

PROSPECTUS SUPPLEMENT
(To Prospectus dated June 14, 1996)

\$250,000,000



FannieMae

Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 1996-G3

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "Certificates") will represent beneficial ownership interests in Fannie Mae REMIC Trust 1996-G3 (the "Trust"). The assets of the Trust will consist of certain "fully modified pass-through" mortgage-backed securities (the "GNMA Certificates") guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA"). Each GNMA Certificate is based on and backed by a pool (each, a "Pool") of first lien, single-family, fixed-rate residential mortgage loans (the "Mortgage Loans") which are either insured or guaranteed by the Federal Housing Administration ("FHA"), the Department of Veterans Affairs ("VA") or the Rural Housing Service (the "FmHA"). 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-5 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.

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

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

Class	Original Principal Balance	Principal Type (1)	Interest Rate	Interest Type (1)	CUSIP Number	Final Distribution Date
A	\$73,535,000	SEQ	7.0%	FIX	31359KU96	September 2020
A1	25,000,000	SEQ	7.0%	FIX	31359KV20	August 2019
B	33,798,000	SEQ	9.0%	FIX	31359KV38	September 2020
C	57,378,000	SEQ	7.5%	FIX	31359KV46	March 2024
D	6,473,000	SEQ/LIQ/AD	7.5%	FIX	31359KV53	November 2001
E	36,535,000	SEQ/AD	7.5%	FIX	31359KV61	May 2015
G	2,862,000	SEQ	7.0%	FIX	31359KV79	September 2020
Z	14,419,000	SEQ	7.5%	FIX/Z	31359KV87	November 2026
R	0	NPR	0	NPR	31359KV95	November 2026

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

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

The Certificates will be offered by the Dealer, subject to issuance by Fannie Mae and to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by the Dealer, and subject to approval of certain legal matters by counsel. It is expected that the Certificates, except for the R Class, will be available through the book-entry facilities of Participants Trust Company on or about November 29, 1996 (the "Settlement Date"). It is expected that the R Class in registered, certificated form will be available for delivery at the offices of the Dealer, New York, New York, on or about the Settlement Date.

MORGAN STANLEY & CO.
Incorporated

November 1, 1996

(Cover continued from previous page)

The yield to investors in each Class will be sensitive to, among other things, the rate of distributions on the GNMA Certificates, which in turn will be directly related to the rate of principal payments of the Mortgage Loans and the actual characteristics of the Mortgage Loans. Such yield will also be sensitive to the purchase price paid for such Class. Accordingly, investors should consider the following risks:

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

See “Risk Factors—Yield Considerations” in the GNMA Prospectus and “Additional Risk Factors—Additional 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 GNMA 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 “Risk Factors—Suitability and Reinvestment Considerations” in the GNMA 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 GNMA 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 or the GNMA 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 GNMA 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 “GNMA Prospectus”) which is attached to this Prospectus Supplement; and
- Fannie Mae’s Information Statement dated February 22, 1996 and any supplements thereto (collectively, the “Information Statement”).

The Information Statement is incorporated herein by reference and may be obtained from Fannie Mae by writing or calling its MBS Helpline at 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 (telephone 1-800-BEST-MBS or 202-752-6547). Such document may also be obtained from Morgan Stanley & Co. Incorporated by writing or calling its Prospectus Department at 1585 Broadway, New York, New York 10036 (telephone 212-761-6775).

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REFERENCE SHEET

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

Assumed Mortgage Loan Characteristics (as of November 1, 1996)

<u>Unpaid Aggregate Principal Balance</u>	<u>Original Term to Maturity (in months)</u>	<u>WARM (in months)</u>	<u>WALA (in months)</u>	<u>WAC</u>
\$250,000,000	360	357	2	8.25%

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

Interest Rates

The Certificates will bear interest at the applicable per annum interest rates set forth on the cover.

See “Description of the Certificates—Distributions of Interest” herein.

Distributions of Principal

Accrual Amount

To the D and E Classes, in that order, to zero, and then to the Z Class.

Cash Flow Distribution Amount

(i) To the A, B, A1 and G Classes, as specified below, to zero:

54.3918044306% to the A Class,

24.9994452458% to the B Class, and

20.6087503236% to the A1 and G Classes, in that order; and

(ii) To the C, D, E and Z Classes, in that order, to zero.

Weighted Average Lives (years) *

<u>Class</u>	<u>PSA Prepayment Assumption</u>				
	<u>0%</u>	<u>75%</u>	<u>135%</u>	<u>300%</u>	<u>500%</u>
A and B	15.8	6.7	4.5	2.6	1.9
A1	15.0	6.0	4.1	2.4	1.7
C	25.7	17.0	11.9	6.2	4.1
D	2.6	2.6	2.6	2.6	2.6
E	12.9	12.9	12.5	8.9	6.1
G	23.3	12.6	8.4	4.5	3.1
Z	28.7	25.2	21.9	14.9	10.0

* 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 Certificates will be sensitive in varying degrees to the rate of principal distributions on the GNMA Certificates, which in turn will reflect the rate of amortization (including prepayments) of the Mortgage Loans. There can be no assurance that the Mortgage Loans will have the characteristics assumed herein. Because the rate of principal distributions on the Certificates will be related to the rate of amortization of the Mortgage Loans, 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 the Certificates is likely to differ from the rate anticipated by an investor, even if all Mortgage Loans prepay at the indicated constant percentages of PSA. In addition, it is highly unlikely that the Mortgage Loans will prepay at any of the rates assumed herein, that all the Mortgage Loans will prepay at a constant PSA rate until maturity or that the Mortgage Loans will prepay at the same rate. 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 will be reduced below the yield otherwise produced because principal and interest payable on a Distribution Date will not be distributed until on or about the 20th 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 will be created pursuant to a trust agreement dated as of November 1, 1996 (the “Trust Agreement”), executed by the Federal National Mortgage Association (“Fannie Mae”) in its corporate capacity and in its capacity as Trustee, and the Certificates in the Classes and aggregate original principal balances set forth on the cover hereof will be issued by Fannie Mae pursuant thereto. A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement.

The Certificates (other than the R Class) will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust. The assets of the Trust will consist of the GNMA Certificates and will in the aggregate evidence the entire beneficial ownership interest in the distributions of principal and interest thereon.

Fannie Mae Guaranty. Pursuant to its guaranty of the Certificates, 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 guaranty of Fannie Mae is not backed by the full faith and credit of the United States. See “Description of the Certificates—Fannie Mae’s Guaranty” in the GNMA Prospectus.

Characteristics of Certificates. The Certificates, other than the R Certificate, will be represented by one or more certificates to be registered at all times in the name of the nominee of the Depository (as defined herein), which Depository will maintain such Certificates through its book-entry facilities. When used herein with respect to a book-entry Certificate, the terms “Holders” and “Certificateholders” refer to the nominee of the Depository. 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—Book-Entry Procedures” herein.

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

The distribution to the Holder of the R Certificate of the proceeds of any remaining assets of the Trust will be made only upon presentation and surrender of the 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 Certificate will be issued as a single certificate and will not have a principal balance.

Distribution Dates. Distributions on the Classes will be made on the first business day following the 20th day of each month (or, if the 19th and 20th days are both business days, on such 20th 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 and any interest to be added as principal to the principal balance of the Accrual Class on such Distribution Date.

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

The GNMA Certificates

The GNMA Certificates will have the aggregate unpaid principal balance and Pass-Through Rate set forth below and the general characteristics described in the GNMA Prospectus. All of the GNMA Certificates are GNMA II Certificates. See “GNMA and the GNMA Programs” in the GNMA Prospectus. The characteristics of the GNMA Certificates and the Mortgage Loans as of November 1, 1996 (the “Issue Date”) are expected to be as follows:

GNMA Certificates

Aggregate Unpaid Principal Balance	\$250,000,000
GNMA Pass-Through Rate	7.50%

Mortgage Loans

WAC	8.25%
Range of WARMS	241 months to 360 months
Approximate Weighted Average WARM	357 months
Approximate Weighted Average WALA	2 months

Following the issuance of the Certificates, Fannie Mae will prepare a Final Data Statement setting forth for each GNMA Certificate, among other things, the Pool number, the original unpaid principal balance, the unpaid principal balance as of the Issue Date, and the remaining term to maturity of the latest maturing Mortgage Loan underlying such GNMA Certificate 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.

Book-Entry Procedures

General

The Certificates, other than the R Certificate, will be represented by one or more certificates to be registered in the name of the nominee of Participants Trust Company, a New York-chartered limited purpose trust company, or any successor depository selected or approved by Fannie Mae (the “Depository”). In accordance with its normal procedures, the Depository will record the positions held by each Depository participating firm (each, a “Depository Participant”) in the book-entry Certificates, whether held for its own account or as a nominee for another person.

No person acquiring a beneficial ownership interest in the book-entry Certificates (a “beneficial owner” or an “investor”) will be entitled to receive a physical certificate representing such ownership interest. An investor’s interest in the book-entry Certificates will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (a “financial intermediary”) that maintains such investor’s account for such purpose. In turn, the financial intermediary’s record ownership of such interest will be recorded on the records of the Depository (or of a Depository Participant that acts as agent for the financial intermediary if such intermediary is not a Depository Participant). Accordingly, an investor will not be recognized by the Trustee or the Depository as a Certificateholder and must rely on the foregoing arrangements to evidence its interest in the book-entry Certificates. Beneficial ownership of an investor’s interest in the book-entry Certificates may be transferred only by compliance with the procedures of an investor’s financial intermediary and of Depository Participants. In general, beneficial ownership of an investor’s interest in the book-entry Certificates will be subject to the rules, regulations and procedures governing the Depository and Depository Participants as in effect from time to time.

Method of Distribution

Each distribution on the book-entry Certificates will be made by the Trustee to the Depository in immediately available funds. The Depository will be responsible for crediting the amount of such distributions to the accounts of the Depository Participants entitled thereto, in accordance with the Depository's normal procedures. Each Depository Participant and each financial intermediary will be responsible for disbursing such distributions to the beneficial owners of the book-entry Certificates that it represents. Accordingly, the beneficial owners may experience some delay in their receipt of distributions.

Distributions of Interest

Categories of Classes

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

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

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

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

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

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

See "Yield Considerations" herein.

Accrual Class. The Z Class is an Accrual Class. Interest will accrue on the Accrual Class at the per annum rate set forth on the cover hereof; however, such interest will not be distributed thereon for so long as such Class remains outstanding. Interest so accrued and unpaid on the Accrual Class will be added as principal to the principal balance thereof on each Distribution Date. Distributions of principal of the Accrual Class will be distributed as described herein.

Distributions of Principal

Categories of Classes

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

<u>Principal Type*</u>	<u>Classes</u>
Sequential Pay	A, A1, B, C, D, E, G and Z
Accretion Directed	D and E
Liquid Asset	D
No Payment Residual	R

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

Principal Distribution Amount

On or about the fifth business day of each month, Fannie Mae will aggregate the amount of principal reported to be receivable on the GNMA Certificates during such month on the basis of published GNMA factors for such month. For any GNMA Certificate for which a factor is not available at such time, Fannie Mae will calculate the amount of scheduled payments of principal distributable in respect of such GNMA Certificates during such month on the basis of the assumed amortization schedules of the related Mortgage Loans. The amortization schedules will be prepared on the assumptions that: (i) each of the Mortgage Loans underlying a single GNMA Certificate amortizes on a level installment basis, had an original term to maturity of 360 months, and has a remaining term to maturity equal to the remaining term to maturity of the latest maturing Mortgage Loan underlying such GNMA Certificate at the origination of such GNMA Certificate, adjusted to the Issue Date; and (ii) each Mortgage Loan underlying a GNMA Certificate bears an interest rate of 9.0% per annum. All such amounts, whether reported in GNMA factors or calculated by Fannie Mae, will be reflected in the REMIC Trust Factors for the Distribution Date in such month and will be distributed to Holders of Certificates of the related Classes on such Distribution Date, whether or not received. There will also be reflected in such REMIC Trust Factors and distributable as principal on such Distribution Date the excess of (a) the distributions of principal of the GNMA Certificates received during the month prior to the month of such Distribution Date over (b) the amounts of principal calculated as distributable previously in accordance with the GNMA factors and the assumed amortization schedules specified above.

The sum of (i) the aggregate amount distributable as principal of the Classes on any Distribution Date pursuant to the preceding paragraph (the “Cash Flow Distribution Amount”) and (ii) any interest accrued and added on such Distribution Date to the principal balance of the Accrual Class (the “Accrual Amount”) is referred to herein as the “Principal Distribution Amount.”

Accrual Amount

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

Cash Flow Distribution Amount

On each Distribution Date, the Cash Flow Distribution Amount will be distributed as principal of the Classes specified below in the following order of priority:

(i) to the A, B, A1 and G Classes, as specified below, until the respective principal balances thereof are reduced to zero:

54.3918044306% to the A Class,

24.9994452458% to the B Class, and

20.6087503236%, sequentially, to the A1 and G Classes, in that order; and

(ii) sequentially, to the C, D, E and Z Classes, in that order, until the respective principal balances thereof are reduced to zero. } Sequential Pay 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”):

- all payments (including prepayments) on the Mortgage Loans underlying the GNMA Certificates are distributed on the Certificates in the month in which such payments are received;
- each Mortgage Loan bears interest at a rate of 8.25% per annum and has an original term to maturity of 360 months, a WALA of 2 months and WARM of 357 months;
- the Mortgage Loans prepay at the constant percentages of PSA specified in the related table;
- the closing date for the sale of the Certificates is the Settlement Date; and
- the first Distribution Date for the Certificates occurs in the month following the Settlement Date.

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 GNMA Prospectus. It is highly unlikely that prepayments will occur at any *constant* PSA rate or at any other constant rate.

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 GNMA Prospectus.

In general, the weighted average lives of the Certificates will be shortened if the level of prepayments of principal of the Mortgage Loans increases. However, the weighted average lives will depend upon a variety of other factors, including the timing of changes in such rate of principal payments and the priority sequence of distributions of principal of such Classes. See “Distributions of Principal” herein.

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

Decrement Tables

The following tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each of the dates shown at various *constant* PSA levels and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions, except that with respect to the information set forth under 0% PSA, it has been assumed that each Mortgage Loan bears an interest rate of 9.0% per annum and has an original and remaining term to maturity of 360 months. It is not likely that (i) all of the underlying Mortgage Loans will have the interest rate or remaining term to maturity assumed or (ii) the underlying Mortgage Loans will prepay at a *constant* PSA level. In addition, a portion of the payments (including prepayments) on the Mortgage Loans will be distributed in the month following the month in which such payments are received. Moreover, 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 *constant* PSA levels, even if the weighted average WARM and WALA of the Mortgage Loans are identical to the weighted average WARM and WALA specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

Date	A and B Classes					A1 Class					C Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	75%	135%	300%	500%	0%	75%	135%	300%	500%	0%	75%	135%	300%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
November 1997	99	96	94	89	83	99	96	94	88	81	100	100	100	100	100
November 1998	97	89	83	66	47	97	88	81	62	41	100	100	100	100	100
November 1999	96	80	68	38	7	95	77	64	31	0	100	100	100	100	100
November 2000	94	71	54	15	0	94	67	49	5	0	100	100	100	100	50
November 2001	92	62	41	0	0	92	58	35	0	0	100	100	100	91	4
November 2002	90	53	30	0	0	89	48	22	0	0	100	100	100	54	0
November 2003	88	45	19	0	0	87	39	10	0	0	100	100	100	25	0
November 2004	86	38	9	0	0	84	30	0	0	0	100	100	100	1	0
November 2005	83	30	0	0	0	81	22	0	0	0	100	100	100	0	0
November 2006	80	23	0	0	0	78	14	0	0	0	100	100	80	0	0
November 2007	77	16	0	0	0	75	6	0	0	0	100	100	62	0	0
November 2008	74	9	0	0	0	71	0	0	0	0	100	100	45	0	0
November 2009	70	2	0	0	0	67	0	0	0	0	100	100	30	0	0
November 2010	66	0	0	0	0	62	0	0	0	0	100	91	16	0	0
November 2011	62	0	0	0	0	57	0	0	0	0	100	76	3	0	0
November 2012	57	0	0	0	0	52	0	0	0	0	100	62	0	0	0
November 2013	52	0	0	0	0	46	0	0	0	0	100	49	0	0	0
November 2014	46	0	0	0	0	40	0	0	0	0	100	35	0	0	0
November 2015	39	0	0	0	0	33	0	0	0	0	100	22	0	0	0
November 2016	33	0	0	0	0	25	0	0	0	0	100	10	0	0	0
November 2017	25	0	0	0	0	16	0	0	0	0	100	0	0	0	0
November 2018	17	0	0	0	0	7	0	0	0	0	100	0	0	0	0
November 2019	8	0	0	0	0	0	0	0	0	0	100	0	0	0	0
November 2020	0	0	0	0	0	0	0	0	0	0	94	0	0	0	0
November 2021	0	0	0	0	0	0	0	0	0	0	69	0	0	0	0
November 2022	0	0	0	0	0	0	0	0	0	0	41	0	0	0	0
November 2023	0	0	0	0	0	0	0	0	0	0	10	0	0	0	0
November 2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
November 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
November 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	15.8	6.7	4.5	2.6	1.9	15.0	6.0	4.1	2.4	1.7	25.7	17.0	11.9	6.2	4.1

Date	D Class					E Class					G Class					Z Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	75%	135%	300%	500%	0%	75%	135%	300%	500%	0%	75%	135%	300%	500%	0%	75%	135%	300%	500%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
November 1997	83	83	83	83	83	100	100	100	100	100	100	100	100	100	100	108	108	108	108	108
November 1998	64	64	64	64	64	100	100	100	100	100	100	100	100	100	100	116	116	116	116	116
November 1999	44	44	44	44	44	100	100	100	100	100	100	100	100	100	70	125	125	125	125	125
November 2000	22	22	22	22	22	100	100	100	100	100	100	100	100	100	0	135	135	135	135	135
November 2001	0	0	0	0	0	100	100	100	100	100	100	100	100	0	0	145	145	145	145	145
November 2002	0	0	0	0	0	95	95	95	95	51	100	100	100	0	0	157	157	157	157	157
November 2003	0	0	0	0	0	91	91	91	91	11	100	100	100	0	0	169	169	169	169	169
November 2004	0	0	0	0	0	85	85	85	85	0	100	100	87	0	0	182	182	182	182	136
November 2005	0	0	0	0	0	80	80	80	50	0	100	100	0	0	0	196	196	196	196	94
November 2006	0	0	0	0	0	74	74	74	19	0	100	100	0	0	0	211	211	211	211	64
November 2007	0	0	0	0	0	67	67	67	0	0	100	100	0	0	0	228	228	228	209	44
November 2008	0	0	0	0	0	60	60	60	0	0	100	88	0	0	0	245	245	245	167	30
November 2009	0	0	0	0	0	53	53	53	0	0	100	24	0	0	0	264	264	264	134	21
November 2010	0	0	0	0	0	45	45	45	0	0	100	0	0	0	0	285	285	285	106	14
November 2011	0	0	0	0	0	36	36	36	0	0	100	0	0	0	0	307	307	307	84	9
November 2012	0	0	0	0	0	27	27	13	0	0	100	0	0	0	0	331	331	331	67	6
November 2013	0	0	0	0	0	17	17	0	0	0	100	0	0	0	0	356	356	321	52	4
November 2014	0	0	0	0	0	6	6	0	0	0	100	0	0	0	0	384	384	281	41	3
November 2015	0	0	0	0	0	0	0	0	0	0	100	0	0	0	0	398	398	245	32	2
November 2016	0	0	0	0	0	0	0	0	0	0	100	0	0	0	0	398	398	211	25	1
November 2017	0	0	0	0	0	0	0	0	0	0	100	0	0	0	0	398	389	181	19	1
November 2018	0	0	0	0	0	0	0	0	0	0	100	0	0	0	0	398	341	153	14	1
November 2019	0	0	0	0	0	0	0	0	0	0	74	0	0	0	0	398	294	127	10	*
November 2020	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	398	249	103	8	*
November 2021	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	398	204	81	5	*
November 2022	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	398	160	61	4	*
November 2023	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	398	116	43	2	*
November 2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	305	74	26	1	*
November 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	160	31	11	*	*
November 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)**	2.6	2.6	2.6	2.6	2.6	12.9	12.9	12.5	8.9	6.1	23.3	12.6	8.4	4.5	3.1	28.7	25.2	21.9	14.9	10.0

* 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 GNMA 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 GNMA Prospectus. Pursuant to the Trust Agreement, Fannie Mae will be obligated to provide to such Holder (i) such information as is necessary to enable it to prepare its federal income tax returns and (ii) any reports regarding the R Class that may be required under the Code.

CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES

The following tax discussion, when read in conjunction with the discussion of “Certain Federal Income Tax Consequences” in the GNMA 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 “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. 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 GNMA Prospectus.

Taxation of Beneficial Owners of Regular Certificates

The Accrual Class will be, and certain other Classes of Certificates may be, issued with original issue discount for federal income tax purposes, which generally will result in recognition of some taxable income in advance of the receipt of the cash attributable to such income. The Prepayment

Assumption that will be used in determining the rate of accrual of original issue discount will be 135% PSA. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the GNMA Prospectus. No representation is made as to whether the Mortgage Loans underlying the GNMA Certificates 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 GNMA 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 GNMA Prospectus.

Taxation of Beneficial Owners of Residual Certificates

Under the Regulations, the R Class will not have significant value. Special rules regarding the treatment of “excess inclusions” by certain thrift institutions no longer apply because of the amendment of section 593 of the Code by the Small Business Job Protection Act of 1996. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” in the GNMA 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 8.20% (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 GNMA Prospectus. The federal income tax consequences of any consideration paid to a transferee on the transfer of an R Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

PLAN OF DISTRIBUTION

General. The Dealer will receive the Certificates in exchange for the GNMA 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.

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

LEGAL MATTERS

Certain legal matters will be passed upon for the Dealer by Brown & Wood LLP, New York, New York. Brown & Wood LLP also performs legal services for Fannie Mae.

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.

\$250,000,000



FannieMae

**Guaranteed REMIC
Pass-Through Certificates**

Fannie Mae REMIC Trust 1996-G3

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PROSPECTUS SUPPLEMENT

MORGAN STANLEY & CO.
Incorporated

November 1, 1996