

**\$111,825,340 (Approximate)**



**Guaranteed REMIC Pass-Through Certificates  
Fannie Mae REMIC Trust 1996-29**

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "Certificates") will represent beneficial ownership interests in Fannie Mae REMIC Trust 1996-29 (the "Trust"). The assets of the Trust will consist of certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates ("MBS"), which will be aggregated into six separate groups (each, an "MBS Group"). Each MBS will represent a beneficial interest in a pool (each, a "Pool") of first lien, single-family, fixed- or adjustable-rate residential mortgage loans (collectively, 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 (1)	Principal Type (2)	Interest Rate	Interest Type (2)	CUSIP Number	Final Distribution Date
A .....	\$30,123,783	PT	(3)	W	31359KKV8	December 2025
B .....	27,604,787	PT	(3)	W	31359KKW6	January 2026
C .....	21,036,820	PT	(3)	W	31359KKX4	November 2010
D .....	7,636,276	PT	(3)	W	31359KKY2	November 2001
E .....	20,183,504	PT	(3)	W	31359KKZ9	March 2025
G .....	5,240,170	PT	(3)	W	31359KLA3	November 2024
R .....	0	NPR	0	NPR	31359KLB1	January 2026

(1) Subject to a permitted variance of plus or minus 5% in the aggregate.

(2) 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.

(3) Each of these Classes will bear interest at a rate per annum equal to the Weighted Average Pool Accrual Rate (as defined herein) for the related MBS Group. During their initial Interest Accrual Period, the A, B, C, D, E and G Classes will bear interest at per annum rates equal to approximately 7.143%, 8.459%, 7.392%, 6.833%, 7.605%, and 7.648%, respectively. See "Description of the Certificates—Distributions of Interest" herein.

The Certificates will be offered from time to time in negotiated transactions, at varying prices to be determined at the time of sale. 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 June 28, 1996 (the "Settlement Date"). It is expected that the R Class in registered, certificated form will be available for delivery by Fannie Mae on or about the Settlement Date.

**Bear, Stearns & Co. Inc.**  
(Financial Advisor to the Seller)

June 6, 1996

*(Cover continued from previous page)*

The yields to investors in each Class will be sensitive to the rate of principal payments of the related group of Mortgage Loans (each, a “Mortgage Loan Group”) and, in the case of the E and G Classes, will be very sensitive to the level of the Index (as defined herein) applicable to such Mortgage Loans. Such yields will also be sensitive to the actual characteristics of such Mortgage Loans and the purchase price paid for the related Class. Accordingly, investors should consider the following risks:

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

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

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

- The actual final payment of any Class will likely occur earlier, and could occur much earlier, than the Final Distribution Date for such Class specified on the cover page. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus.
- The rate of principal distributions of the Certificates is uncertain and investors may be unable to reinvest the distributions thereon at yields equaling the yields on the Certificates. See “Description of the Certificates—Reinvestment Risk” in the REMIC Prospectus.
- Investors whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities may be subject to restrictions on investment in certain Classes of the Certificates. Investors should consult their legal advisors to determine whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment. See “Legal Investment Considerations” in the REMIC Prospectus.
- There is no intent to make a market for the Certificates by Bear, Stearns & Co. Inc. or any other party. There can be no assurance that such a secondary market will develop or, if developed, that it will continue. Thus, investors may not be able to sell their Certificates readily or at prices that will enable them to realize their anticipated yield. No investor should purchase Certificates unless such investor understands and is able to bear the risk that the value of the Certificates will fluctuate over time and that the Certificates may not be readily salable.

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

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

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

- Fannie Mae’s Prospectus for Guaranteed REMIC Pass-Through Certificates dated April 7, 1994 (the “REMIC Prospectus”), which is attached to this Prospectus Supplement;
- Fannie Mae’s Prospectus for Guaranteed Mortgage Pass-Through Certificates dated January 15, 1996 (the “MBS Prospectus”); and
- Fannie Mae’s Information Statement dated February 22, 1996 and any supplements thereto (collectively, the “Information Statement”).

The MBS Prospectus and the Information Statement are incorporated herein by reference and may be obtained from Fannie Mae by writing or calling its MBS Helpline at 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 (telephone 1-800-BEST-MBS or 202-752-6547).

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## REFERENCE SHEET

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

### **MBS and Mortgage Loan Characteristics (As of June 1, 1996)**

The table contained under “The MBS—Selected MBS Group Characteristics” herein sets forth certain summary information regarding the characteristics of the MBS Groups as of the Issue Date (as defined herein), and the tables contained under “Description of the Certificates—Structuring Assumptions—*Pricing Assumptions*” herein sets forth certain assumed characteristics of the Mortgage Loans. Certain additional information regarding the MBS and the Mortgage Loans may be obtained from Fannie Mae as described under “The MBS—General” and “The Mortgage Loans—General” herein.

### **Interest Rates**

The Certificates will bear interest at the applicable per annum interest rates described on the cover hereof.

### **Distributions of Principal**

The portion of the Principal Distribution Amount allocated to each Class of Certificates will be determined by distributions on the related MBS Group. For such purposes, the Principal Distribution Amount will be allocated among the Group 1, Group 2, Group 3, Group 4, Group 5 and Group 6 Principal Distribution Amounts, as described herein under “Description of the Certificates—Distributions of Principal—*Principal Distribution Amount*” herein.

#### *Group 1 Principal Distribution Amount*

To the A Class to zero.

#### *Group 2 Principal Distribution Amount*

To the B Class to zero.

#### *Group 3 Principal Distribution Amount*

To the C Class to zero.

#### *Group 4 Principal Distribution Amount*

To the D Class to zero.

#### *Group 5 Principal Distribution Amount*

To the E Class to zero.

#### *Group 6 Principal Distribution Amount*

To the G Class to zero.

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

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>145%</u>	<u>350%</u>	<u>500%</u>
A .....	20.3	10.1	8.2	4.0	2.7

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>220%</u>	<u>350%</u>	<u>500%</u>
B .....	21.0	10.5	6.2	4.0	2.7

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>180%</u>	<u>350%</u>	<u>500%</u>
C .....	8.8	5.5	4.5	3.1	2.4

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>100%</u>	<u>210%</u>	<u>350%</u>	<u>500%</u>
D .....	5.3	2.9	2.6	2.3	1.9

<u>Class</u>	<u>CPR Prepayment Assumption</u>				
	<u>0%</u>	<u>8%</u>	<u>18%</u>	<u>24%</u>	<u>30%</u>
E .....	19.8	8.7	4.6	3.5	2.7
G .....	19.5	9.1	4.7	3.5	2.7

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

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

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

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

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

*Distribution Dates.* Distributions on the Certificates will be made on the 25th day of each month (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day) (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.

## **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>
Weighted Average Coupon	All Classes other than the R Class
No Payment Residual	R

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

*General.* Each Class of interest-bearing Certificates will bear interest at a rate per annum equal to the Weighted Average Pool Accrual Rate for the MBS Group as further described below. Interest on the 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 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.

The Mortgage Loans underlying each MBS Group will have the general interest rate characteristics specified in the following table:

<u>Class</u>	<u>Related MBS Group</u>	<u>Interest Rate Characteristics</u>
A .....	1	*
B .....	2	*
C .....	3	*
D .....	4	*
E .....	5	One-Year Treasury Index**
G .....	6	Six-Month LIBOR**

\* The Mortgage Loans underlying each of these MBS Groups bear interest at a variety of fixed rates.

\*\* See “The Mortgage Loans—Adjustable-Rate Mortgage Loans—*Adjustable Rate Indices*” herein for a description of the Indices.

See “The MBS” and “The Mortgage Loans” herein for a further description of the MBS Groups and Mortgage Loans, respectively.

*Interest Accrual Period.* Interest to be distributed on a Distribution Date will accrue on the 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.

#### *Determination of Weighted Average Pool Accrual Rates*

At any time, interest for any month will accrue on each Class at a rate that equals the then applicable Weighted Average Pool Accrual Rate for the related MBS Group. The “Weighted Average Pool Accrual Rate” for any Distribution Date and MBS Group is the weighted average of the Pool Accrual Rates in effect with respect to the MBS in such MBS Group during the calendar month preceding the month of such Distribution Date, weighted on the basis of the respective principal balances of such MBS immediately prior to such Distribution Date. The “Pool Accrual Rate” for any MBS and calendar month is the weighted average of the interest rates for the Mortgage Loans underlying such MBS (such interest rates, the “Mortgage Interest Rates”), weighted on the basis of the respective Stated Principal Balances of such Mortgage Loans immediately prior to such calendar month, less the servicing and guaranty fees applicable thereto (which fees may vary from Mortgage Loan to Mortgage Loan). The Mortgage Interest Rate for any Mortgage Loan as reduced by the fees applicable thereto is referred to herein as the “Net Mortgage Interest Rate.” The Stated Principal Balance of a Mortgage Loan refers to the principal balance utilized by Fannie Mae in calculating the then-outstanding principal balances of MBS. Such Stated Principal Balance may differ from the actual principal balance for a number of reasons, including supplemental payments by Fannie Mae on delinquent Mortgage Loans pursuant to its guaranty obligations and delays in the distribution of certain Mortgage Loan receipts.

In effect, the Weighted Average Pool Accrual Rates for MBS Group 1, Group 2, Group 3 and Group 4 will at any time be equal to the weighted average of the Mortgage Interest Rates for the related Mortgage Loan Group, less the applicable servicing and guaranty fees. In the case of each MBS Group evidencing interests in a Pool of ARMs, if the Mortgage Interest Rates for all ARMs in the related Mortgage Loan Group are not affected by an interest rate cap, the Weighted Average Pool Accrual Rate will, in effect, at any time be equal, before giving effect to any rounding, to the sum of (x) the weighted average of the then applicable Index values and (y) the weighted average of the individual Mortgage Margins (as defined herein), less the applicable servicing and guaranty fees. However, as indicated herein, the Weighted Average Pool Accrual Rate for an MBS Group evidencing



interests in a Pool of ARMs cannot be determined solely on the basis of applicable Index values and Net Mortgage Margins (as defined herein) because the Mortgage Interest Rates for all of the ARMs are restricted by periodic and/or lifetime adjustment caps. In addition, differences in the amortization schedules, prepayment rates and maturity dates of ARMs with differing Net Mortgage Interest Rates will cause the Weighted Average Pool Accrual Rate for the related MBS Group to change over the life of such MBS Group.

## 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>
<b>Group 1 Class</b>	
Pass-Through	A
<b>Group 2 Class</b>	
Pass-Through	B
<b>Group 3 Class</b>	
Pass-Through	C
<b>Group 4 Class</b>	
Pass-Through	D
<b>Group 5 Class</b>	
Pass-Through	E
<b>Group 6 Class</b>	
Pass-Through	G

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

### *Principal Distribution Amount*

Principal will be distributed monthly on the Certificates in an amount (the “Principal Distribution Amount”) equal to the aggregate distributions of principal concurrently made on the MBS, and will be allocated to the Classes as described below.

#### *Group 1 Principal Distribution Amount*

On each Distribution Date, the aggregate distributions of principal concurrently made on the Group 1 MBS (the “Group 1 Principal Distribution Amount”) will be distributed as principal of the A Class, until the principal balance thereof is reduced to zero.

#### *Group 2 Principal Distribution Amount*

On each Distribution Date, the aggregate distributions of principal concurrently made on the Group 2 MBS (the “Group 2 Principal Distribution Amount”) will be distributed as principal of the B Class, until the principal balance thereof is reduced to zero.

#### *Group 3 Principal Distribution Amount*

On each Distribution Date, the aggregate distributions of principal concurrently made on the Group 3 MBS (the “Group 3 Principal Distribution Amount”) will be distributed as principal of the C Class, until the principal balance thereof is reduced to zero.

#### *Group 4 Principal Distribution Amount*

On each Distribution Date, the aggregate distributions of principal concurrently made on the Group 4 MBS (the “Group 4 Principal Distribution Amount”) will be distributed as principal of the D Class, until the principal balance thereof is reduced to zero.

#### *Group 5 Principal Distribution Amount*

On each Distribution Date, the aggregate distributions of principal concurrently made on the Group 5 MBS (the “Group 5 Principal Distribution Amount”) will be distributed as principal of the E Class, until the principal balance thereof is reduced to zero.

#### *Group 6 Principal Distribution Amount*

On each Distribution Date, the aggregate distributions of principal concurrently made on the Group 6 MBS (the “Group 6 Principal Distribution Amount”) will be distributed as principal of the G Class, until the principal balance thereof is reduced to zero.

Pass-  
Through  
Classes

## Structuring Assumptions

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

- the Mortgage Loans in each Mortgage Loan Group specified below have the following aggregate principal balances, mortgage interest rates, net mortgage interest rates, net mortgage margins, original terms to maturity, remaining terms to maturity, months to rate change and CAGEs:

Mortgage Loan Groups	Related Classes	Aggregate Principal Balances	Mortgage Interest Rates	Net Mortgage Interest Rates	Net Mortgage Margins	Original Terms to Maturity (1)	Remaining Terms to Maturity (1)	Months to Rate Change	CAGEs (1)
1.....	A	\$30,123,783	7.623%	7.143%	—	357	318	—	39
2.....	B	27,604,787	8.939	8.459	—	357	324	—	33
3.....	C	21,036,820	7.872	7.392	—	178	145	—	33
4.....	D	7,636,276	7.438	6.833	—	360 (2)	309 (2)	—	51
5.....	E	20,183,504	8.210	7.605	2.255%	360	313	5	47
6.....	G	5,240,170	8.253	7.648	2.239	360	336	4	24

(1) In months.

(2) Based upon 360-month amortization term. See “The MBS—Selected MBS Group Statistics” and “The Mortgage Loans—Fixed-Rate Mortgage Loans” for a description of the Group 4 Mortgage Loans.

- the level of each Index at all times on and after the next rate change date for each of the applicable ARMs is as follows:

One-Year Treasury Index .....	5.80000%
Six-Month LIBOR .....	5.78125

- the Group 4 Mortgage Loans have terms to their balloon payment dates of 40 months;
- payments on all Mortgage Loans are due and received on the first day of each month;
- each year consists of twelve 30-day months;
- the Mortgage Loans in the related Mortgage Loan Groups prepay at the percentages of PSA and CPR, as applicable, 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 herein with respect to the Group 1, Group 2, Group 3 and Group 4 Mortgage Loans 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. The model used herein with respect to the Group 5 and Group 6 Mortgage Loans is the “Constant Prepayment Rate” or “CPR” model. The CPR model represents an assumed *constant* rate of prepayment each month, expressed as a per annum percentage of the then outstanding principal balance of the pool of mortgage loans. It is highly unlikely that prepayments will occur at any *constant* PSA or CPR rate or at any other constant rate.

## **Yield Considerations**

The yield to maturity for each Certificate will depend upon the purchase price thereof, the rate of principal payments, including prepayments, on the Mortgage Loans in the related Mortgage Loan Group and, in the case of the E and G Classes, the level of the Index applicable to such Mortgage Loans. An investor should purchase Certificates only after performing an analysis of such Certificates based upon the investor's own assumptions as to future rates of prepayment and, if applicable, future levels of the applicable Index.

There can be no assurance that the Mortgage Loans will have the characteristics assumed herein or will prepay at any of the rates assumed herein, or at any other particular rate. Because the rate of principal distributions on each Class will be related to the rate of amortization of the Mortgage Loans in the related Mortgage Loan Group, which are likely to include Mortgage Loans with remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the rate of principal distributions on such Class is likely to differ from the rate anticipated by an investor, even if all Mortgage Loans in the related Mortgage Loan Group prepay at the indicated percentages of PSA or CPR, as applicable. In addition, it is not likely that all Mortgage Loans in any Mortgage Loan Group will prepay at a particular percentage of PSA or CPR until maturity or that all such Mortgage Loans will prepay at the same rate.

As described herein under "The Mortgage Loans—Fixed-Rate Mortgage Loans," the Mortgage Loans underlying MBS Group 4 are balloon loans having original maturities of up to seven years and providing for monthly payments based upon a 30 year amortization schedule with a lump-sum payment equal to the unpaid principal balance thereof due at maturity. Investors in the D Class must make their own determinations as to the anticipated effect of these features on the rate of principal payments (including prepayments) of the related Mortgage Loans.

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

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

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

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

In general, the weighted average lives of the Certificates will be shortened if the level of prepayments of principal of the Mortgage Loans in the related Mortgage Loan Group increases

(including prepayments resulting from the exercise by a mortgagor of its option to convert from an adjustable-rate to a fixed-rate loan). However, the weighted average lives will depend upon a variety of other factors, including the timing of changes in such rate of principal payments. See “Distributions of Principal” herein.

The effect of the foregoing factors may differ as to 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 percentages of PSA or CPR, as applicable, 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 or 0% CPR, as applicable, it has been assumed that each of the underlying Mortgage Loans bears interest at the per annum rate and has the original and remaining terms to maturity specified below:

<u>Mortgage Loan Group</u>	<u>Interest Rate</u>	<u>Original Term to Maturity</u>	<u>Remaining Term to Maturity</u>
1	8.425%	360 months	354 months
2	9.500%	360 months	355 months
3	9.500%	180 months	173 months
4	9.000%	360 months(1)	341 months(1)
5	10.500%	360 months	345 months
6	9.000%	360 months	341 months

(1) The Group 4 Mortgage Loans are also assumed to have remaining terms to balloon payment dates of 65 months.

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 particular percentage of PSA or CPR, as applicable. In addition, the diverse remaining terms to maturity of the Mortgage Loans (which may include recently originated Mortgage Loans) could produce slower or faster principal distributions than indicated in the tables at the specified percentages of PSA or CPR, as applicable, 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 Class					B Class					C Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	145%	350%	500%	0%	100%	220%	350%	500%	0%	100%	180%	350%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
June 1997	99	93	90	78	69	99	93	86	78	69	97	89	85	75	66
June 1998	98	86	81	61	48	99	87	74	61	48	93	79	71	56	44
June 1999	97	80	73	47	33	98	81	63	48	33	89	69	59	41	29
June 2000	96	74	66	37	23	97	75	54	37	23	84	60	49	30	18
June 2001	95	68	59	29	16	96	69	47	29	16	79	51	39	21	12
June 2002	94	63	53	22	11	95	64	40	23	11	74	43	31	15	7
June 2003	93	58	47	17	7	94	59	34	18	8	68	35	24	10	4
June 2004	91	53	42	13	5	93	55	29	14	5	61	27	18	7	3
June 2005	90	49	37	10	3	91	50	25	11	4	54	20	13	4	1
June 2006	88	44	33	8	2	90	46	21	8	2	46	13	8	2	1
June 2007	86	40	29	6	2	88	42	18	6	2	37	7	4	1	*
June 2008	84	37	26	5	1	86	39	15	5	1	27	1	*	*	*
June 2009	82	33	23	3	1	84	35	12	4	1	17	0	0	0	0
June 2010	79	30	20	3	*	82	32	10	3	1	5	0	0	0	0
June 2011	77	27	17	2	*	80	29	9	2	*	0	0	0	0	0
June 2012	74	24	15	1	*	77	26	7	2	*	0	0	0	0	0
June 2013	71	21	13	1	*	74	23	6	1	*	0	0	0	0	0
June 2014	68	18	11	1	*	71	20	5	1	*	0	0	0	0	0
June 2015	64	15	9	1	*	67	17	4	1	*	0	0	0	0	0
June 2016	60	13	7	*	*	63	15	3	*	*	0	0	0	0	0
June 2017	56	11	6	*	*	59	12	2	*	*	0	0	0	0	0
June 2018	51	9	5	*	*	55	10	2	*	*	0	0	0	0	0
June 2019	46	6	3	*	*	49	8	1	*	*	0	0	0	0	0
June 2020	40	5	2	*	*	44	6	1	*	*	0	0	0	0	0
June 2021	34	3	1	*	*	37	4	1	*	*	0	0	0	0	0
June 2022	28	1	*	*	*	31	2	*	*	*	0	0	0	0	0
June 2023	21	0	0	0	0	23	0	0	0	0	0	0	0	0	0
June 2024	13	0	0	0	0	15	0	0	0	0	0	0	0	0	0
June 2025	4	0	0	0	0	6	0	0	0	0	0	0	0	0	0
June 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	20.3	10.1	8.2	4.0	2.7	21.0	10.5	6.2	4.0	2.7	8.8	5.5	4.5	3.1	2.4

Date	D Class					E Class					G Class				
	PSA Prepayment Assumption					CPR Prepayment Assumption					CPR Prepayment Assumption				
	0%	100%	210%	350%	500%	0%	8%	18%	24%	30%	0%	8%	18%	24%	30%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
June 1997	99	93	86	78	69	99	91	81	75	69	99	91	81	75	69
June 1998	98	86	74	61	48	98	83	66	56	48	98	83	66	57	48
June 1999	97	79	64	47	33	97	75	53	42	33	97	76	54	43	33
June 2000	96	0	0	0	0	96	68	43	32	23	96	69	43	32	23
June 2001	95	0	0	0	0	95	62	35	24	16	95	62	35	24	16
June 2002	0	0	0	0	0	94	56	28	18	11	94	57	28	18	11
June 2003	0	0	0	0	0	93	50	22	13	7	92	51	23	13	8
June 2004	0	0	0	0	0	91	45	18	10	5	91	46	18	10	5
June 2005	0	0	0	0	0	89	41	14	7	3	89	42	15	7	4
June 2006	0	0	0	0	0	88	36	12	5	2	87	38	12	6	2
June 2007	0	0	0	0	0	86	33	9	4	2	85	34	10	4	2
June 2008	0	0	0	0	0	83	29	7	3	1	83	30	8	3	1
June 2009	0	0	0	0	0	81	26	6	2	1	80	27	6	2	1
June 2010	0	0	0	0	0	79	23	4	2	*	78	24	5	2	1
June 2011	0	0	0	0	0	76	20	4	1	*	75	21	4	1	*
June 2012	0	0	0	0	0	73	17	3	1	*	72	19	3	1	*
June 2013	0	0	0	0	0	70	15	2	1	*	68	16	2	1	*
June 2014	0	0	0	0	0	66	13	2	*	*	65	14	2	*	*
June 2015	0	0	0	0	0	62	10	1	*	*	61	12	1	*	*
June 2016	0	0	0	0	0	58	9	1	*	*	56	10	1	*	*
June 2017	0	0	0	0	0	53	7	1	*	*	52	9	1	*	*
June 2018	0	0	0	0	0	48	5	*	*	*	46	7	1	*	*
June 2019	0	0	0	0	0	43	4	*	*	*	41	6	*	*	*
June 2020	0	0	0	0	0	37	2	*	*	*	35	4	*	*	*
June 2021	0	0	0	0	0	30	1	*	*	*	28	3	*	*	*
June 2022	0	0	0	0	0	23	*	*	*	*	21	2	*	*	*
June 2023	0	0	0	0	0	15	0	0	0	0	13	1	*	*	*
June 2024	0	0	0	0	0	7	0	0	0	0	4	0	0	0	0
June 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
June 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	5.3	2.9	2.6	2.3	1.9	19.8	8.7	4.6	3.5	2.7	19.5	9.1	4.7	3.5	2.7

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

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

## **Characteristics of the R Class**

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

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

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

## **THE MBS**

### **General**

The MBS included in each of the MBS Groups will have the general characteristics described in the MBS Prospectus. The MBS will provide that principal and interest on the Mortgage Loans will be passed through monthly commencing on the 25th day of the month following the month of the initial issuance of the MBS (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day). As described above under “Description of the Certificates—Distributions of Interest—*General*” and as explained more fully in the MBS Prospectus, interest will be distributed on each MBS on each Distribution Date at a rate equal to the Pool Accrual Rate.

Following the issuance of the Certificates, Fannie Mae will prepare a Final Data Statement setting forth, among other information, the Pool number, the Pool Accrual Rate, Maximum Pool Accrual Rate, Minimum Pool Accrual Rate, WAC, MBS Margin, WAM, and Weighted Average Months to Rate Change Date for each MBS, in each case based on the current Stated Principal Balances of the Mortgage Loans underlying the MBS as of the Issue Date. The Final Data Statement will not accompany this Prospectus Supplement but will be made available by Fannie Mae. To request the Final Data Statement, telephone Fannie Mae at 1-800-BEST-MBS or 202-752-6547. The contents of the Final Data Statement and other data specific to the Certificates are available in electronic form by calling Fannie Mae at 1-800-752-6440 or 202-752-6000.

### **Selected MBS Group Characteristics (As of June 1, 1996)**

The characteristics of the MBS Groups as of June 1, 1996 (the “Issue Date”) are expected to be as illustrated in the following tables. All rates listed below are calculated on a per annum basis. The ranges referred to below reflect ranges among the MBS included in each particular MBS Group.

Similarly, the weighted averages referred to below reflect the averages among the MBS included in each MBS Group, weighted on the basis of the respective principal balances of such MBS.

#### **MBS Group 1**

Aggregate Unpaid Principal Balance .....	\$30,123,783
Range of Pool Accrual Rates .....	5.520% to 7.945%
Weighted Average Pool Accrual Rate .....	7.143%
Range of WACs .....	6.000% to 8.425%
Weighted Average WAC .....	7.623%
Range of WAMs .....	169 months to 354 months
Weighted Average WAM .....	318 months

#### **MBS Group 2**

Aggregate Unpaid Principal Balance .....	\$27,604,787
Range of Pool Accrual Rates .....	8.020% to 9.020%
Weighted Average Pool Accrual Rate .....	8.459%
Range of WACs .....	8.500% to 9.500%
Weighted Average WAC .....	8.939%
Range of WAMs .....	88 months to 355 months
Weighted Average WAM .....	324 months

#### **MBS Group 3**

Aggregate Unpaid Principal Balance .....	\$21,036,820
Range of Pool Accrual Rates .....	5.895% to 9.020%
Weighted Average Pool Accrual Rate .....	7.392%
Range of WACs .....	6.375% to 9.500%
Weighted Average WAC .....	7.872%
Range of WAMs .....	13 months to 173 months
Weighted Average WAM .....	145 months

#### **MBS Group 4**

Aggregate Unpaid Principal Balance .....	\$7,636,276
Range of Pool Accrual Rates .....	5.395% to 8.395%
Weighted Average Pool Accrual Rate .....	6.833%
Range of WACs .....	6.00% to 9.00%
Weighted Average WAC .....	7.438%
Range of WAMs(1) .....	35 months to 341 months
Weighted Average WAM(1) .....	309 months
Range of Weighted Average Months to Balloon Payment Date .....	11 months to 65 months
Weighted Average of Weighted Average Months to Balloon Payment Date .....	40 months

(1) Assumes original terms to maturity of 360 months for the Group 4 Mortgage Loans.



**MBS Group 5**

Aggregate Unpaid Principal Balance .....	\$20,183,504
Range of Pool Accrual Rates .....	6.395% to 9.895%
Weighted Average Pool Accrual Rate .....	7.605%
Range of Maximum Pool Accrual Rates .....	9.020% to 19.020%
Weighted Average Maximum Pool Accrual Rate .....	11.300%
Range of Minimum Pool Accrual Rates .....	0.000% to 9.895%
Weighted Average Minimum Pool Accrual Rate .....	4.379%
Range of WACs .....	7.000% to 10.500%
Weighted Average WAC .....	8.210%
Range of MBS Margins .....	0.795% to 3.895%
Weighted Average MBS Margin .....	2.255%
Range of WAMs .....	95 months to 345 months
Weighted Average WAM .....	313 months
Range of Weighted Average Months to Rate Change .....	1 month to 12 months
Weighted Average of Weighted Average Months to Rate Change .....	5 months

**MBS Group 6**

Aggregate Unpaid Principal Balance .....	\$5,240,170
Range of Pool Accrual Rates .....	7.020% to 8.395%
Weighted Average Pool Accrual Rate .....	7.648%
Range of Maximum Pool Accrual Rates .....	9.020% to 12.270%
Weighted Average Maximum Pool Accrual Rate .....	10.851%
Range of Minimum Pool Accrual Rates .....	0.0% to 0.0%
Weighted Average Minimum Pool Accrual Rate .....	0.000%
Range of WACs .....	7.625% to 9.000%
Weighted Average WAC .....	8.253%
Range of MBS Margins .....	2.145% to 2.645%
Weighted Average MBS Margin .....	2.239%
Range of WAMs .....	333 months to 341 months
Weighted Average WAM .....	336 months
Range of Weighted Average Months to Rate Change .....	1 month to 6 months
Weighted Average of Weighted Average Months to Rate Change .....	4 months

In the case of an MBS evidencing interests in a Pool of fixed-rate Mortgage Loans that reflect a variety of Net Mortgage Interest Rates, the Pool Accrual Rate will likely change over time due to differences in the amortization schedules, prepayment rates and maturity dates of the related Mortgage Loans in such Pool. In the case of an MBS evidencing interests in a Pool of ARMs, the Pool Accrual Rate will change over time due to changes in the level of the Index or Indices applicable to the related ARMs, but cannot be determined solely on the basis of the applicable Index values and MBS Margins because the Pool Accrual Rate for such MBS is restricted by periodic adjustment caps, in most cases, and lifetime adjustment caps, in all cases, affecting the ARMS. The weighted average of the Pool Accrual Rates for the MBS within an MBS Group consisting of ARMs will reflect such restrictions on rate adjustments. In addition, differences in the amortization schedules, prepayment rates and maturity dates of ARMs with differing maximum and minimum Mortgage Interest Rates will cause the range of Pool Accrual Rates and the Weighted Average Pool Accrual Rates for MBS within an MBS Group to change over time.

The “Maximum Pool Accrual Rate” and “Minimum Pool Accrual Rate” of an MBS evidencing interests in a Pool of ARMs are the maximum and minimum Pool Accrual Rates, respectively, applicable to such MBS, given lifetime interest rate adjustment caps affecting the related ARMs. The range of Maximum and Minimum Pool Accrual Rates, as well as the weighted average of the

Maximum and Minimum Pool Accrual Rates applicable to the MBS within an MBS Group, will be subject to differences in the amortization schedules, prepayment rates and maturity dates of ARMs with differing maximum and minimum Mortgage Interest Rates, and such differences will cause the range of Maximum and Minimum Pool Accrual Rates and the weighted average of the Maximum and Minimum Pool Accrual Rates of the MBS within an MBS Group to change over time.

The “MBS Margin” for an MBS evidencing interests in a Pool of ARMs at any time is equal to the weighted average of the Net Mortgage Margins for the related ARMs. The “Net Mortgage Margin” for an ARM at any time is equal to the related Mortgage Margin (as defined herein) for such ARM less the applicable servicing and guaranty fees (which may vary from Mortgage Loan to Mortgage Loan). The range of MBS Margins as well as the weighted average of the MBS Margins applicable to an MBS Group will be affected by applicable periodic and lifetime adjustment caps, and will also be subject to differences in the amortization schedules, prepayment rates and maturity dates of ARMs with differing Net Mortgage Margins, which differences will cause the range of MBS Margins, as well as the weighted average of the MBS Margins, to change over time.

The “Weighted Average Months to Rate Adjustment” for an MBS evidencing interests in a Pool of ARMs equals the weighted average of the number of months from the Issue Date that will elapse before the Mortgage Interest Rates on the related ARMs are subject to adjustment as described in “Adjustable-Rate Mortgage Loans—*Adjustable-Rate Indices*” below. The weighted average of the Weighted Average Months to Rate Adjustment for the MBS included in an MBS Group will vary over time due to differences in the amortization schedules, prepayment rates and maturity dates of the related ARMs with different numbers of months to rate adjustment.

## **THE MORTGAGE LOANS**

### **General**

The Mortgage Loans consist of first lien, single family fixed-and adjustable-rate, fully amortizing and balloon mortgage loans generally having original maturities as described below and under “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus.

Following the issuance of the Certificates, certain additional information regarding the Mortgage Loans (the “Supplemental Mortgage Loan Information”) will be made available by Fannie Mae. To request the Supplemental Mortgage Loan Information, telephone Fannie Mae at 1-800-BEST-MBS or 202-752-6547. The contents of the Supplemental Mortgage Loan Information and other data specific to the Certificates are available in electronic form by calling Fannie Mae at 1-800-752-6440 or 202-752-6000.

### **Fixed-Rate Mortgage Loans**

The Mortgage Loans underlying MBS Group 1, Group 2, Group 3 and Group 4 (the “Group 1 Mortgage Loans,” “Group 2 Mortgage Loans,” “Group 3 Mortgage Loans” and “Group 4 Mortgage Loans,” respectively, and, together, the “Fixed-Rate Mortgage Loans”) bear interest at a variety of fixed rates. The Pool Accrual Rate for each of the MBS included in MBS Group 1, Group 2, Group 3 and Group 4 and the Weighted Average Pool Accrual Rate for each such MBS Group will be calculated as described herein under “Description of the Certificates—Distributions of Interest—*Determination of Weighted Average Pool Accrual Rates.*”

The Group 1 and Group 2 Mortgage Loans are fully amortizing loans having original maturities of up to 30 years, and the Group 3 Mortgage Loans are fully amortizing loans having original maturities of up to 15 years. While the Group 4 Mortgage Loans have original maturities of up to seven years, substantially all such Mortgage Loans will provide for monthly payments based upon a 30-year amortization schedule, with a lump sum payment equal to the unpaid principal balance thereof due at maturity. In addition, the Group 4 Mortgage Loans will provide that upon the satisfaction of certain

conditions at maturity (or, at the lender's option, up to six months prior to maturity), the unpaid principal balances thereof may be refinanced for an additional period of up to 25 years. The effect of any such refinancing will be the same as a prepayment in full of the related Mortgage Loan.

## **Adjustable-Rate Mortgage Loans**

### *General*

The Mortgage Loans underlying MBS Group 5 and Group 6 (the "Group 5 Mortgage Loans" and "Group 6 Mortgage Loans," respectively, and, together, the "ARMs") are amortizing loans having original maturities of up to 30 years and bear interest at rates that will vary in response to the applicable index (each, an "Index" and, together, the "Indices") and will adjust at periodic intervals as further described below. The actual Mortgage Interest Rate at any time borne by an ARM generally will, subject to any applicable adjustment caps, be equal to the sum of a specified percentage, or "Mortgage Margin," and the Index value then applicable thereto, which sum then may be rounded (as provided in the related mortgage note) to the nearest or next highest one-eighth of 1%. The ARMs generally contain provisions limiting the amount by which rates may be adjusted upward or downward. The ARMs provide for periodic adjustments of scheduled payments in order to fully amortize the Mortgage Loan by its stated maturity. Except as specified herein, each of the ARMs will provide for payment adjustments following any interest rate change in the amount necessary to pay interest at the Mortgage Interest Rate in effect during the month immediately prior to the month in which the first payment in the new amount is due and to fully amortize the outstanding principal balance of the ARM on a level debt service basis over the remainder of its term.

### *Limitations on Rate Adjustments*

Substantially all of the ARMs contain provisions limiting the amount by which rates may be adjusted. For most of the ARMs, the related Mortgage Interest Rate, when adjusted on each interest rate change date, may not be more than a specified percentage amount greater or less than the initial Mortgage Interest Rate, in the case of the first change date, and, in the case of any subsequent change date, the Mortgage Interest Rate that was in effect immediately preceding such change date. In addition, substantially all of the ARMs by their terms provide that the Mortgage Interest Rate is subject to lifetime maximum and, in some cases, minimum caps (typically not more than a specified percentage greater or, if applicable, less than the initial Mortgage Interest Rate).

### *Interest Rate Change Dates*

Because the ARMs in a Mortgage Loan Group have varying interest rate change dates, the Weighted Average Pool Accrual Rate for such Mortgage Loan Group for any month will be calculated based on Mortgage Interest Rates that have been determined based on varying Index values. For instance, with respect to a Mortgage Loan Group that contains ARMs with both March 1 and August 1 annual interest rate change dates and a 45-day "look-back" period, interest will accrue on the related Class during the month of August with respect to the ARMs having a March 1 interest rate change date on the basis of the index value most recently available 45 days prior to March 1 and with respect to the ARMs having an August 1 interest rate change date on the basis of the Index value most recently available 45 days prior to August 1. This results in the likelihood of a Weighted Average Pool Accrual Rate that represents a weighted average of the different Net Mortgage Rates of the ARMs included in such Mortgage Loan Group. See "The MBS—Selected MBS Group Characteristics" herein for additional information regarding the interest rate change dates.

### *Adjustable-Rate Indices*

General descriptions of the Indices applicable to the ARMs are provided in the following paragraphs. In the event an Index is no longer available or otherwise is not published, an alternative published index will be selected by Fannie Mae as required by the terms of the related Mortgage Loan.

The Indices applicable to the Group 5 Mortgage Loans are the weekly average yield on United States Treasury Securities adjusted to a constant maturity of one year and the monthly average yield on United States Treasury Securities adjusted to a constant maturity of one year, in each case as published by the Board of Governors of the Federal Reserve System in the Federal Reserve Statistical Release: Selected Interest Rates No. H.15(519) (the “One Year Treasury Index (weekly average)” and the “One Year Treasury Index (monthly average),” respectively), as further described in the MBS Prospectus. The Mortgage Interest Rates applicable to the Group 5 Mortgage Loans generally will be reset annually on the basis of the Index value in effect 45 days (or in some cases 30 days) prior to the date of such reset.

Listed below are historical values for the above-mentioned Indices for selected months from December 1991 to December 1995 and monthly from January 1996 to May 1996. The values for the One Year Treasury Index (weekly average) are the first weekly values published in a given month.

	<b>One-Year Treasury Index (weekly average)</b>	<b>One-Year Treasury Index (monthly average)</b>
December 1991 .....	4.74%	4.38%
June 1992 .....	4.27	4.17
December 1992 .....	3.82	3.71
June 1993 .....	3.55	3.54
December 1993 .....	3.62	3.61
June 1994 .....	5.31	5.27
December 1994 .....	6.89	7.14
June 1995 .....	5.71	5.64
December 1995 .....	5.39	5.31
January 1996 .....	5.21	5.09
February 1996 .....	4.93	4.94
March 1996.....	5.14	5.34
April 1996 .....	5.42	5.54
May 1996 .....	5.63	5.64

The Index applicable to the Group 6 Mortgage Loans is the average of the London Interbank Offered Rate, also known as “LIBOR,” for six-month United States dollar-denominated deposits, as published by *The Wall Street Journal*. In general, this Index is published by Fannie Mae each month as of 11:00 a.m. (London time) on the second business day preceding the end of the month and is published by *The Wall Street Journal* on each business day. The Mortgage Interest Rates applicable to the Group 6 Mortgage Loans generally will be reset at six-month intervals on the basis of the Index value in effect 25 days (or in some cases 45 days) prior to the date of such reset.

#### *Convertible Mortgage Loans*

A number of the Group 5 and Group 6 Mortgage Loans by their terms may be converted to fixed-rate mortgage loans at the option of their borrowers during certain periods beginning on the first interest rate change date and ending on the tenth interest rate change date. As described in the MBS Prospectus, Fannie Mae will repurchase any converted ARM from the related Pool and, accordingly, the weighted average life of the Class evidencing interests in such Pool may be shortened to some degree relative to Classes evidencing interests in similar pools where no such option to convert and obligation to repurchase exists.

#### *Due-on-Sale Clauses*

All of the Group 4 Mortgage Loans and a substantial majority of the Group 1, Group 2 and Group 3 Mortgage Loans are subject to “due-on-sale” clauses providing that in the event of the transfer or prospective transfer of title to the underlying property, the full unpaid principal balance of

the related Mortgage Loan is due and payable at the option of the holder. Fannie Mae is obligated to accelerate the maturity of the related Mortgage Loan under such conditions unless restricted by law. See “Description of Certificates—Collection and Other Servicing Procedures” in the MBS Prospectus.

## **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**

Certain Classes of Certificates may be issued with original issue discount for federal income tax purposes, which generally will result in recognition of some taxable income in advance of the receipt of the cash attributable to such income. The Prepayment Assumption that will be used in determining the rate of accrual of original issue discount will be 145% PSA in the case of the A Class, 220% PSA in the case of the B Class, 180% PSA in the case of the C Class, 210% PSA in the case of the D Class, and 18% CPR in the case of the E and G Classes. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the REMIC Prospectus. No representation is made as to whether the Mortgage Loans underlying the MBS will prepay at that or any other rate. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus. In addition, certain Classes of Certificates may be treated as having been issued at a premium for federal income tax purposes. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Certificates Purchased at a Premium*” in the REMIC Prospectus.

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

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

For purposes of determining the portion of the taxable income of the Trust that generally will not be treated as excess inclusions, the rate to be used is 8.22% (which is 120% of the “federal long-term rate”). See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual

Certificates—*Excess Inclusions*” and “—Foreign Investors—*Residual Certificates*” in the REMIC Prospectus. The federal income tax consequences of any consideration paid to a transferee on the transfer of an R Certificate are unclear, any transferee receiving such consideration should consult its own tax advisors.

### **PLAN OF DISTRIBUTION**

Fannie Mae will acquire the MBS from the seller of the Mortgage Loans (the “Seller”) in exchange for the Certificates. The Seller proposes to initially hold, and thereafter may 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 Seller may effect such transactions to or through dealers. Bear, Stearns & Co. Inc. will act as financial advisor to the Seller with respect to sale of the Mortgage Loans and related matters.

### **LEGAL MATTERS**

Certain legal matters will be passed upon for the Seller by Munsch Hardt Kopf Harr & Dinan, P.C., Dallas, Texas.

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.

**\$111,825,340**  
**(Approximate)**



**FannieMae**

**Guaranteed REMIC**  
**Pass-Through Certificates**  
**Fannie Mae REMIC Trust 1996-29**

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## PROSPECTUS SUPPLEMENT

**Bear, Stearns & Co. Inc.**  
**(Financial Advisor to the Seller)**

**June 6, 1996**