Underlying REMIC Certificates

| Underlying REMIC Trust | Class | Date of Issue | CUSIP Number | Interest Rate | Interest Type (1) | Final Distribution Date | Principal Type (1) | Original Principal Balance of Class | Class % in the Trust | August 1995 Class Factor | Current Principal Balance in the Trust as of Issue Date | Approximate Weighted Average WAC (in months) | Approximate Weighted Average WAM (in months) | Approximate Weighted Average CAGE (in months) | Underlying Security Type |
|------------------------------|-------|---------------------|-----------------|------------------|----------------------|-------------------------------|-----------------------|--|----------------------------|-----------------------------------|---|--|--|---|--------------------------------|
| 1994-36 | F | March 1994 | 31359HHH0 | (2) | FLT | March 2024 | SUP | \$48,788,235 | 51.2418618956% | 1.00000000 | \$25,000,000.00 | 7.093% | 337 | 19 | MBS |
| 1994-36 | S | March 1994 | 31359HHJ6 | (2) | INV | March 2024 | SUP | 10,454,622 | 51.2418622118 | 1.00000000 | 5,357,143.00 | 7.093 | 337 | 19 | MBS |

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

(2) These Classes bear interest during their respective interest accrual periods, subject to the applicable Maximum and Minimum Interest Rates, at the respective rates determined as described below:

| Class | Maximum Interest Rate | Minimum Interest Rate | Formula for Calculation of Interest Rate |
|-----------|-----------------------------|-----------------------------|--|
| 1994-36-F | 8.50000% | 1.50% | COFI + 150 basis points |
| 1994-36-S | 32.66666 | 0.00 | 32.66666% – (4.666666 × COFI) |

See “Description of the Certificates—Distributions of Interest” in the related Underlying Prospectus Supplement and “Description of the Certificates—Indices Applicable to Floating Rate and Inverse Rate Classes” in the REMIC Prospectus for a description of COFI.

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.

TABLE OF CONTENTS

| | <u>Page</u> |
|---------------------------------------|-------------|
| Prospectus Supplement | |
| Table of Contents | S- 3 |
| Reference Sheet | S- 4 |
| Description of the Certificates..... | S- 5 |
| Certain Additional Federal Income Tax | |
| Consequences | S-12 |
| Plan of Distribution | S-13 |
| Legal Matters | S-13 |
| Exhibit A | A- 1 |
| REMIC Prospectus | |
| Prospectus Supplement | 2 |
| Summary of Prospectus | 3 |
| Description of the Certificates..... | 8 |
| The Trust Agreement..... | 22 |
| Certain Federal Income Tax | |
| Consequences | 24 |
| Legal Investment Considerations | 36 |
| Legal Opinion | 36 |
| ERISA Considerations..... | 36 |
| Glossary | 38 |

\$30,357,143

Federal National Mortgage Association



Guaranteed REMIC Pass-Through Certificates

**Fannie Mae REMIC Trust
1995-16**

PROSPECTUS SUPPLEMENT

PaineWebber Incorporated

August 1, 1995