

\$231,511,024



**FannieMae**

**Guaranteed REMIC Pass-Through Certificates  
Fannie Mae REMIC Trust 1996-40**

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "Certificates") will represent beneficial ownership interests in one of two trust funds. The Certificates, other than the RL Class, will represent beneficial ownership interests in Fannie Mae REMIC Trust 1996-40 (the "Trust"). The assets of the Trust will consist of the "regular interests" in a separate trust fund (the "Lower Tier REMIC"). The assets of the Lower Tier REMIC will consist of the REMIC Certificates specified herein (the "Underlying REMIC Certificates") evidencing beneficial ownership interests in the related Fannie Mae REMIC Trusts (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.

**See "Additional Risk Factors" on page S-7 hereof and "Risk Factors" beginning on page 8 of the REMIC Prospectus attached hereto for a discussion of certain risks that should be considered in connection with an investment in the Certificates.**

*(Cover continued on next page)*

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

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

Class	Original Principal Balance	Principal Type(1)	Interest Rate	Interest Type(1)	CUSIP Number	Final Distribution Date	Class	Original Principal Balance	Principal Type(1)	Interest Rate	Interest Type(1)	CUSIP Number	Final Distribution Date
AB	\$31,292,857	SC/PT	3.50000%	FIX	31359KUN5	September 2021	FA	\$15,531,936	SC/SEQ	(4)	FLT	31359KVB0	February 2008
A	6,594,643	SC/PT	(3)	PO	31359KUP0	September 2021	SH	(2)	NTL	(4)	INV/IO	31359KVC8	February 2008
SA	(2)	NTL	(4)	INV/IO	31359KUQ8	September 2021	SI	(2)	NTL	(4)	INV/IO	31359KVD6	February 2008
FB	11,032,062	SC/PT	(4)	FLT	31359KUR6	June 2022	H	17,904,290	SC/SEQ	6.50000%	FIX	31359KVE4	February 2008
SB	3,152,019	SC/PT	(4)	INV	31359KUS4	June 2022	HA	2,124,669	SC/SEQ	(3)	PO	31359KVF1	February 2008
C	34,593,601	SC/PT	4.00000	FIX	31359KUT2	April 2022	G	9,470,619	SC/PT	(3)	PO	31359KVG9	March 2009
SC	(2)	NTL	(4)	INV/IO	31359KUQ9	April 2022	SG	(2)	NTL	(4)	INV/IO	31359KVH7	March 2009
D	25,368,481	SC/PT	3.72509	FIX	31359KUV7	September 2022	J	13,383,076	SC/PT	6.00000	FIX	31359KVJ3	December 2008
SD	(2)	NTL	(4)	INV/IO	31359KUW5	September 2022	K	28,307,246	SC/PT	5.75000	FIX	31359KVK0	November 2016
F	(2)	NTL	(4)	FLT/IO	31359KUX3	September 2022	L	8,064,632	SC/PT	(3)	PO	31359KVL8	October 2023
E	19,000,000	SC/PT	3.50000	FIX	31359KUY1	January 2022	SL	(2)	NTL	(4)	INV/IO	31359KVM6	October 2023
EA	5,690,893	SC/PT	(3)	PO	31359KUZ8	January 2022	R	0	NPR	0	NPR	31359KVN4	October 2023
SE	(2)	NTL	(4)	INV/IO	31359KVA2	January 2022	RL	0	NPR	0	NPR	31359KVP9	October 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.

(2) The SA, SC, F, SD, SE, SG, SH, SI and SL Classes will be Notional Classes, will not have principal balances and will bear interest on their notional principal balances (initially, \$21,037,500, \$13,305,231, \$10,000,000, \$10,168,481, \$14,460,124, \$9,470,619, \$15,531,936, \$12,159,465 and \$8,064,632, respectively). The notional principal balance of the SA Class will be calculated based upon the principal balances of the A and AB Classes, the notional principal balance of the SC Class will be calculated based upon the principal balance of the C Class, the notional principal balances of the F and SD Classes will be calculated based upon the principal balance of the D Class, the notional principal balance of the SE Class will be calculated based upon the principal balance of the E Class, the notional principal balance of the SG Class will be calculated based upon the principal balance of the G Class, the notional principal balance of the SH Class will be calculated based upon the principal balance of the FA Class, the notional principal balance of the SI Class will be calculated based upon the principal balance of the HA Class and the notional principal balance of the SL Class will be calculated based upon the principal balance of the L Class. See "Description of the Certificates—Distributions of Interest—Notional Classes" herein.

(3) These Classes will be Principal Only Classes and will bear no interest.

(4) The SA, F, SC, SD and SE Classes will bear interest based on the "10-Year Treasury Index," the FB, SB, FA and SH Classes will bear interest based on "LIBOR" and the SG, SI and SL Classes will bear interest based on "COFI" as described under "Description of the Certificates—Distributions of Interest" herein and "Description of the Certificates—Indices Applicable to Floating Rate and Inverse Floating Rate Classes" in the REMIC Prospectus.

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

The Certificates will be offered by the Dealer, subject to issuance by Fannie Mae and to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by the Dealer, and subject to approval of certain legal matters by counsel. It is expected that the Certificates, except for the R and RL Classes, will be available through the book-entry system of the Federal Reserve Banks on or about September 30, 1996 (the "Settlement Date"). It is expected that the R and RL Classes in registered, certificated form will be available for delivery at the offices of PaineWebber Incorporated, New York, New York, on or about the Settlement Date.

**PaineWebber Incorporated**

The date of this Prospectus Supplement is August 7, 1996.

(Cover continued from previous page)

The yield to investors in each Class will be sensitive in varying degrees to, among other things, the rate of distributions on the related Underlying REMIC Certificates, which in turn will be sensitive in varying degrees to the rate of principal payments of the related Mortgage Loans, the characteristics of the Mortgage Loans included in the related Pools and the priority sequence affecting principal distributions on such Underlying REMIC Certificates. The yield to investors in each Class will also be sensitive to the purchase price paid for such Class and, in the case of any Floating Rate or Inverse Floating Rate Class, fluctuations in the level of the applicable Index (as defined herein). Accordingly, investors should consider the following risks:

- The Mortgage Loans generally may be prepaid at any time without penalty, and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time.
- Slight variations in Mortgage Loan characteristics could substantially affect the weighted average lives and yields of some or all of the Classes.
- In the case of any Certificates purchased at a discount to their principal amounts (including any Principal Only Class), 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.
- In the case of any Interest Only Class, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield and, in certain cases, an actual loss on the investment.
- The yield on any Floating Rate or Inverse Floating Rate Class will be sensitive to the level of the applicable Index. See “Description of the Certificates—Distributions of Interest—Floating Rate and Inverse Floating Rate Classes” herein.

See “Risk Factors—Yield Considerations” in the REMIC Prospectus and “Additional Risk Factors—Additional Yield and Prepayment Considerations” and “Yield Tables” herein.

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

- The Underlying REMIC Certificates are 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 particular, certain of the Underlying REMIC Certificates are Support classes that are entitled to receive principal distributions on any Distribution Date only if scheduled distributions have been made on other specified classes of certificates evidencing beneficial ownership interests in the related Underlying REMIC Trusts. Accordingly, such Underlying REMIC Certificates may receive no principal distributions for extended periods of time or may receive principal distributions that vary widely from period to period. In addition, certain of the Underlying REMIC Certificates have Principal Balance Schedules and, as a result, may receive principal distributions at rates faster or slower than would otherwise have been the case (and, in some cases, may receive no principal distributions for extended periods). Further, prepayments on the related Mortgage Loans may have occurred at rates faster or slower than those initially assumed. This Prospectus Supplement contains no information as to whether such Underlying REMIC Certificates have adhered to their Principal Balance Schedules, whether any related Support classes remain outstanding or whether such Underlying REMIC Certificates otherwise have performed as originally anticipated. Such information 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.
- 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 equalling the yields on the Certificates. See “Risk Factors—Suitability and Reinvestment Considerations” 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 (as defined below). Any representation to the contrary is a criminal offense.

Elections will be made to treat the Lower Tier REMIC and the Trust as “real estate mortgage investment conduits” (“REMICs”) pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). The R and RL Classes will be subject to transfer restrictions. See “Description of the Certificates—Characteristics of the R and RL Classes” 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 June 14, 1996 (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”);
- Fannie Mae’s Information Statement dated February 22, 1996 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 PaineWebber Incorporated by writing or calling its Prospectus Department at 1000 Harbor Boulevard, Weehawken, New Jersey, 07087 (telephone 201-902-7341).

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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.**

### Characteristics of the Underlying REMIC Certificates

The table contained in Exhibit A hereto sets forth information with respect to the Underlying REMIC Certificates, including certain information regarding the related underlying Mortgage Loans. Certain additional information as to the Underlying REMIC Certificates may be obtained by performing an analysis of current Fannie Mae principal factors of the 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 Rates

The Fixed Rate Classes will bear interest at the applicable per annum interest rates set forth on the cover.

The Floating Rate and Inverse Floating Rate Classes will bear interest during the initial Interest Accrual Period at initial interest rates determined as described below, and will bear interest during each Interest Accrual Period thereafter, subject to the applicable maximum and minimum interest rates, at rates determined as described below:

Class	Initial Interest Rate	Maximum Interest Rate	Minimum Interest Rate	Formula for Calculation of Interest Rate
SA .....	6.61666%(1)	16.66666%	0.00%	17.66667% — (1.6666667 × 10-Year Treasury Index)
FB .....	6.60000	9.00000	1.10	LIBOR + 110 basis points
SB .....	8.40000	27.65000	0.00	27.65% — (3.5 × LIBOR)
SC .....	7.99499(1)	20.58332	0.00	22.20833% — (2.1666667 × 10-Year Treasury Index)
F .....	0.00000(1)	(2)	(2)	(2)
SD .....	6.76920(1)	18.26923	0.00	19.51923% — (1.92308 × 10-Year Treasury Index)
SE .....	7.77832(1)	20.58333	0.00	21.99166% — (2.1666664 × 10-Year Treasury Index)
FA .....	6.05000	9.00000	0.55	LIBOR + 55 basis points
SG .....	5.87967(1)	22.73523	0.00	22.73523% — (3.49772847 × COFI)
SH .....	2.95000	8.45000	0.00	8.45% — LIBOR
SI .....	3.18100(1)	8.00000	0.00	8.0% — COFI
SL .....	6.98005(1)	22.40275	0.00	22.40275% — (3.2003931 × COFI)

- (1) These initial interest rates are assumed rates. The actual initial interest rates will be calculated on the basis of the applicable formulas for the calculation of such interest rates on the Index Determination Date occurring on August 29, 1996, in the case of the SA, F, SD, SG, SI and SL Classes, and the Index Determination Date occurring on September 23, 1996 in the case of the SC and SE Classes.
- (2) If the level of the 10-year Treasury Index is greater than 0.70% and less than 10.15%, the per annum interest rate for the F Class for the related Interest Accrual Period will be 0.0%. If the level of the 10-year Treasury Index is less than or equal to 0.70% or greater than or equal to 10.15%, the formula for the calculation of the interest rate for the F Class will be as follows:

If 10-Year Treasury Index is	Maximum Interest Rate	Minimum Interest Rate	Formula for Calculation of Interest Rate
Less than or equal to 0.70% .....	0.05%	0.0%	0.70% — 10-Year Treasury Index
Greater than or equal to 10.15% .....	0.55%	0.0%	10-Year Treasury Index — 10.15%

See “Description of the Certificates—Distributions of Interest—*Floating Rate and Inverse Floating Rate Classes*” herein.

### **Notional Classes**

The notional principal balance of each Notional Class will be equal to the indicated percentage of the outstanding principal balance of the Class or Classes specified below immediately prior to the related Distribution Date:

<u>Class</u>	<u>Percentage of Principal Balance of Class or Classes</u>
SA .....	55.5262289673% of A and AB Classes
SC .....	38.4615380168% of C Class
F .....	39.4189939871% of D Class
SD .....	40.0831291397% of D Class
SE .....	76.1059157895% of E Class
SG .....	100% of G Class
SH .....	100% of FA Class
SI .....	572.2992616732% of HA Class
SL .....	100% of L Class

### **Distributions of Principal**

The portion of the Principal Distribution Amount allocated to each Class of Certificates will be determined by distributions of principal of the related Underlying REMIC Certificate or Certificates, as applicable. For such purposes, the Principal Distribution Amount will be allocated among the Group 1, Group 2, Group 3, Group 4, Group 5, Group 6, Group 7, Group 8 and Group 9 Principal Distribution Amounts as described herein under “Description of the Certificates—Distributions of Principal—*Principal Distribution Amount*”.

#### *Group 1 Principal Distribution Amount*

To the A and AB Classes, in proportion to their original principal balances, to zero.

#### *Group 2 Principal Distribution Amount*

To the FB and SB Classes, in proportion to their original principal balances, 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 and EA Classes, in proportion to their original principal balances, to zero.

#### *Group 6 Principal Distribution Amount*

To the G, FA, H and HA Classes as described herein under “Description of the Certificates—Distributions of Principal.”

*Group 7 Principal Distribution Amount*

To the J Class, to zero.

*Group 8 Principal Distribution Amount*

To the K Class, to zero.

*Group 9 Principal Distribution Amount*

To the L Class, to zero.

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

<u>Class</u>	<b>PSA Prepayment Assumption</b>				
	<u>0%</u>	<u>95%</u>	<u>130%</u>	<u>350%</u>	<u>500%</u>
AB, SA and A .....	19.2	8.1	8.1	6.2	4.2
D, SD and F .....	19.1	7.9	7.9	7.6	5.2
K .....	12.4	3.1	3.0	2.8	2.0
L and SL .....	26.0	20.3	16.2	0.9	0.5

<u>Class</u>	<b>PSA Prepayment Assumption</b>				
	<u>0%</u>	<u>95%</u>	<u>150%</u>	<u>350%</u>	<u>500%</u>
FB and SB .....	25.1	17.9	7.0	0.5	0.3
C and SC .....	19.9	8.3	7.9	6.5	4.4
E, EA and SE .....	19.6	8.1	7.9	6.3	4.3

<u>Class</u>	<b>PSA Prepayment Assumption</b>				
	<u>0%</u>	<u>95%</u>	<u>140%</u>	<u>350%</u>	<u>500%</u>
FA, SH and H .....	10.4	7.9	6.7	0.6	0.3
SI and HA .....	11.1	9.1	8.2	1.5	0.7
G and SG .....	11.9	10.8	10.3	5.9	1.6

<u>Class</u>	<b>PSA Prepayment Assumption</b>				
	<u>0%</u>	<u>95%</u>	<u>120%</u>	<u>350%</u>	<u>500%</u>
J .....	11.1	9.4	9.1	7.0	2.2

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

## **ADDITIONAL RISK FACTORS**

### **Additional Yield and Prepayment Considerations**

The rate of distributions of principal of the Classes will be directly related to the rate of principal distributions on the related Underlying REMIC Certificates, which in turn will be sensitive in varying degrees to the rate of payments of principal (including prepayments) of the related Mortgage Loans and the priority sequence affecting principal distributions on such Underlying REMIC Certificates. It is highly unlikely that the Mortgage Loans underlying any of the Underlying REMIC Certificates will prepay at any of the rates assumed herein, will prepay at a *constant* PSA rate until maturity or that such Mortgage Loans will prepay at the same rate.

As described in the Underlying Prospectus Supplements, the Underlying REMIC Certificates are subordinate in priority of principal distributions to certain other classes of certificates evidencing beneficial ownership interests in the related Underlying REMIC Trusts and, accordingly, distributions of principal of the related Mortgage Loans may for extended periods be applied to the distribution of principal of those classes of certificates having priority over the Underlying REMIC Certificates. In particular, certain of the Underlying REMIC Certificates are Support classes that are entitled to receive principal distributions on any Distribution Date only if scheduled distributions have been made on other specified classes of certificates evidencing beneficial ownership interests in the related Underlying REMIC Trusts. Accordingly, such Underlying REMIC Certificates may receive no principal distributions for extended periods of time or may receive principal distributions that vary widely from period to period. In addition, certain of the Underlying REMIC Certificates have Principal Balance Schedules and, as a result, may receive distributions of principal during certain periods at rates faster or slower than would otherwise have been the case (and, in some cases, may receive no principal distributions for extended periods). Further, prepayments on the related Mortgage Loans may have occurred at rates faster or slower than that initially assumed. This Prospectus Supplement contains no information as to whether such Underlying REMIC Certificates have adhered to their Principal Balance Schedules, whether any related Support classes remain outstanding or whether such Underlying REMIC Certificates otherwise have performed as originally anticipated. Such information as to such 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.

Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the Certificates.

The effective yield on the Delay Classes (as defined herein) 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.

## **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 and the Lower Tier REMIC will be created pursuant to a trust agreement dated as of September 1, 1996 (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 and RL Classes) 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 interests in the Lower Tier REMIC other than the RL Class (the “Lower Tier Regular Interests”) will be designated as the “regular interests,” and the RL Class will be designated as the “residual interests,” in the Lower Tier REMIC. The assets of the Lower Tier REMIC will consist of the Underlying REMIC Certificates (which evidence 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 each Class of Certificates in full no later than the applicable Final Distribution Date, whether or not sufficient funds are available in the Trust 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 the related Underlying Prospectus Supplements and “Description of Certificates—The Corporation’s Guaranty” in the MBS Prospectus.

*Characteristics of Certificates.* The Certificates, other than the R and RL Certificates, 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 and RL Certificates will not be issued in book-entry form but will be issued in fully registered, certificated form. As to the R or RL Certificate, “Holder” or “Certificateholder” refers to the registered owner thereof. The R and RL Certificates 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 or RL 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 and RL Classes” herein.

The distribution to the Holders of the R and RL Classes of the proceeds of any remaining assets of the Trust and the Lower Tier REMIC, as applicable, 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 and RL Certificates, will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. The R and RL Classes will be issued as single Certificates and will not have principal balances.

*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 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 Lower Tier REMIC or 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 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 related Classes having principal balances aggregating not less than 51% of the aggregate principal balance of all such Classes outstanding. In the absence of such instructions, the Trustee will vote in a manner consistent, in its sole judgment, with the best interests of Certificateholders.

## **The Underlying REMIC Certificates**

The Underlying REMIC Certificates represent beneficial ownership interests in the related Underlying REMIC Trusts specified in Exhibit A hereto, the assets of which evidence direct or indirect beneficial ownership interests in certain MBS.

The general characteristics of the Underlying REMIC Certificates and the MBS are described in the Underlying Prospectus Supplements and MBS Prospectus, respectively. 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 distributions 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 the Underlying REMIC Certificates, including the numerical designations of the Underlying REMIC

Trusts, the class designation, the date of issue, the CUSIP number, the interest rate, the interest type, the final distribution date, the principal type, the original principal balance or notional principal balance of the entire class, the current principal factor for such class and the principal balance or notional principal balance of such class contained in the Lower Tier REMIC as of September 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 related MBS as of the Issue Date, the underlying security type and the related Class Group.

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.

## 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	AB, C, D, E, H, J and K
Floating Rate	FB, F and FA
Inverse Floating Rate	SA, SB, SC, SD, SE, SG, SH, SI and SL
Interest Only	SA, SC, F, SD, SE, SG, SH, SI and SL
Principal Only	A, EA, G, HA and L
No Payment Residual	R and RL

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

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

**Interest Accrual Periods.** Interest to be distributed on a Distribution Date will accrue on the interest-bearing Certificates during the one-month periods set forth below (each, an “Interest Accrual Period”).

<u>Classes</u>	<u>Interest Accrual Periods</u>
FB, SB, SC, SE, FA, and SH Classes (the “No Delay Classes”)	One month period beginning on the 25th day of the month preceding the month of the Distribution Date and ending on the 24th day of the month of the Distribution Date
AB, SA, C, D, F, SD, E, H, SG, SI, J, K and SL Classes (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs

See “Additional Risk Factors—Additional Yield and Prepayment Considerations” herein.

**Notional Classes.** The SA, SC, F, SD, SE, SG, SH, SI and SL Classes will be Notional Classes. The Notional Classes will have no principal balances and will bear interest at the applicable per annum interest rates set forth or described herein during each Interest Accrual Period on the related notional principal balances. The notional principal balance of each Notional Class will be equal to the indicated percentage of the outstanding principal balance of the Class or Classes specified below immediately prior to the related Distribution Date:

<u>Class</u>	<u>Percentage of Principal Balance of Class or Classes</u>
SA.....	55.5262289673% of A and AB Classes
SC.....	38.4615380168% of C Class
F.....	39.4189939871% of D Class
SD.....	40.0831291397% of D Class
SE.....	76.1059157895% of E Class
SG.....	100% of G Class
SH.....	100% of FA Class
SI.....	572.2992616732% of HA Class
SL.....	100% of L Class

The notional principal balance of a Notional Class is used for purposes of the determination of interest distributions thereon and does not represent an interest in the principal distributions of the related Underlying REMIC Certificate, the MBS or the underlying Mortgage Loans. Although a Notional Class will not have a principal balance, a REMIC Trust Factor (as described herein) will be published with respect to such Class that will be applicable to the notional principal balance thereof, and references herein to the principal balances of the Certificates generally shall be deemed to refer also to the notional principal balances of the Notional Classes.

**Floating Rate and Inverse Floating Rate Classes.** The following Classes will bear interest during their initial Interest Accrual Period at initial interest rates determined as described below, and will bear interest during each Interest Accrual Period thereafter, subject to the applicable maximum and minimum interest rates, at rates determined as described below:

<b>Class</b>	<b>Initial Interest Rate</b>	<b>Maximum Interest Rate</b>	<b>Minimum Interest Rate</b>	<b>Formula for Calculation of Interest Rate</b>
SA .....	6.61666%(1)	16.66666%	0.00%	17.66667% — (1.6666667 × 10-Year Treasury Index)
FB .....	6.60000	9.00000	1.10	LIBOR + 110 basis points
SB .....	8.40000	27.65000	0.00	27.65% — (3.5 × LIBOR)
SC .....	7.99499(1)	20.58332	0.00	22.20833% — (2.1666667 × 10-Year Treasury Index)
F .....	0.00000(1)	(2)	(2)	(2)
SD .....	6.76920(1)	18.26923	0.00	19.51923% — (1.92308 × 10-Year Treasury Index)
SE .....	7.77832(1)	20.58333	0.00	21.99166% — (2.1666664 × 10-Year Treasury Index)
FA .....	6.05000	9.00000	0.55	LIBOR + 55 basis points
SG .....	5.87967(1)	22.73523	0.00	22.73523% — (3.49772847 × COFI)
SH .....	2.95000	8.45000	0.00	8.45% — LIBOR
SI .....	3.18100(1)	8.00000	0.00	8.0% — COFI
SL .....	6.98005(1)	22.40275	0.00	22.40275% — (3.2003931 × COFI)

- (1) These initial interest rates are assumed rates. The actual initial interest rates will be calculated on the basis of the applicable formulas for the calculation of such interest rates on the Index Determination Date occurring on August 29, 1996, in the case of the SA, F, SD, SG, SI and SL Classes, and the Index Determination Date occurring on September 23, 1996 in the case of the SC and SE Classes.
- (2) If the level of the 10-year Treasury Index is greater than 0.70% and less than 10.15%, the per annum interest rate for the F Class for the related Interest Accrual Period will be 0.0%. If the level of the 10-year Treasury Index is less than or equal to 0.70% or greater than or equal to 10.15%, the formula for the calculation of the interest rate for the F Class will be as follows:

<b>If 10-Year Treasury Index is</b>	<b>Maximum Interest Rate</b>	<b>Minimum Interest Rate</b>	<b>Formula for Calculation of Interest Rate</b>
Less than or equal to 0.70% .....	0.05%	0.0%	0.70% — 10-Year Treasury Index
Greater than or equal to 10.15% .....	0.55%	0.0%	10-Year Treasury Index — 10.15%

The yields with respect to such Classes will be affected by changes in the applicable index as set forth in the table above (each, an “Index”), which changes may not correlate with changes in mortgage interest rates. It is possible that lower mortgage interest rates could occur concurrently with an increase in the level of an Index. Conversely, higher mortgage interest rates could occur concurrently with a decrease in the level of such Index.

The establishment of each Index value by Fannie Mae and Fannie Mae’s determination of the rate or rates of interest for the applicable Classes for the related Interest Accrual Period shall (in the absence of manifest error) be final and binding. Each such rate of interest may be obtained by telephoning Fannie Mae at 1-800-BEST-MBS or 202-752-6547.

### Calculation of 10-Year Treasury Index

On each Index Determination Date, until the notional principal balances of the SA, SC, F, SD and SE Classes have been reduced to zero, Fannie Mae will ascertain the average yield on U.S. Treasury securities, adjusted to a constant maturity of ten years, in effect for the week ending on the last Friday immediately preceding the related Index Determination Date in the manner described in the REMIC Prospectus under “Description of the Certificates—Indices Applicable to Floating Rate and Inverse Floating Rate Classes—*Treasury Index*” with respect to yields on U.S. Treasury securities at “constant maturity.”

### Calculation of Libor

On each Index Determination Date, until the principal balances and notional principal balance of the FB, SB, FA and SH Classes have been reduced to zero, Fannie Mae will establish

LIBOR for the related Interest Accrual Period in the manner described in the REMIC Prospectus under “Description of the Certificates—Indices Applicable to Floating Rate and Inverse Floating Rate Classes—*LIBOR*.”

If on the initial Index Determination Date, Fannie Mae is unable to determine LIBOR in the manner specified in the REMIC Prospectus, LIBOR for the next succeeding Interest Accrual Period will be equal to 5.5%.

### **Calculation of COFI**

Except as otherwise specified below, the amount of interest which will accrue in respect of the SG, SI and SL Classes (the “COFI Classes”) during each Interest Accrual Period following their initial Interest Accrual Period will be determined on the basis of the Eleventh District Cost of Funds Index for the second month next preceding the month in which such Interest Accrual Period commences if such Eleventh District Cost of Funds Index for such second preceding month is published on or before the tenth day of the month in which such Interest Accrual Period commences. For example, if the Eleventh District Cost of Funds Index for May is announced on or before July 10, interest accrued on the COFI Classes for the Interest Accrual Period commencing in July and distributable in August will be based on the Eleventh District Cost of Funds relating to May. If the Eleventh District Cost of Funds Index for the applicable month is not published on or before the tenth day of the second following month, interest will accrue on the COFI Classes at a rate determined as provided in the REMIC Prospectus under “Description of the Certificates—Indices Applicable to Floating Rate and Inverse Floating Rate Classes—*COFI*.” Under certain circumstances, an alternative index may be applicable to the COFI Classes. A change of index from the Eleventh District Cost of Funds Index to an alternative index will result in a change in the index level, and, particularly if LIBOR is the alternative index, could increase the degree of index volatility.

For information regarding historical values of the Eleventh District Cost of Funds Index as reported by the Federal Home Loan Bank of San Francisco (“FHLBSF”), see “Description of the Certificates—Indices Applicable to Floating Rate and Inverse Floating Rate Classes—*COFI*” in the REMIC Prospectus.

The values of the Eleventh District Cost of Funds Index as reported by the FHLBSF for May 1996, June 1996 and July 1996 were 4.823%, 4.809% and 4.819%, respectively.

## 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 Classes</b> Structured Collateral/Pass-Through Notional	A and AB SA
<b>Group 2 Classes</b> Structured Collateral/Pass-Through	FB and SB
<b>Group 3 Classes</b> Structured Collateral/Pass-Through Notional	C SC
<b>Group 4 Classes</b> Structured Collateral/Pass-Through Notional	D F and SD
<b>Group 5 Classes</b> Structured Collateral/Pass-Through Notional	E and EA SE
<b>Group 6 Classes</b> Structured Collateral/Pass-Through Structured Collateral/Sequential Pay Notional	G FA, H and HA SG, SH and SI
<b>Group 7 Class</b> Structured Collateral/Pass-Through	J
<b>Group 8 Class</b> Structured Collateral/Pass-Through	K
<b>Group 9 Classes</b> Structured Collateral/Pass-Through Notional	L SL
<b>No Payment Residual</b>	R and RL

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

### *Principal Distribution Amount*

Principal will be distributed monthly on the Certificates in an amount (the “Principal Distribution Amount”) equal to the sum of (i) the aggregate distributions of principal concurrently made on the Class 1993-201-S and Class 1993-201-H REMIC Certificates (the “Group 1 Principal Distribution Amount”), (ii) the aggregate distributions of principal concurrently made on the Class 1993-45-FA and Class 1993-45-SA REMIC Certificates (the “Group 2 Principal Distribution Amount”), (iii) the aggregate distributions of principal concurrently made on the Class 1993-155-SC and Class 1993-155-H REMIC Certificates (the “Group 3 Principal Distribution Amount”), (iv) the aggregate distributions of principal concurrently made on the Class 1993-185-FD and Class 1993-185-SJ REMIC Certificates (the “Group 4 Principal Distribution Amount”), (v) the aggregate distributions of principal concurrently made on the Class 1993-147-FD and Class 1993-147-SD REMIC Certificates (the “Group 5 Principal Distribution Amount”), (vi) the aggregate distributions of principal concurrently made on the Class 1994-33-FC, Class 1994-33-SA, Class 1994-33-SB and

Class 1994-33-SC REMIC Certificates (the “Group 6 Principal Distribution Amount”), (vii) the aggregate distributions of principal concurrently made on the Class 1993-233-FA, Class 1993-233-SA and Class 1993-233-SB REMIC Certificates (the “Group 7 Principal Distribution Amount”), (viii) the aggregate distributions of principal concurrently made on the Class 1993-187-FE and Class 1993-187-SE REMIC Certificates (the “Group 8 Principal Distribution Amount”) and (ix) the distribution of principal concurrently made on the Class 1993-183-SG REMIC Certificate (the “Group 9 Principal Distribution Amount”). The portion of the class of Underlying REMIC Certificates held by the Lower Tier REMIC will be as set forth in Exhibit A.

*Group 1 Principal Distribution Amount*

On each Distribution Date, the Group 1 Principal Distribution Amount will be distributed, concurrently, as principal of the A and AB Classes, in proportion to their original principal balances (or 17.4058541735% and 82.5941458265%, respectively), until the principal balances thereof are reduced to zero.

*Group 2 Principal Distribution Amount*

On each Distribution Date, the Group 2 Principal Distribution Amount will be distributed, concurrently, as principal of the FB and SB Classes, in proportion to their original principal balances (or 77.7777707276% and 22.2222292724%, respectively), until the principal balances thereof are reduced to zero.

*Group 3 Principal Distribution Amount*

On each Distribution Date, 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 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 Group 5 Principal Distribution Amount will be distributed, concurrently, as principal of the E and EA Classes, in proportion to their original principal balances (or 76.9514492651% and 23.0485507349%, respectively), until the principal balances thereof are reduced to zero.

*Group 6 Principal Distribution Amount*

On each Distribution Date, the portion of the Group 6 Principal Distribution Amount attributable to the Class 1994-33-SC REMIC Certificate will be distributable as principal of the G Class, until the principal balance thereof is reduced to zero.

Structured  
Collateral/  
Pass-Through  
Classes

On each Distribution Date, the excess of the Group 6 Principal Distribution Amount over the amount applied pursuant to the immediately preceding paragraph will be distributed in the following order of priority:

(i) concurrently, to the FA and H Classes, in proportion to their original principal balances (or 46.4524196002% and 53.5475803998%, respectively), until the principal balances thereof are reduced to zero; and

(ii) to the HA Class, until the principal balance thereof is reduced to zero.

Structured  
Collateral/  
Sequential  
Pay  
Classes

#### *Group 7 Principal Distribution Amount*

On each Distribution Date, the Group 7 Principal Amount will be distributed as principal of the J Class, until the principal balance thereof is reduced to zero.

#### *Group 8 Principal Distribution Amount*

On each Distribution Date, the Group 8 Principal Distribution Amount will be distributed as principal of the K Class, until the principal balance thereof is reduced to zero.

Structured  
Collateral/  
Pass-Through  
Classes

#### *Group 9 Principal Distribution Amount*

On each Distribution Date, the Group 9 Principal Distribution Amount will be distributed as principal of the L Class, until the principal balance thereof is reduced to zero.

### **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 Models” in the REMIC Prospectus. It is highly unlikely that prepayments will occur at any PSA rate or at any other constant rate.

### **Yield Tables**

*General.* The tables below indicate the sensitivity of the pre-tax corporate bond equivalent yields to maturity of applicable Classes to various constant percentages of PSA and, where specified, to changes in the applicable Index. The yields set forth in the tables were calculated by



determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the applicable Classes, would cause the discounted present value of such assumed streams of cash flows to equal the assumed aggregate purchase prices of such Classes and converting such monthly rates to corporate bond equivalent rates. Such calculations do not take into account variations that may occur in the interest rates at which investors may be able to reinvest funds received by them as distributions on the Certificates and consequently do not purport to reflect the return on any investment in the Certificates when such reinvestment rates are considered. *There can be no assurance that the pre-tax yields on the Certificates will correspond to any of the pre-tax yields shown herein or that the aggregate purchase prices of the Certificates will be as assumed. In addition, there can be no assurance that the applicable Index will correspond to the levels shown herein. Furthermore, because some of the Mortgage Loans will likely have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the principal distributions on the Certificates are likely to differ from those assumed, even if all Mortgage Loans prepay at the indicated constant percentages of PSA. Moreover, it is not likely that the Mortgage Loans will prepay at a constant PSA rate until maturity, that all of such Mortgage Loans will prepay at the same rate or that the level of the applicable Index will remain constant.*

***The Principal Only Classes. The Principal Only Classes will not bear interest. As indicated in the tables below, a low rate of principal payments (including prepayments) on the Mortgage Loans underlying the related Underlying REMIC Trusts will have a negative effect on the yields to investors in the Principal Only Classes.***

The information set forth in the following tables was prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase prices of the Principal Only Classes (expressed in each case as a percentage of original principal balance) are as follows:

<u>Class</u>	<u>Price</u>
A .....	55.875%
EA .....	57.000%
G .....	49.375%
HA .....	57.000%
L .....	37.875%

**Sensitivity of the Principal Only Classes to Prepayments  
(Pre-Tax Yields to Maturity)**

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>95%</u>	<u>130%</u>	<u>350%</u>	<u>500%</u>
A .....	5.3%	7.4%	7.4%	9.7%	14.4%
L .....	4.2%	4.9%	6.1%	167.2%	372.5%

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>95%</u>	<u>140%</u>	<u>350%</u>	<u>500%</u>
HA .....	5.8%	6.3%	7.0%	40.8%	97.8%
G .....	6.5%	6.7%	7.0%	13.5%	53.3%

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>95%</u>	<u>150%</u>	<u>350%</u>	<u>500%</u>
EA .....	4.9%	7.1%	7.3%	9.2%	13.7%

*The Inverse Floating Rate Classes and the F Class.* The yields to investors in the Inverse Floating Rate Classes and the F Class will be sensitive in varying degrees to the level of the applicable Index and the rate of principal payments (including prepayments) of the Mortgage Loans underlying the related Underlying REMIC Trusts. The Mortgage Loans generally can be prepaid at any time. In addition, the rate of principal payments (including prepayments) of the Mortgage Loans is likely to vary, and may vary considerably, from Pool to Pool. As indicated in the tables below, it is possible that, under certain Index and prepayment scenarios, investors in the Inverse Floating Rate Classes (other than the SB Class) and the F Class would not fully recoup their initial investments.

Changes in an Index may not correlate with changes in prevailing mortgage interest rates. It is possible that lower prevailing mortgage interest rates, which might be expected to result in faster prepayments, could occur concurrently with an increased level of such Index.

The information set forth in the following tables was prepared on the basis of the Pricing Assumptions and the assumptions that (i) the interest rates applicable to the Inverse Floating Rate Classes and the F Class for the initial Interest Accrual Period are the actual and assumed rates appearing in the table under “Distributions of Interest—*Floating Rate and Inverse Floating Rate Classes*” herein and for each Interest Accrual Period subsequent to the initial Interest Accrual Period will be based on the indicated level of the applicable Index and (ii) the aggregate purchase prices of such Classes (expressed in each case as a percentage of original principal balance) are as follows:

<u>Class</u>	<u>Price*</u>
SA .....	33.500000%
SB .....	69.966890%
SC .....	38.638452%
F .....	0.062500%
SD .....	34.125000%
SE .....	37.093750%
SG .....	19.937500%
SH .....	8.312500%
SI .....	10.343750%
SL .....	19.625000%

\* The prices do not include accrued interest. Accrued interest has been added to such prices in calculating the yields set forth in the tables below.

#### Sensitivity of the SA Class to Prepayments and 10-Year Treasury Index (Pre-Tax Yields to Maturity)

<u>10-Year Treasury Index</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>95%</u>	<u>130%</u>	<u>350%</u>	<u>500%</u>
4.63% .....	29.4%	26.4%	26.4%	22.0%	10.0%
6.63% .....	16.8%	12.3%	12.3%	6.2%	(8.5)%
8.63% .....	1.5%	(5.5)%	(5.5)%	(14.2)%	(33.0)%
10.60% .....	*	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the SB Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>95%</u>	<u>150%</u>	<u>350%</u>	<u>500%</u>
3.50% .....	23.0%	23.1%	27.1%	121.9%	219.4%
5.50% .....	12.7%	13.0%	17.0%	111.1%	207.7%
7.90% .....	1.7%	2.0%	5.6%	98.6%	194.0%

**Sensitivity of the SC Class to Prepayments and 10-Year Treasury Index  
(Pre-Tax Yields to Maturity)**

<u>10-Year Treasury Index</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>95%</u>	<u>150%</u>	<u>350%</u>	<u>500%</u>
4.56% .....	32.8%	30.2%	29.5%	26.5%	16.1%
6.56% .....	19.0%	14.7%	13.8%	9.5%	(3.9)%
8.56% .....	2.3%	(5.1)%	(6.3)%	(12.8)%	(30.4)%
10.25% .....	*	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the F Class to Prepayments and 10-Year Treasury Index  
(Pre-Tax Yields to Maturity)**

<u>10-Year Treasury Index</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>95%</u>	<u>130%</u>	<u>350%</u>	<u>500%</u>
0.65% and below .....	89.1%	88.7%	88.7%	88.5%	86.1%
0.70% .....	*	*	*	*	*
10.15% .....	*	*	*	*	*
10.70% and above .....	2246.4%	2246.4%	2246.4%	2246.4%	2246.4%

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the SD Class to Prepayments and 10-Year Treasury Index  
(Pre-Tax Yields to Maturity)**

<u>10-Year Treasury Index</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>95%</u>	<u>130%</u>	<u>350%</u>	<u>500%</u>
4.63% .....	31.0%	27.9%	27.9%	27.4%	19.5%
6.63% .....	16.8%	12.1%	12.1%	11.3%	0.8%
8.63% .....	(0.9)%	(8.7)%	(8.7)%	(9.8)%	(24.5)%
10.15% .....	*	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the SE Class to Prepayments and 10-Year Treasury Index  
(Pre-Tax Yields to Maturity)**

<u>10-Year Treasury Index</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>95%</u>	<u>150%</u>	<u>350%</u>	<u>500%</u>
4.56% .....	33.6%	30.8%	30.5%	27.0%	16.1%
6.56% .....	19.1%	14.5%	14.2%	9.1%	(4.9)%
8.56% .....	1.4%	(6.4)%	(6.9)%	(14.6)%	(33.2)%
10.15% .....	*	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the SH Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>95%</u>	<u>140%</u>	<u>350%</u>	<u>500%</u>
3.50% .....	65.7%	65.3%	64.4%	*	*
5.50% .....	36.0%	34.9%	32.8%	*	*
7.50% .....	0.7%	(2.2)%	(6.9)%	*	*
8.45% .....	*	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the SI Class to Prepayments and COFI  
(Pre-Tax Yields to Maturity)**

<u>COFI</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>95%</u>	<u>140%</u>	<u>350%</u>	<u>500%</u>
2.819% .....	53.1%	52.8%	52.3%	(32.6)%	*
4.819% .....	29.9%	29.2%	28.1%	(69.7)%	*
6.819% .....	2.3%	0.6%	(1.8)%	*	*
8.00% .....	*	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the SG Class to Prepayments and COFI  
(Pre-Tax Yields to Maturity)**

<u>COFI</u>	<u>PSA Prepayment Assumption</u>				
	<u>50%</u>	<u>95%</u>	<u>140%</u>	<u>350%</u>	<u>500%</u>
2.819% .....	70.4%	70.3%	70.3%	62.8%	(4.4)%
4.819% .....	29.1%	28.9%	28.6%	17.8%	(63.6)%
6.500% .....	*	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**Sensitivity of the SL Class to Prepayments and COFI  
(Pre-Tax Yields to Maturity)**

<b>COFI</b>	<b>PSA Prepayment Assumption</b>				
	<b>50%</b>	<b>95%</b>	<b>130%</b>	<b>350%</b>	<b>500%</b>
2.819% .....	74.8%	74.8%	74.7%	(62.3)%	*
4.819% .....	37.3%	37.3%	37.1%	*	*
7.000% .....	*	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

**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 related Mortgage Loans increases. However, the weighted average lives will depend upon a variety of other factors, including the timing of changes in such rate of principal payments, the priority sequence of distributions of principal of certain of the Group 6 Classes and the priority sequences of distributions of principal of the related Underlying REMIC Certificates. See “Distributions of Principal” herein and “Description of the Certificates—Distributions of Principal” in the Underlying Prospectus Supplements.

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 constant PSA levels and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions, except that with respect to the information set forth for each such Class under 0% PSA it has been assumed that the underlying Mortgage Loans have the original and remaining terms to maturity and bear interest at the per annum rates specified below:

<b>Mortgage Loans relating to the Underlying REMIC Trusts specified below</b>	<b>Original Terms to Maturity</b>	<b>Remaining Terms to Maturity</b>	<b>Interest Rates</b>	<b>Related Groups</b>
1993-201	360 months	325 months	9.0%	Group 1
1993-45	360 months	319 months	9.5%	Group 2
1993-155	360 months	324 months	9.5%	Group 3
1993-185	360 months	324 months	9.0%	Group 4
1993-147	360 months	323 months	9.5%	Group 5
1994-33 and 1996-24	180 months	150 months	9.0%	Group 6
1993-233	180 months	147 months	8.5%	Group 7
1993-187	360 months	324 months	9.0%	Group 8
1993-183	360 months	325 months	9.0%	Group 9

It is not likely that (i) all of the underlying Mortgage Loans will have the interest rates, CAGEs or remaining terms to maturity assumed or (ii) the underlying Mortgage Loans will prepay at a constant PSA level. In addition, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal distributions than indicated in the tables at the specified constant PSA levels, even if the distributions of the weighted average remaining terms to maturity and the weighted average CAGEs of the Mortgage Loans are identical to the distributions of the remaining terms to maturity and CAGEs specified in the Pricing Assumptions.

## Percent of Original Principal Balances Outstanding

Date	AB, SA† and A Classes					FB and SB Classes					C and SC† Classes					D, SD† and F† Classes				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	95%	130%	350%	500%	0%	95%	150%	350%	500%	0%	95%	150%	350%	500%	0%	95%	130%	350%	500%
Initial Percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
September 1997.....	100	100	100	100	100	100	100	100	0	0	100	100	100	100	100	100	100	100	100	100
September 1998.....	100	100	100	100	100	100	100	89	0	0	100	100	100	100	100	100	100	100	100	100
September 1999.....	100	100	100	100	100	100	100	76	0	0	100	100	100	100	100	100	100	100	100	100
September 2000.....	100	100	100	100	59	100	100	66	0	0	100	100	100	100	64	100	100	100	100	92
September 2001.....	100	100	100	100	5	100	100	59	0	0	100	100	100	97	23	100	100	100	100	51
September 2002.....	100	100	100	54	0	100	100	55	0	0	100	100	96	60	0	100	97	97	89	23
September 2003.....	100	81	81	16	0	100	100	51	0	0	100	83	68	32	0	100	69	69	60	4
September 2004.....	100	49	49	0	0	100	100	45	0	0	100	57	45	9	0	100	45	45	37	0
September 2005.....	100	22	22	0	0	100	100	39	0	0	100	31	25	0	0	100	25	25	20	0
September 2006.....	100	0	0	0	0	100	100	31	0	0	100	9	9	0	0	100	7	7	6	0
September 2007.....	100	0	0	0	0	100	100	22	0	0	100	0	0	0	0	100	0	0	0	0
September 2008.....	100	0	0	0	0	100	100	13	0	0	100	0	0	0	0	100	0	0	0	0
September 2009.....	100	0	0	0	0	100	100	4	0	0	100	0	0	0	0	100	0	0	0	0
September 2010.....	100	0	0	0	0	100	100	0	0	0	100	0	0	0	0	100	0	0	0	0
September 2011.....	100	0	0	0	0	100	100	0	0	0	100	0	0	0	0	100	0	0	0	0
September 2012.....	100	0	0	0	0	100	95	0	0	0	100	0	0	0	0	100	0	0	0	0
September 2013.....	100	0	0	0	0	100	73	0	0	0	100	0	0	0	0	100	0	0	0	0
September 2014.....	93	0	0	0	0	100	48	0	0	0	100	0	0	0	0	79	0	0	0	0
September 2015.....	58	0	0	0	0	100	24	0	0	0	76	0	0	0	0	53	0	0	0	0
September 2016.....	20	0	0	0	0	100	0	0	0	0	47	0	0	0	0	24	0	0	0	0
September 2017.....	0	0	0	0	0	100	0	0	0	0	16	0	0	0	0	0	0	0	0	0
September 2018.....	0	0	0	0	0	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2019.....	0	0	0	0	0	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2020.....	0	0	0	0	0	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2021.....	0	0	0	0	0	53	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2022.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2023.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2024.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2025.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2026.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**.....	19.2	8.1	8.1	6.2	4.2	25.1	17.9	7.0	0.5	0.3	19.9	8.3	7.9	6.5	4.4	19.1	7.9	7.9	7.6	5.2

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

† In the case of a Notional Class, the Decrement Table indicates the percentage of the original notional principal balance outstanding.

Date	E, EA and SE <sup>†</sup> Classes					FA, SH <sup>†</sup> and H Classes					SI <sup>†</sup> and HA Classes					G and SG <sup>†</sup> Classes				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	95%	150%	350%	500%	0%	95%	140%	350%	500%	0%	95%	140%	350%	500%	0%	95%	140%	350%	500%
Initial Percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
September 1997.....	100	100	100	100	100	100	100	100	13	0	100	100	100	100	0	100	100	100	100	82
September 1998.....	100	100	100	100	100	100	100	100	0	0	100	100	100	100	0	100	100	100	96	21
September 1999.....	100	100	100	100	100	100	100	100	0	0	100	100	100	100	0	100	100	100	75	0
September 2000.....	100	100	100	100	58	100	100	100	0	0	100	100	100	100	0	100	100	100	69	0
September 2001.....	100	100	100	93	15	100	100	100	0	0	100	100	100	100	0	100	100	100	63	0
September 2002.....	100	100	99	55	0	100	100	83	0	0	100	100	100	100	0	100	100	100	48	0
September 2003.....	100	77	69	24	0	100	97	35	0	0	100	100	100	100	0	100	100	100	35	0
September 2004.....	100	48	44	1	0	100	41	0	0	0	100	100	66	0	0	100	100	100	24	0
September 2005.....	100	23	23	0	0	100	0	0	0	0	100	58	0	0	0	100	100	87	15	0
September 2006.....	100	5	5	0	0	86	0	0	0	0	100	0	0	0	0	100	78	57	9	0
September 2007.....	100	0	0	0	0	0	0	0	0	0	57	0	0	0	0	100	39	28	4	0
September 2008.....	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	41	4	3	*	0
September 2009.....	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2010.....	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2011.....	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2012.....	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2013.....	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2014.....	95	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2015.....	67	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2016.....	37	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2017.....	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2018.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2019.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2020.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2021.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2022.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2023.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2024.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2025.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2026.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**.....	19.6	8.1	7.9	6.3	4.3	10.4	7.9	6.7	0.6	0.3	11.1	9.1	8.2	1.5	0.7	11.9	10.8	10.3	5.9	1.6

Date	J Class					K Class					L and SL <sup>†</sup> Classes				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	95%	120%	350%	500%	0%	95%	130%	350%	500%	0%	95%	130%	350%	500%
Initial Percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
September 1997.....	100	100	100	100	100	100	100	100	100	100	100	100	100	34	0
September 1998.....	100	100	100	100	64	100	96	91	91	46	100	100	100	0	0
September 1999.....	100	100	100	100	0	100	51	47	43	0	100	100	100	0	0
September 2000.....	100	100	100	100	0	100	10	6	0	0	100	100	100	0	0
September 2001.....	100	100	100	86	0	100	0	0	0	0	100	100	100	0	0
September 2002.....	100	100	100	61	0	100	0	0	0	0	100	100	100	0	0
September 2003.....	100	100	100	42	0	100	0	0	0	0	100	100	100	0	0
September 2004.....	100	100	100	27	0	100	0	0	0	0	100	100	100	0	0
September 2005.....	100	68	42	16	0	100	0	0	0	0	100	100	100	0	0
September 2006.....	100	20	20	8	0	92	0	0	0	0	100	100	100	0	0
September 2007.....	54	1	1	2	0	76	0	0	0	0	100	100	100	0	0
September 2008.....	0	0	0	0	0	58	0	0	0	0	100	100	100	0	0
September 2009.....	0	0	0	0	0	39	0	0	0	0	100	100	92	0	0
September 2010.....	0	0	0	0	0	19	0	0	0	0	100	100	79	0	0
September 2011.....	0	0	0	0	0	0	0	0	0	0	100	100	65	0	0
September 2012.....	0	0	0	0	0	0	0	0	0	0	100	100	52	0	0
September 2013.....	0	0	0	0	0	0	0	0	0	0	100	100	38	0	0
September 2014.....	0	0	0	0	0	0	0	0	0	0	100	95	25	0	0
September 2015.....	0	0	0	0	0	0	0	0	0	0	100	75	12	0	0
September 2016.....	0	0	0	0	0	0	0	0	0	0	100	55	0	0	0
September 2017.....	0	0	0	0	0	0	0	0	0	0	100	35	0	0	0
September 2018.....	0	0	0	0	0	0	0	0	0	0	100	15	0	0	0
September 2019.....	0	0	0	0	0	0	0	0	0	0	100	0	0	0	0
September 2020.....	0	0	0	0	0	0	0	0	0	0	100	0	0	0	0
September 2021.....	0	0	0	0	0	0	0	0	0	0	100	0	0	0	0
September 2022.....	0	0	0	0	0	0	0	0	0	0	48	0	0	0	0
September 2023.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2024.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2025.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2026.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**.....	11.1	9.4	9.1	7.0	2.2	12.4	3.1	3.0	2.8	2.0	26.0	20.3	16.2	0.9	0.5

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

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

† In the case of a Notional Class, the Decrement Table indicates the percentage of the original notional principal balance outstanding.

## **Characteristics of the R and RL Classes**

The R and RL Classes will not have principal balances 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, and the Holder of the RL Class will be entitled to receive the proceeds of the remaining assets of the Lower Tier REMIC, if any, after the principal balances of the Lower Tier Regular Interests have been reduced to zero. It is not anticipated that there will be any material assets remaining in either such circumstance.

The R and RL Classes will be subject to certain transfer restrictions. No transfer of record or beneficial ownership of an R or RL Certificate will be allowed to a “disqualified organization.” In addition, no transfer of record or beneficial ownership of an R or RL 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 and RL Classes will constitute a noneconomic residual interest under the Regulations. Any transferee of an R or RL 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 or RL 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, and the Holder of the RL Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Lower Tier REMIC. See “Certain Federal Income Tax Consequences” in the REMIC Prospectus. Pursuant to the Trust Agreement, Fannie Mae will be obligated to provide to such Holders (i) such information as is necessary to enable them to prepare their federal income tax returns and (ii) any reports regarding the R or RL 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 Elections and Special Tax Attributes**

Elections will be made to treat the Lower Tier REMIC and the Trust as REMICs for federal income tax purposes. The Certificates, other than the R and RL Classes, 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 Lower Tier Regular Interests will be designated as the “regular interests,” and the RL Class will be designated as the “residual interest,” in the Lower Tier REMIC.

As a consequence of the qualification of the Lower Tier REMIC and the Trust as REMICs, the Certificates generally will be treated as “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 and RL Classes, as “qualified mortgages” for other REMICs. The Small Business Job Protection Act of 1996 repeals the bad debt reserve method of accounting for mutual savings banks and domestic building and loan associations for tax years beginning after December 31, 1995. As a result, section 593(d) of the Code is no longer applicable to treat the Certificates as “qualifying real property loans.” See “Certain Federal Income Tax Consequences—Special Tax Attributes” in the REMIC Prospectus.

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

The Notional Classes, the Principal Only Classes and the AB, SB, C, D, E and J Classes will be, and certain other Classes of Certificates may be, issued with original issue discount for federal income tax purposes, which generally will result in recognition of some taxable income in advance of the receipt of the cash attributable to such income. The Prepayment Assumption that will be used in determining the rate of accrual of original issue discount will be 130% PSA in the case of the Group 1, Group 4, Group 8 and Group 9 Classes, 150% PSA in the case of the Group 2, Group 3 and Group 5 Classes, 140% PSA in the case of the Group 6 Classes and 120% PSA in the case of the Group 7 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 any of those rates 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, neither the R Class nor the RL Class will 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 or RL 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 (or the Lower Tier REMIC) that generally will not be treated as excess inclusions, the rate to be used is 120% of the “federal long-term rate.” The rate will be published on or about August 20, 1996. 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 or RL 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 Assumptions, 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 Cleary, Gottlieb, Steen & Hamilton.

**EXHIBIT A**  
**Underlying REMIC Certificates**  
**(Directly Owned by the Lower Tier REMIC)**

Underlying REMIC Trust	Class	Date of Issue	CUSIP Number	Interest Rate	Interest Type(1)	Final Distribution Date	Original Principal Type(1)	Original Principal Balances or Notional Principal Balance of Class	September 1996 Class Factor	Principal or Notional Principal Balance in the Lower Tier REMIC as of Issue Date	Approximate Weighted Average WAC	Approximate Weighted Average WAM (in months)	Approximate Weighted Average CAGE (in months)	Underlying Security Type	Class Group
1993-201	S	Oct 1993	31359ERW3	(2)	INV	Sept 2021	PAC	\$21,037,500	1.00000000	\$21,037,500.00	7.110%	316	37	MBS	1
1993-201	H	Oct 1993	31359ERX1	6.5%	FIX	Sept 2021	PAC	\$56,100,000	1.00000000	\$16,850,000.00	7.110	316	37	MBS	1
1993-45	FA	April 1993	31358UPN0	(2)	FLT	June 2022	SUP	\$39,060,000	0.53693683	\$ 9,928,857.06	7.626	304	45	MBS	2
1993-45	SA	April 1993	31358UPP5	(2)	INV	June 2022	SUP	\$16,740,000	0.53693683	\$ 4,255,224.38	7.626	304	45	MBS	2
1993-155	H	Sept 1993	31359DJ61	6.5	FIX	April 2022	PAC	\$71,436,000	1.00000000	\$21,288,370.00	7.522	314	38	MBS	3
1993-155	SC	Sept 1993	31359DJ87	(2)	INV	April 2022	PAC	\$22,536,000	1.00000000	\$13,305,231.00	7.522	314	38	MBS	3
1993-185	FD	Sept 1993	31359DV26	(2)	FLT	Sept 2022	PAC	\$29,200,112	1.00000000	\$10,000,000.00	7.156	315	37	MBS	4
1993-185	SJ	Sept 1993	31359DU84	(2)	INV	Sept 2022	PAC	\$15,368,481	1.00000000	\$15,368,481.00	7.156	315	37	MBS	4
1993-147	FD	Aug 1993	31359DAS2	(2)	FLT	Jan 2022	PAC	\$38,770,099	1.00000000	\$ 7,000,000.00	7.527	313	39	MBS	5
1993-147	SD	Aug 1993	31359DAT0	(2)	INV	Jan 2022	PAC	\$17,893,893	1.00000000	\$17,690,893.00	7.527	313	39	MBS	5
1994-033	FC	March 1994	31359HAV6	(2)	FLT	Nov 2007	SUP	\$51,342,119	0.86842076	\$28,462,812.59	6.957	145	32	MBS	6
1994-033	SA	March 1994	31359HAX2	(2)	INV	Feb 2008	SUP	\$38,347,694	0.90402638	\$ 279,344.15	6.957	145	32	MBS	6
1994-033	SB	March 1994	31359HAY0	(2)	INV	Feb 2008	SUP	\$22,415,483	0.90402638	\$ 6,818,739.21	6.957	145	32	MBS	6
1994-033	SC	March 1994	31359HAZ7	(2)	INV	March 2009	SUP	\$37,393,657	1.00000000	\$ 9,470,619.00	6.957	145	32	MBS	6
1996-024	SC(3)	June 1996	31359KHM2	(2)	INV	Feb 2008	SC/NTL	\$11,385,935	1.00000000	\$11,385,935.00	6.957	145	32	MBS	6
1993-233	FA	Dec 1993	31359FNQ7	(2)	FLT	Dec 2008	SCH	\$17,684,400	1.00000000	\$ 8,452,468.00	6.600	142	34	MBS	7
1993-233	SA	Dec 1993	31359FNR5	(2)	INV	Dec 2008	SCH	\$ 4,353,080	1.00000000	\$ 2,080,608.00	6.600	142	34	MBS	7
1993-233	SB	Dec 1993	31359FNS3	(2)	INV	Dec 2008	SCH	\$ 5,962,820	1.00000000	\$ 2,850,000.00	6.600	142	34	MBS	7
1993-187	FE	Sept 1993	31359DX99	(2)	FLT	Nov 2016	PAC	\$38,333,333	1.00000000	\$17,133,333.00	7.147	313	38	MBS	8
1993-187	SE	Sept 1993	31359DY23	(2)	INV	Nov 2016	PAC	\$25,000,000	1.00000000	\$11,173,913.00	7.147	313	38	MBS	8
1993-183	SG	Oct 1993	31359EHU8	(2)	INV	Oct 2023	TAC	\$ 8,359,170	0.96476478	\$ 8,064,632.81	7.119	316	36	MBS	9

- (1) See “Description of the Certificates—Class Definitions and Abbreviations” in the REMIC Prospectus.
- (2) These Classes bear interest during their respective interest accrual periods, subject to the applicable maximum and minimum interest rates, as further described in the related Underlying Prospectus Supplements.
- (3) The Class 1996 24-SC REMIC Certificate represents a beneficial ownership interest in the Class 1994-33-SA REMIC Certificates, certain characteristics of which are set forth below. See the related Underlying Prospectus Supplement for a further description of the Class 1994-33-SA REMIC Certificates.

**(Indirectly Owned by the Lower Tier REMIC)**

Underlying REMIC Trust	Class	Date of Issue	CUSIP Number	Interest Rate	Interest Type	Final Distribution Date	Principal Type	Original Principal Balance of Class	September 1996 Class Factor	Principal Balance in the Lower Tier REMIC as of Issue Date	Approximate Weighted Average WAC	Approximate Weighted Average WAM (in months)	Approximate Weighted Average CAGE (in months)	Underlying Security Type
1994-33	SA	March 1994	31359HAX2	*	INV	February 2008	SUP	\$38,347,694	0.90402638	\$11,385,935	6.957%	145	32	MBS

- (\*) This Class bears interest during each interest accrual period, subject to the applicable maximum and minimum interest rates, at the rate determined as further described in the related Underlying Prospectus Supplement.

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

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**\$231,511,024**



**FannieMae**

### **Guaranteed REMIC Pass-Through Certificates**

**Fannie Mae REMIC Trust  
1996-40**

#### **PROSPECTUS SUPPLEMENT**

**PaineWebber Incorporated**

**August 7, 1996**