

**\$52,316,374**  
**Federal National Mortgage Association**



**Guaranteed REMIC Pass-Through Certificates**  
**Fannie Mae REMIC Trust 1996-2**

The Guaranteed REMIC Pass-Through Certificates offered hereby (the “Certificates”) will represent beneficial ownership interests in Fannie Mae REMIC Trust 1996-2 (the “Trust”). The assets of the Trust will consist of the REMIC Certificates specified herein (collectively, the “Underlying REMIC Certificates”) evidencing direct or indirect beneficial ownership interests in the related Fannie Mae REMIC Trusts (collectively, the “Underlying REMIC Trusts”) as further described in Exhibit A hereto. The assets of the Underlying REMIC Trusts evidence direct or indirect beneficial ownership interests in certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the “MBS”). Each MBS 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.**

Class	Original Principal Balance	Principal Type(1)	Interest Rate	Interest Type(1)	CUSIP Number	Final Distribution Date
A .....	\$52,316,374	SC/PT	3.5%	FIX	31359LN76	April 2023
R .....	0	NPR	0%	NPR	31359LN84	April 2023

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

The Certificates will be offered by UBS Securities Inc. (the “Dealer”) from time to time in negotiated transactions, at varying prices to be determined at the time of sale.

The Certificates will be offered by the Dealer, subject to issuance by Fannie Mae, to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by the Dealer, 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 January 30, 1996 (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, 299 Park Avenue, New York, New York, on or about the Settlement Date.

**UBS Securities Inc.**

**January 8, 1996**

*(Cover continued from previous page)*

The yield to investors in the A Class will be sensitive in varying degrees to, among other things, the rate of distributions on the Underlying REMIC Certificates, which in turn will be sensitive to the rate of principal payments of the Mortgage Loans, the characteristics of the Mortgage Loans included in the Pools and the priority sequences affecting principal distributions on the Underlying REMIC Certificates. The yield to investors in the A Class will also be sensitive to the purchase price paid for such Class. Accordingly, investors should consider the following risks:

- The Mortgage Loans generally may be prepaid at any time without penalty, and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time.
- Slight variations in Mortgage Loan characteristics could substantially affect the weighted average life and yield of the A Class.
- 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 directly or indirectly subordinate in priority of principal distribution to certain other classes of certificates evidencing beneficial ownership interests in the related Underlying REMIC Trusts and, accordingly, there is no assurance that principal distributions will be made on the Underlying REMIC Certificates on any particular Distribution Date. In addition, principal distributions on the Underlying REMIC Certificates are directly or indirectly affected by Principal Balance Schedules and, as a result, such principal distributions may occur at a rate faster or slower than would otherwise be the case. Moreover, prepayments on the Mortgage Loans may have occurred at a rate faster or slower than that initially assumed. This Prospectus Supplement contains no information as to whether any Underlying REMIC Certificates have adhered to the related Principal Balance Schedules, whether any related Support classes remain outstanding or whether the Underlying REMIC Certificates otherwise have performed as originally anticipated. Such information as to the Underlying REMIC Certificates may be obtained by performing an analysis of current Fannie Mae principal factors in the context of applicable information contained in the related Underlying Prospectus Supplements (as defined below), which may be obtained from Fannie Mae as described below. For a further description of the Underlying REMIC Certificates, see Exhibit A hereto.
- 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 Life 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 yield 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 Supplements for the Underlying REMIC Trusts (the “Underlying Prospectus Supplements”) 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 Supplements.

The MBS Prospectus and the Information Statement are incorporated herein by reference and, together with the Underlying Prospectus Supplements, may be obtained from Fannie Mae by writing or calling its MBS Helpline at 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 (telephone 1-800-BEST-MBS or 202-752-6547). Such documents, other than the Underlying Prospectus Supplements, may also be obtained from UBS Securities Inc. by writing or calling its Prospectus Department at 299 Park Avenue, New York, New York 10171 (telephone 212-821-4504).

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
<b>Reference Sheet</b> .....	S- 4	<i>Categories of Classes</i> .....	S- 8
<b>Description of the Certificates</b> .....	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 Life of the	
<i>Distribution Dates</i> .....	S- 6	Certificates .....	S- 9
<i>Record Date</i> .....	S- 6	Decrement Table .....	S-11
<i>REMIC Trust Factors</i> .....	S- 6	Characteristics of the R Class .....	S-12
<i>Optional Termination</i> .....	S- 6	<b>Certain Additional Federal Income</b>	
<i>Voting the Underlying REMIC</i>		<b>Tax Consequences</b> .....	S-12
<i>Certificates</i> .....	S- 6	REMIC Election and Special Tax	
The Underlying REMIC Certificates ..	S- 6	Attributes .....	S-12
Prepayment Considerations and		Taxation of Beneficial Owners of	
Risks .....	S- 7	Regular Certificates .....	S-12
Distributions of Interest .....	S- 7	Taxation of Beneficial Owners of	
<i>Categories of Classes</i> .....	S- 7	Residual Certificates .....	S-13
<i>General</i> .....	S- 7	<b>Plan of Distribution</b> .....	S-13
<i>Interest Accrual Period</i> .....	S- 8	<b>Legal Matters</b> .....	S-13
Distributions of Principal .....	S- 8	<b>Exhibit A</b> .....	A- 1

## 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 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 related Underlying Prospectus Supplements, which may be obtained from Fannie Mae as described herein.

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

### Interest Rate

The A Class will bear interest at the per annum interest rate set forth on the cover.

### Distributions of Principal

*Principal Distribution Amount*

To the A Class, to zero.

### Weighted Average Life (years) \*

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>175%</u>	<u>300%</u>	<u>500%</u>
A .....	21.3	9.2	9.2	9.2	5.6

\* Determined as specified under “Weighted Average Life 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 January 1, 1996 (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 A Class will be designated as the “regular interest,” 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 direct or indirect beneficial ownership interests in the Underlying REMIC Trusts).

*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 Supplements. 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 the A Class 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 Certificates—General—*Fannie Mae Guaranty*” in each of the Underlying Prospectus Supplements 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 Class of the proceeds of any remaining assets of the Trust will be made only upon presentation and surrender of the related Certificate at the office of the Paying Agent. The Paying Agent initially will be State Street.

*Authorized Denominations.* The A Class 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) (each, a “Distribution Date”), commencing in the month following the Settlement Date.

*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 the A Class 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 any of the Underlying REMIC Trusts that requires the vote of holders of certificates outstanding thereunder, the Trustee will vote the related Underlying REMIC Certificates in accordance with instructions received from Holders of Certificates of the A Class having principal balances aggregating not less than 51% of the aggregate principal balance of such Class. In the absence of such instructions, the Trustee will vote in a manner consistent, in its sole judgment, with the best interests of Certificateholders.

## **The Underlying REMIC Certificates**

The Underlying REMIC Certificates represent direct or indirect beneficial ownership interests in the related Underlying REMIC Trusts, 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. For a further description of the Underlying REMIC Certificates, see Exhibit A hereto. 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 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).

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 January 1, 1996 (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 and the underlying security type.

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 dates the Underlying Prospectus Supplements were prepared, including, but not limited to, changes in prepayment speeds and prevailing interest rates and other economic factors, which may limit the usefulness of the information set forth in such documents.

## **Prepayment Considerations and Risks**

The rate of distributions of principal of the Certificates will be determined by the rate of principal distributions on the 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 sequences affecting principal distributions on the Underlying REMIC Certificates. As described in the Underlying Prospectus Supplements, the Underlying REMIC Certificates are directly or indirectly subordinate in priority of principal distributions to certain other classes of certificates evidencing beneficial ownership interests in the related Underlying REMIC Trusts and, accordingly, there is no assurance that principal distributions will be made on the Underlying REMIC Certificates on any particular Distribution Date. In addition, principal distributions on the Underlying REMIC Certificates are directly or indirectly affected by Principal Balance Schedules and, as a result, such principal distributions may occur at a rate faster or slower than would otherwise be the case. Moreover, prepayments on the Mortgage Loans may have occurred at a rate faster or slower than that initially assumed. This Prospectus Supplement contains no information as to whether the Underlying REMIC Certificates have adhered to the related Principal Balance Schedules, whether any related Support classes remain outstanding or whether the Underlying REMIC Certificates otherwise have performed as originally anticipated. Such information as to particular Underlying REMIC Certificates may be obtained by performing an analysis of current Fannie Mae principal factors in the context of applicable information contained in the related Underlying Prospectus Supplements, 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
No Payment Residual	R

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

*General.* The A Class will bear interest at the per annum interest rate set forth on the cover. Interest on such 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>Class</u>	<u>Interest Accrual Period</u>
A (the “Delay Class”)	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**/Pass-Through	A
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, principal will be distributed monthly on the Certificates in an amount (the “Principal Distribution Amount”) equal to the aggregate distributions of principal concurrently made on the Underlying REMIC Certificates. The portion of each class of Underlying REMIC Certificates held by the Trust will be as set forth in Exhibit A.

On each Distribution Date, the Principal Distribution Amount will be distributed as principal of the A Class, until the principal balance thereof is reduced to zero. } Structured Collateral/Pass-Through Class

## 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 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. 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 A Class 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 A Class will be determined by the rate of principal distributions on the 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 Supplements, the Underlying REMIC Certificates are directly or indirectly subordinate in priority of principal distributions to certain other classes of certificates evidencing beneficial ownership interests in the related Underlying REMIC Trusts and, accordingly, there is no assurance that principal distributions will be made on the Underlying REMIC Certificates on any particular Distribution Date. In addition, principal distributions on the Underlying REMIC Certificates are directly or indirectly affected by Principal Balance Schedules and, as a result, such principal distributions may occur at a rate faster or slower than would otherwise be the case. Moreover, prepayments on the Mortgage Loans may have occurred at a rate faster or slower than that initially assumed. This Prospectus Supplement contains no information as to whether the Underlying REMIC Certificates have adhered to the related Principal Balance Schedules, whether any related Support classes remain outstanding or whether the Underlying REMIC Certificates otherwise have performed as originally anticipated. Such information as to particular Underlying REMIC Certificates may be obtained by performing an analysis of current Fannie Mae principal factors in the context of applicable information contained in the related Underlying Prospectus Supplements, 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 Class will be reduced below the yield otherwise produced because principal and interest payable on a Distribution Date will not be distributed until the 25th day following the end of the related Interest Accrual Period and will not bear interest during each delay. No interest at all will be paid on such Class after its principal balance has been reduced to zero. As a result of the foregoing, the market value of the Delay Class will be lower than would have been the case if there were no such delay. Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the related Certificates.

## **Weighted Average Life 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 life of the A Class will be shortened if the level of prepayments of principal of the Mortgage Loans increases. However, the weighted average life 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 direct or indirect beneficial ownership interests in the Underlying REMIC Trusts. See “Distributions of Principal” herein and “Description of the Certificates—Distributions of Principal” in the Underlying Prospectus Supplements.

The effect of the foregoing factors on the A 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 such Class. Further, to the extent the prices of such Certificates represent discounts or premiums to their respective original principal balances, variability in the weighted average life of such Class could result in variability in the related yields to maturity. For an example of how the weighted average life of the A Class may be affected at various constant prepayment rates, see the Decrement Table below.

## Decrement Table

The following table indicates the percentages of original principal balance of the A Class that would be outstanding after each of the dates shown at various *constant* PSA levels and the corresponding weighted average lives of such Class. The table has been prepared on the basis of the Pricing Assumptions, except that with respect to the information set forth under 0% PSA it has been assumed that the underlying Mortgage Loans have original and remaining terms to maturity of 360 months and 339 months, respectively, and bear interest at the rate of 9.50% 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 table 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 Balance Outstanding

Date	A Class				
	PSA Prepayment Assumption				
	0%	100%	175%	300%	500%
Initial Percent .....	100	100	100	100	100
January 1997 .....	100	100	100	100	100
January 1998 .....	100	100	100	100	100
January 1999 .....	100	100	100	100	100
January 2000 .....	100	100	100	100	100
January 2001 .....	100	100	100	100	67
January 2002 .....	100	100	100	100	31
January 2003 .....	100	100	100	100	5
January 2004 .....	100	75	75	75	0
January 2005 .....	100	50	50	50	0
January 2006 .....	100	30	30	30	0
January 2007 .....	100	14	14	14	0
January 2008 .....	100	1	1	1	0
January 2009 .....	100	0	0	0	0
January 2010 .....	100	0	0	0	0
January 2011 .....	100	0	0	0	0
January 2012 .....	100	0	0	0	0
January 2013 .....	100	0	0	0	0
January 2014 .....	100	0	0	0	0
January 2015 .....	100	0	0	0	0
January 2016 .....	96	0	0	0	0
January 2017 .....	61	0	0	0	0
January 2018 .....	22	0	0	0	0
January 2019 .....	0	0	0	0	0
January 2020 .....	0	0	0	0	0
January 2021 .....	0	0	0	0	0
January 2022 .....	0	0	0	0	0
January 2023 .....	0	0	0	0	0
January 2024 .....	0	0	0	0	0
January 2025 .....	0	0	0	0	0
January 2026 .....	0	0	0	0	0
Weighted Average					
Life (years) ** .....	21.3	9.2	9.2	9.2	5.6

\*\* 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 balance of the A Class has 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 A Class will be designated as the “regular interest,” 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 A Class will be issued with original issue discount for federal income tax purposes, which generally will result in recognition of some taxable income in advance of the receipt of the cash attributable to such income. The Prepayment Assumption that will be used in determining the rate of accrual of original issue discount will be 175% 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 such rate or any other rate. See “Description of the Certificates—Weighted Average Life of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” 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 7.25% (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 Assumptions that will be used to determine the accruals of OID on the Underlying REMIC Certificates are different from the Prepayment Assumption, as provided above, that will be used to determine the accruals of OID on the related 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 Supplements for the Prepayment Assumptions 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 Stroock & Stroock & Lavan, Seven Hanover Square, New York, New York 10004-2696.

### Underlying REMIC Certificates (Directly Owned by Trust)

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	January 1996 Class Factor	Principal Balance in the Trust as of Issue Date	Approximate Weighted Average WAC	Approximate Weighted Average WAM (in months)	Approximate Weighted Average CAGE (in months)	Underlying Security Type
1994-42	H	April 1994	31359HXV1	6.60%	FIX	April 2023	PAC	\$42,253,532	65.6596755%	1.00	\$27,743,532	7.482%	332	23	MBS
1994-108 (3)	B	November 1994	31359LHX6	(2)	PO	April 2023	SC/PT	27,272,742	90.1003720	1.00	24,572,842	7.482	332	23	MBS

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

(2) The B Class is a Principal Only Class and bears no interest.

(3) The Class 1994-108-B REMIC Certificates represent beneficial ownership interests in the Class 1994-42-SN REMIC Certificates, certain characteristics of which are set forth below. For a further description of the Class 1994-42-SN REMIC Certificates, see the related Underlying Prospectus Supplement.

### Class 1994-42 SN REMIC Certificates (Indirectly Owned by Trust)

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 1994-108 Trust	January 1996 Class Factor	Principal Balance in 1994-108 Trust as of Issue Date	Approximate Weighted Average WAC	Approximate Weighted Average WAM (in months)	Approximate Weighted Average CAGE (in months)	Underlying Security Type
1994-42	SN	April 1994	31359HXY5	(2)	INV	April 2023	PAC	\$43,939,405	62.0689834%	1.0	\$27,272,742	7.482%	332	23	MBS

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

(2) The Class 1994-42-SN REMIC Certificates bear interest during their interest accrual periods, subject to their Maximum and Minimum Interest Rates, at the rate determined as follows:

Maximum Interest Rate	Minimum Interest Rate	Formula for Calculation of Interest Rate
21.62068%	0.00%	$22.75861\% - (2.2758615 \times 10\text{-Year Treasury Index})^*$

\* 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 Floating Rate Classes” in the REMIC Prospectus for a description of 10-Year Treasury Index.



*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

PROSPECTUS SUPPLEMENT

	<u>Page</u>
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

**\$52,316,374**

**Federal National  
Mortgage Association**



**Guaranteed REMIC  
Pass-Through Certificates  
Fannie Mae REMIC Trust 1996-2**

---

**PROSPECTUS SUPPLEMENT**

*January 8, 1996*

---

**UBS Securities Inc.**