

\$112,519,415
(Approximate)



FannieMae

Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 1996-W3

The Guaranteed REMIC Pass-Through Certificates (the "Certificates") will represent beneficial ownership interests in Fannie Mae REMIC Trust 1996-W3 (the "Trust"). All Classes of Certificates, other than the X and R Classes, are being offered hereby. The assets of the Trust will consist of first and second lien, single-family, closed-end, fixed-rate, amortizing and balloon residential mortgage loans (the "Mortgage Loans") having the characteristics described herein.

Investors should not purchase the Certificates before reading this Prospectus and the Information Statement referred to at the bottom of page 2.

See "Risk Factors" beginning on page 5 herein for discussion of certain risks that should be considered in connection with an investment in the Certificates.

THE CERTIFICATES WILL BE ISSUED AND GUARANTEED BY FANNIE MAE AS TO THE TIMELY DISTRIBUTION OF INTEREST, THE DISTRIBUTION OF PRINCIPAL ACTUALLY RECEIVED AND THE DISTRIBUTION IN FULL OF THE PRINCIPAL BALANCE OF EACH CLASS NOT LATER THAN THE FINAL DISTRIBUTION DATE. SEE "GENERAL—FANNIE MAE GUARANTY" HEREIN.

(Cover continued on next page)

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

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

Class	Original Principal Balance (1)	Principal Type (2)	Interest Rate	Interest Type (2)	CUSIP Number	Final Distribution Date
A1	\$36,780,000	SEQ	6.625%	FIX	31359KUD7	August 2026
A2	5,470,000	SEQ	6.750	FIX	31359KUE5	August 2026
A3	26,562,000	SEQ	6.900	FIX	31359KUF2	August 2026
A4	16,007,000	SEQ	7.250	FIX	31359KUG0	August 2026
A5	7,144,000	SEQ	7.550	FIX	31359KUH8	August 2026
A6	9,356,415	SEQ	7.800 (3)	W	31359KUJ4	August 2026
AL	11,200,000	SEQ	7.450 (3)	W	31359KUK1	August 2026
X	(4)	NTL	(4)	W/IO	31359KUL9	August 2026
R	(4)	NPR	(4)	NPR	31359KUM7	August 2026

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

(2) See "Description of the Certificates—Class Definitions and Abbreviations," "—Distributions of Interest" and "—Distributions of Principal" herein.

(3) The A6 and AL Classes will bear interest at a rate per annum equal to the lesser of (i) the rate set forth in the table above and (ii) the Weighted Average Net Mortgage Rate (as defined herein). See "Description of the Certificates—Distributions of Interest" herein.

(4) The X and R Classes are not being offered hereby.

The Certificates offered hereby will be offered by Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Dealers") from time to time in negotiated transactions, at varying prices to be determined at the time of sale.

The Certificates offered hereby will be offered by the Dealers, 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 Dealers, and subject to approval of certain legal matters by counsel. It is expected that the Certificates offered hereby will be available through the book-entry system of the Federal Reserve Banks on or about September 27, 1996 (the "Settlement Date").

MORGAN STANLEY & CO.
Incorporated

MERRILL LYNCH & CO.

September 10, 1996

(Cover continued from previous page)

The yields to investors in each Class will be sensitive in varying degrees to the rate of principal payments of the Mortgage Loans, the actual characteristics of such Mortgage Loans, and the purchase price paid for the related Class. Accordingly, investors should consider the following risks:

- The Mortgage Loans generally may be prepaid at any time without penalty, and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time.
- Slight variations in Mortgage Loan characteristics could substantially affect the weighted average lives and yields of 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” beginning on page 5 herein.

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

- Under certain prepayment scenarios described herein, the Weighted Average Net Mortgage Rate for any Distribution Date may be reduced below the respective interest rates for the A6 and AL Classes. In such event, the interest rates for the A6 and AL Classes for any such Distribution Date would be correspondingly reduced below the respective rates set forth on the cover page therefor.
- Because no advances will be made to cover delinquent payments of principal on the Mortgage Loans, any such delinquencies will affect, and may significantly affect, the rate of principal distributions on the Certificates, particularly in the case of final payments on the Balloon Mortgage Loans (as defined herein). In addition, certain of the Mortgage Loans are Simple Interest Loans (as defined herein) and, accordingly, the timing of the receipt of payments thereon will affect the rate of principal distributions on the Certificates. See “Description of the Certificates—Distributions of Principal” and “Risk Factors—Yield and Prepayment Considerations” herein.
- 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.
- 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—Reinvestment Risk” herein.
- 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” herein.

The Dealers intend to make a market for the Certificates offered hereby but are 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. 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”). See “Certain Federal Income Tax Consequences” herein.

Investors should purchase the Certificates only if they have read and understood this Prospectus 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) and from Merrill Lynch, Pierce, Fenner & Smith Incorporated by writing or calling its Prospectus Department at 4 Corporate Place, Corporate Park 287, Piscataway, New Jersey 08855 (telephone 908 885-2768).

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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 and the Information Statement referred to herein in their entirety.

Assumed Characteristics of the Mortgage Loans

The table contained herein under the heading “The Mortgage Loans—General” sets forth certain summary information regarding the assumed characteristics of the Mortgage Loans as of the Issue Date (as defined herein), aggregated on the basis of the characteristics specified therein, including certain information regarding principal balance, weighted average net mortgage rate, weighted average age, WAC, WAM, weighted average remaining amortization term and, with respect to the Balloon Mortgage Loans, weighted average months remaining to the scheduled balloon payment.

Interest Rates

The Certificates offered hereby will bear interest at the respective per annum interest rates set forth or described on the cover hereof.

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

Distributions of Principal

Principal Distribution Amount

On each Distribution Date, the AL Principal Distribution Amount (as defined herein) will be distributed to the AL Class, to zero, and any remaining Principal Distribution Amount for such Distribution Date will be distributed to the A1, A2, A3, A4, A5, A6 and AL Classes, in that order, to zero.

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

Weighted Average Lives (years) *

Class	PSA Prepayment Assumption				
	0%	50%	100%	125%	150%
A1	6.2	1.7	1.0	0.9	0.8
A2	11.7	3.5	2.0	1.7	1.4
A3	14.1	5.5	3.0	2.4	2.1
A4	14.9	9.4	5.0	4.0	3.3
A5	17.7	12.8	7.0	5.5	4.4
A6	23.6	16.1	11.1	8.7	6.8
AL	13.8	10.0	8.0	7.3	6.8

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

** For a description of the Prepayment Scenario, see “Description of the Certificates—Prepayment Scenario and Decrement Tables” herein.

RISK FACTORS

Yield Considerations

The effective yield to Certificateholders in the Trust will depend upon the purchase price of the related Certificates, the rate of principal payments, including prepayments, on the Mortgage Loans, and the actual characteristics of the Mortgage Loans. An investor should purchase Certificates only after performing an analysis of such Certificates based upon the investor's own assumptions as to future rates of prepayment.

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

The effective yield on the Certificates 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 or notional principal balance has been reduced to zero. As a result of the foregoing, the market value of the Certificates will be lower than would have been the case if there were no such delay. Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the Certificates.

The effective yield on any Certificates purchased at a discount will be reduced to the extent delinquencies occur in the payment of principal on the Mortgage Loans. Because no advances will be made to cover delinquent payments of principal on the Mortgage Loans, any such delinquencies will affect, and may significantly affect, the rate of principal distributions on the Certificates, particularly in the case of final payments on the Balloon Mortgage Loans. In addition, early or late payments on the Simple Interest Loans will affect the rate of principal distribution on the Certificates.

Provided that timely information is available, all principal prepayments (including liquidation proceeds) will be passed through to Certificateholders in the month following the Due Period (as defined herein) in which they are received. In the event that timely information is not available, such principal payments will be distributed on the Distribution Date in the next month.

Because Fannie Mae will guaranty the timely distribution of all interest accrued on the Certificates, it is not anticipated that any prepayment or other liquidation of a Mortgage Loan during any Due Period and the timing of the distribution of the proceeds thereof will have an adverse effect on the amount of interest distributed to Certificateholders on the related Distribution Date.

Reinvestment Risk

Because the Mortgage Loans underlying the Certificates generally may be prepaid at any time without penalty, it is not possible to predict the rate at which distributions of principal of the Certificates will be received. Accordingly, since prevailing interest rates are subject to fluctuation, there can be no assurance that investors in the Certificates will be able to reinvest the distributions thereon at yields equalling or exceeding the yields on such Certificates. It is possible that yields on such reinvestments will be lower, and may be significantly lower, than the yields on such Certificates. Prospective investors in the Certificates should carefully consider the related reinvestment risks in light of other investments that may be available to such investors.

Prepayment Considerations and Risks

General

The rate of principal payments of the Certificates is related directly to the rate of payments of principal of the Mortgage Loans, which may be in the form of scheduled amortization or prepayments (for this purpose, the term “prepayment” includes prepayments and liquidations resulting from default, casualty or condemnation and payments made pursuant to any guaranty of payment by, or option to repurchase of, Fannie Mae). In addition, as described herein under “The Mortgage Loans—Interest Payments on the Mortgage Loans,” a full monthly payment made by a borrower under a Simple Interest Loan prior to the scheduled due date would increase the portion, if any, of such payment applied to principal. Generally, if the actual rate of payments on the Mortgage Loans is slower than the rate anticipated by an investor who purchased a Certificate at a discount, the actual yield to such investor will be lower than such investor’s anticipated yield. If the actual rate of payment on the Mortgage Loans is faster than the rate anticipated by an investor who purchased a Certificate at a premium, the actual yield to such investor will also be lower than such investor’s anticipated yield.

In an environment of declining interest rates, lenders servicing mortgage loans often are asked by borrowers to refinance the mortgage loans through issuance of new loans secured by mortgages on the same properties. The resultant prepayments, if they involve the Mortgage Loans, will result in the distribution to Certificateholders of the principal balances of the prepaid Mortgage Loans and their removal from the Trust. Under Fannie Mae’s current policy, lenders servicing mortgage loans are permitted to advertise in a general manner their availability to handle refinancings, although they may not specifically target borrowers whose Mortgage Loans are in the Trust. Fannie Mae does not, however, permit the removal of Mortgage Loans from the Trust for the purpose of modifications.

In general, when the level of prevailing interest rates declines sufficiently relative to the interest rate on fixed-rate mortgage loans, the rate of prepayment is likely to increase, although the prepayment rate is influenced by a number of other factors as well, including general economic conditions and homeowner mobility. In addition, it is increasingly difficult to generalize as to the degree to which interest rates must decline before significant prepayments are likely to be experienced. Increased borrower sophistication regarding the benefits of refinancing and extensive solicitation by lenders may result in an increase in the rate at which the Mortgage Loans are prepaid due to refinancing. On the other hand, lenders may have originated certain Mortgage Loans at above-market interest rates to provide a means for the payment of certain closing costs or interest rate buydown deposits. Such Mortgage Loans may have been made to borrowers who, for a variety of reasons, may not seek or readily be able to refinance mortgage loans. Additionally, certain rights of Fannie Mae, such as its option to purchase delinquent Mortgage Loans, may affect the rate of prepayment of the Mortgage Loans in the Trust. Accordingly, Fannie Mae is unable to estimate what the prepayment experience for the Mortgage Loans in the Trust will be. See the Information Statement for Fannie Mae’s most recent mortgage loan prepayment experience of its portfolio.

Acceleration of mortgage payments as a result of transfers of the Mortgaged Property is another factor affecting prepayment rates. The Mortgage Loans will generally provide by their terms that, in the event of the transfer or prospective transfer of title to the underlying Mortgaged Property, the full unpaid principal balance of the Mortgage Loan is due and payable at the option of the holder of the related Mortgage Loan. As set forth under “The Trust Agreement—Collection and Other Servicing Procedures” herein, Fannie Mae is required to exercise its right to accelerate the maturity of Mortgage Loans containing enforceable “due-on-sale” provisions upon certain transfers of the Mortgaged Property. However, certain state and federal laws limiting the enforcement of “due-on-sale” provisions remain in effect.

Second Lien Mortgage Loans

The original maturities of a substantial majority of the second lien Mortgage Loans are expected to be between 10 and 20 years. All of these Mortgage Loans generally may be prepaid in whole or in part at any time without penalty. Fannie Mae is not aware of any reliable studies or statistics on the

rate of prepayment of second lien Mortgage Loans. Generally, second lien mortgage loans are not viewed by borrowers as permanent financing because in most instances the term is shorter and the interest rate is higher than on first lien mortgage loans placed under similar circumstances. Accordingly, they may prepay at a higher rate than traditional fixed-rate first lien mortgage loans with substantially similar coupons. In addition, any future limitation on the right of borrowers to deduct interest payments on second lien mortgage loans for federal income tax purposes also may contribute to a higher rate of prepayments of such mortgage loans. Prepayment experience may also be affected by a wide variety of additional factors, including general economic conditions, interest rates, the availability of alternative financing and homeowner mobility.

Effect of Prepayments on Interest Rate for A6 and AL Classes

As described herein, a disproportionately high rate of prepayments on those Mortgage Loans with Net Mortgage Rates above the respective interest rates for the A6 and AL Classes relative to those Mortgage Loans with Net Mortgage Rates below such levels could have the effect for any Distribution Date of reducing the Weighted Average Net Mortgage Rate below such respective interest rates. In such event, the interest rates for the A6 and AL Classes for such Distribution Date would be correspondingly reduced below the respective rates set forth on the cover page therefor.

GENERAL

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, the Information Statement and the provisions of the Trust Agreement (defined below). Capitalized terms used and not otherwise defined in this Prospectus have the meanings assigned to such terms in the Information Statement or the Trust Agreement (as the context may require).

Structure. The Certificates will be issued and guaranteed by the Federal National Mortgage Association (“Fannie Mae”), a corporation organized and existing under the laws of the United States, under the authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*). The Trust will be created pursuant to a trust agreement dated as of September 1, 1996 (the “Trust Agreement”), executed by Fannie Mae in its corporate capacity and in its capacity as trustee (in such capacity, 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 assets of the Trust will consist of the Mortgage Loans, and will in the aggregate evidence the entire beneficial ownership interest in the distributions of principal and interest thereon. 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.

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.

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

See “Description of the Certificates—Book-Entry Procedures” herein.

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 (i) all interest accrued on the Classes of Certificates during each Interest Accrual Period at the respective interest rates set forth or described on the cover hereof, (ii) the aggregate amount of principal of the Mortgage Loans, to the extent actually received, and (iii) 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 Certificate Account. If Fannie Mae were unable to perform these guaranty obligations, distributions to Certificateholders would consist solely of payments and other recoveries on the Mortgage Loans and, accordingly, delinquencies and defaults on the Mortgage Loans would affect distributions to Certificateholders to a much greater degree. The guaranty of Fannie Mae is not backed by the full faith and credit of the United States.

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. Fannie Mae may effect an early termination of the Trust as described herein under “The Trust Agreement—Termination.”

THE MORTGAGE LOANS

General

It is expected that the Trust will consist of approximately 1,957 mortgage loans (collectively, the “Mortgage Loans”) having an aggregate principal balance of approximately \$112,519,415 (subject to a variance of plus or minus 5%) as of September 1, 1996 (the “Issue Date”). The Mortgage Loans were originated or purchased by one or more institutions approved by Fannie Mae on the basis of certain criteria, which may include depth of mortgage origination experience, servicing experience and financial capacity. The seller and servicer of the Mortgage Loans will be a party with Fannie Mae to a sale and servicing agreement dated as of September 1, 1996 (the “Sale and Servicing Agreement”).

The Mortgage Loans consist of first and second lien, single-family, closed-end, fixed-rate, amortizing and balloon payment mortgage loans. Each Mortgage Loan is evidenced by a promissory note or similar evidence of indebtedness (a “Mortgage Note”) that is secured by a first or second mortgage or deed of trust and that provides for monthly payments of principal and interest. As used herein, the property that secures repayment of a Mortgage Loan is referred to as the “Mortgaged Property.”

As of the Issue Date, approximately 83.9% of the Mortgage Loans were secured by first liens on the related Mortgaged Properties and approximately 16.1% of the Mortgage Loans were secured by second liens on the related Mortgaged Properties (in each case based upon the aggregate principal balance of the Mortgage Loans as of such date).

As of the Issue Date, approximately 68.9% of the Mortgage Loans (based upon the aggregate principal balance of the Mortgage Loans as of such date) are fully amortizing Mortgage Loans and approximately 31.1% are Balloon Mortgage Loans. A “Balloon Mortgage Loan” is a Mortgage Loan providing for amortization on the basis of an amortization schedule extending beyond its stated maturity with a disproportionate payment due on a stated maturity date equal to the remaining principal balance of such Mortgage Loan. The monthly payments for the Balloon Mortgage Loans in the Trust generally are based upon 30 year amortization schedules, with lump sum payments on the

related dates of maturity (in most cases, 15 years from origination). See “Description of the Certificates—Maturity Considerations and Final Distribution Dates” herein.

As of the Issue Date, approximately 98.0% of the Mortgage Loans are Actuarial Loans (as defined below) and approximately 2.0% of the Mortgage Loans are Simple Interest Loans (as defined below), in each case based upon the aggregate principal balance of the Mortgage Loans as of such date.

Set forth below is certain summary information regarding the assumed characteristics of the Mortgage Loans, aggregated on the basis of the specified characteristics as of the Issue Date:

<u>Principal Balance</u>	<u>Weighted Average Net Mortgage Rate</u>	<u>Weighted Average Age (in months)</u>	<u>WAC</u>	<u>WAM (in months)</u>	<u>Weighted Average Remaining Amortization Term (in months)</u>	<u>Weighted Average Months to Balloon Payment</u>
\$ 35,013,934.49	8.873%	3	9.473%	177	357	177
826,253.88	9.675%	2	10.275%	58	58	—
4,425,974.69	9.279%	2	9.879%	116	116	—
30,427,159.55	9.135%	3	9.735%	176	176	—
30,593,424.32	8.726%	3	9.326%	237	237	—
184,785.90	8.367%	4	8.967%	296	296	—
11,047,882.74	9.007%	4	9.607%	356	356	—
<u>\$112,519,415.57</u>	<u>8.938%</u>	<u>3</u>	<u>9.538%</u>	<u>208</u>		

The “Weighted Average Net Mortgage Rate” for any Distribution Date is the weighted average of the Net Mortgage Rates in effect during the preceding Due Period (as defined herein), weighted on the basis of the respective principal balances of the Mortgage Loans immediately prior to such Due Period. The “Net Mortgage Rate” for any Mortgage Loan is the Mortgage Interest Rate therefor less 0.60%.

Interest Payments on the Mortgage Loans

Each Mortgage Loan provides for monthly payments by the obligor on the related Mortgage Note (the “borrower”) according to one of the following methods: the actuarial method (assumed to be calculated on the basis of a 360-day year consisting of twelve 30-day months) (such Mortgage Loans, the “Actuarial Loans”) or the “simple interest” method (such Mortgage Loans, the “Simple Interest Loans”).

Actuarial Loans provide that interest is charged to each related borrower, and payments are due therefrom, as of a scheduled day in each month that is fixed at the time of origination. Scheduled monthly payments by a borrower on an Actuarial Loan either earlier or later than the scheduled due date therefor will not affect the amortization schedule or the relative application of such payment to principal and interest.

Simple Interest Loans provide that interest is charged to each related borrower at the rate of interest set forth on the related Mortgage Note (the “Mortgage Interest Rate”) on the outstanding principal balance thereof and calculated based on the number of days elapsed between receipt of the borrower’s last payment through receipt of the borrower’s most recent payment. Such interest is deducted from the borrower’s payment amount and the remainder, if any, of the payment is applied to reduce the outstanding principal balance of such Mortgage Loan. Although the borrower is required to remit equal monthly payments on a specified monthly payment date that would reduce the outstanding principal balance of such Mortgage Loan to zero on such Mortgage Loan’s maturity date, payments by the borrower after the due date therefor would cause the outstanding principal balance of such Mortgage Loan not to be reduced to zero. In such case, the borrower would be required to make an additional principal payment at the related maturity date. If it were assumed that all of the borrowers on the Simple Interest Loans were to pay on the latest date possible without the Simple Interest Loans being in default, the amount of such additional principal payment could be relatively

significant. On the other hand, if a borrower makes a payment (other than a prepayment) before the due date therefor, the reduction in the outstanding principal balance of such Mortgage Loan would occur over a shorter period of time than would have occurred had it been based on the schedule of amortization in effect on the Issue Date.

Fannie Mae Mortgage Purchase Program

General

The Mortgage Loans will be permanent loans (as opposed to construction and land development loans) secured by Mortgages on properties comprised primarily of single-family dwelling units, including units in condominium projects and planned unit developments. Each Mortgage Loan will be subject to and must comply with the terms of the current Fannie Mae Selling Guide unless Fannie Mae grants an exception with respect to certain requirements. Each Mortgage Loan will be documented by the appropriate FNMA/FHLMC Uniform Instrument in effect at the time of origination, or an FHA or VA mortgage instrument or other instrument acceptable to Fannie Mae, and will comply with all applicable federal and local laws, including laws relating to usury, equal credit opportunity, and disclosure.

There is no requirement that Mortgage Loans be payable on the first day of the month in order to be eligible for inclusion in the Trust. The Mortgage Loans generally must have had maturities of not more than 30 years from their dates of origination.

Maximum Loan Amounts

Pursuant to the requirements of the Fannie Mae Selling Guide, first lien conventional mortgage loans secured by residential property (as compared to cooperative share loans) must be real property loans secured by first mortgages on residential properties with original principal balances that (when combined with the original principal balance of any second lien mortgage loan in which Fannie Mae has an interest) did not exceed certain federally imposed maximum principal balance limitations applicable to Fannie Mae. Currently, the maximum dollar purchase limitations for residential mortgage loans are as follows: \$207,000 for mortgages secured by one-family residences (\$310,500 in Alaska, Hawaii and the Virgin Islands); \$264,750 for mortgages secured by two-family residences (\$397,125 in Alaska, Hawaii and the Virgin Islands); \$320,050 for mortgages secured by three-family residences (\$480,075 in Alaska, Hawaii and the Virgin Islands); and \$397,800 for mortgages secured by four-family residences (\$596,700 in Alaska, Hawaii and the Virgin Islands). The maximum mortgage amount for any second lien mortgage loan is 50% of Fannie Mae's conventional first mortgage limit for a single-family dwelling. Additionally, if Fannie Mae has purchased, serviced, sold or otherwise dealt with the first lien mortgage loan on a single-family dwelling, Fannie Mae will acquire the second lien mortgage loan on such dwelling only if the combined original balance of both the first mortgage loan and the second lien mortgage loan do not exceed \$207,000 (\$310,500 in Alaska, Hawaii and the Virgin Islands).

Maximum Loan-to-Value Ratios

The maximum loan-to-value ratio at the time of purchase for a conventional mortgage loan secured by a first mortgage on an owner-occupied one-family property (other than a second home) that does not secure any subordinate financing is generally 95% (90% in the case of Balloon Mortgage Loans). Where such property also secures subordinate financing, the maximum combined loan-to-value ratio of the first lien and second lien is 90%. In the case of a conventional mortgage loan secured by a first mortgage on an owner-occupied one-family second home that does not secure any subordinate financing, the maximum loan-to-value ratio is 80%. Where such second home property also secures subordinate financing, the maximum combined loan-to-value ratio of the first lien and second lien is 90%.

The maximum combined loan-to-value ratio of the first lien and any second lien at the time of purchase is (i) 90% in the case of an owner-occupied two-family property, (ii) 80% in the case of an owner-occupied three- to four-family property, and (iii) 70% in the case of an investment property.

In the case of a mortgage that was originated other than in connection with the purchase of a property, regardless of property type, the maximum combined loan-to-value ratio of the first lien and any second lien at the time of financing is 80%.

First lien conventional mortgage loans (other than multifamily mortgage loans) with loan-to-value ratios exceeding 80% must, at a minimum, have the principal amount of the indebtedness in excess of 80% of the value of the related mortgaged property insured or guaranteed by a qualified insurer. Second lien conventional mortgage loans (other than multifamily mortgage loans) where the combined loan-to-value ratio of the first lien and the second lien exceeds 80% must, at a minimum, have the principal amount of the indebtedness in excess of 80% of the value of the related mortgaged property insured or guaranteed by a qualified insurer. Any mortgage insurer must be licensed to transact a mortgage guaranty insurance business in the state where the related mortgaged property is located and be acceptable to Fannie Mae as a mortgage insurer. As an alternative, Lenders may (i) contract with Fannie Mae to repurchase such conventional mortgage loans for such period and under such circumstances as Fannie Mae may require in the event the conventional mortgage loans are in default or (ii) retain a participation interest of not less than 10% in such conventional mortgage loans.

Additional Considerations

Pursuant to the requirements of the Fannie Mae Selling Guide, each Lender that sells a conventional mortgage loan to Fannie Mae must assume responsibility for underwriting such conventional mortgage loan using the same underwriting criteria, as from time to time in effect, that must be met by mortgage loans eligible for Fannie Mae portfolio purchases. As provided above, exceptions to these underwriting criteria (including the maximum loan-to-value ratio limitations) may be granted by Fannie Mae from time-to-time. After delivery of the conventional mortgage loans, Fannie Mae will conduct reviews of the quality of credit and property underwriting used in the origination of certain randomly selected conventional mortgage loans.

DESCRIPTION OF THE CERTIFICATES

Book-Entry Procedures

The Certificates, other than the R Class, will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. The book-entry Certificates will be maintained on the book-entry system of the Federal Reserve Banks in a manner that permits separate trading and ownership. Each Class of Certificates will be assigned a CUSIP number and will be tradable separately under such CUSIP number.

Fannie Mae's fiscal agent for the book-entry Certificates is the Federal Reserve Bank of New York. The Federal Reserve Banks will issue such Certificates in book-entry form and will maintain book-entry accounts with respect to such Certificates and make distributions on such Certificates on behalf of Fannie Mae on the applicable Distribution Dates by crediting Holders' accounts at the Federal Reserve Banks.

Book-entry Certificates may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Such entities whose names appear on the book-entry records of the Federal Reserve Banks as the entities for whose accounts the 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. A Holder that is not the beneficial owner of a Certificate, and each other financial intermediary in the chain to the beneficial owner, will have the responsibility of establishing and maintaining accounts for their respective customers. The rights of the beneficial owner of a book-entry Certificate with respect to Fannie Mae and the Federal Reserve Banks may be exercised only through the Holder of such Certificate. Fannie Mae and the Federal Reserve Banks will have no direct obligation to a beneficial owner of a book-entry Certificate that is not also the Holder of

the Certificate. The Federal Reserve Banks will act only upon the instructions of the Holder in recording transfers of a book-entry Certificate.

A Fiscal Agency Agreement between Fannie Mae and the Federal Reserve Bank of New York makes generally applicable to the book-entry Certificates (i) regulations governing Fannie Mae's use of the book-entry system, contained in 24 C.F.R. Part 81, Subpart E, and (ii) such procedures, insofar as applicable, as may from time to time be established by regulations of the United States Department of the Treasury governing United States securities, as now set forth in Treasury Department Circular Number 300, 31 C.F.R. Part 306 (other than Subpart O). The book-entry Certificates are also governed by applicable operating circulars and letters of the Federal Reserve Banks.

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	A1, A2, A3, A4 and A5
Weighted Average Coupon	A6, AL and X
Interest Only	X
No Payment Residual	R

* See "Description of the Certificates—Class Definitions and Abbreviations" herein.

General. The interest-bearing Certificates offered hereby will bear interest at the respective per annum interest rates set forth or described on the cover. Interest on the interest-bearing Certificates is calculated on the basis of a 360-day year consisting of twelve 30-day months and is distributable monthly on each Distribution Date, commencing in the month after the Settlement Date. Interest to be distributed on each interest-bearing Certificate offered hereby 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.

A disproportionately high rate of prepayments on those Mortgage Loans with Net Mortgage Rates above the respective interest rates for the A6 and AL Classes relative to those Mortgage Loans with Net Mortgage Rates below such level could have the effect for any Distribution Date of reducing the Weighted Average Net Mortgage Rate below such respective interest rates. In such event, the respective interest rates for the A6 and AL Classes for such Distribution Date would be correspondingly reduced below the respective rates set forth on the cover page therefor.

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

<u>Classes</u>	<u>Interest Accrual Period</u>
All interest-bearing Classes	Calendar month preceding the month in which the Distribution Date occurs

See "Risk Factors—Yield and Prepayment Considerations" herein.

Distributions of Principal

Categories of Classes

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

<u>Principal Type*</u>	<u>Classes</u>
Sequential Pay	A1, A2, A3, A4, A5, A6 and AL
Notional	X
No Payment Residual	R

* See “Description of the Certificates—Class Definitions and Abbreviations” herein.

Principal Distribution Amount

Principal will be distributed monthly on the Certificates in an amount (the “Principal Distribution Amount”) equal to the aggregate amount of principal received on the Mortgage Loans during the period beginning on the first day of the month preceding the month of such distribution and ending on the last day of such preceding month (each, a “Due Period”) (including, for this purpose, (i) the principal balance of any Mortgage Loan that was liquidated or prepaid in full during the preceding Due Period (including as prepaid for this purpose any Mortgage Loan repurchased by Fannie Mae as described herein because of Fannie Mae’s election to repurchase the Mortgage Loan after it is delinquent, in whole or in part, with respect to three consecutive installments of principal and interest), (ii) the principal balance of any Mortgage Loan that Fannie Mae has elected to repurchase during the preceding Due Period under the circumstances described in “The Trust Agreement Collection and Other Servicing Procedures” below and (iii) the amount of any partial prepayment of any Mortgage Loan received during the preceding Due Period).

On each Distribution Date, the Principal Distribution Amount will be distributed as follows: to the AL Class in an amount equal to the AL Principal Distribution Amount; and the remainder of the Principal Distribution Amount will be distributed, sequentially, as principal of the A1, A2, A3, A4, A5, A6 and AL Classes, in that order, until the respective principal balances thereof are reduced to zero.

The “AL Principal Distribution Amount” for any Distribution Date will be the product of (i) the AL Applicable Percentage for such Distribution Date and (ii) the AL Class Pro Rata Principal Distribution Amount for such Distribution Date. The “AL Applicable Percentage” for each Distribution Date shall be as follows:

<u>Distribution Dates</u>	<u>Applicable Percentage</u>
October 1996 - September 1999	0%
October 1999 - September 2001	45%
October 2001 - September 2002	50%
October 2002 - September 2003	70%
October 2003 and thereafter	100%

For any Distribution Date, the “AL Class Pro Rata Principal Distribution Amount” will be an amount equal to the product of (x) the principal balance of the AL Class immediately prior to such Distribution Date divided by the aggregate principal balances of all A Classes immediately prior to such Distribution Date multiplied by (y) the Principal Distribution Amount for such Distribution Date.

The timing for the distributions of principal payments (including prepayments and liquidation proceeds) is subject to the receipt of information about such principal payments from the servicer of the Mortgage Loan in sufficient time to allow the published monthly factors to reflect such payments. See “General—*REMIC Trust Factors*” herein. In the event that timely information is not available, Fannie Mae will distribute such payments on the Distribution Date in the next month. For purposes of distributions, a Mortgage Loan will be considered to have been prepaid in full if, in Fannie Mae’s reasonable judgment, the full amount finally recoverable on account of such Mortgage Loan has been received, whether or not such full amount is equal to the principal balance of the Mortgage Loan.

Class Definitions and Abbreviations

Classes of Certificates fall into different categories. The following chart identifies and generally defines the categories of Classes specified on the cover page of the Prospectus.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
PRINCIPAL TYPES		
NPR	No Payment Residual	A Residual Class that receives no payments of principal.
NTL	Notional	A Class having no principal balance and bearing interest on the related notional principal balance. The notional principal balance is used for purposes of the determination of interest distributions on an Interest Only Class that is not entitled to principal.
SEQ	Sequential Pay	Classes that receive principal payments in a prescribed sequence, that do not have predetermined schedules and that under all circumstances receive payments of principal continuously from the first Distribution Date on which they receive principal until they are retired. A single Class that receives principal payments before or after all other Classes of Certificates may be identified as a Sequential Pay Class.
INTEREST TYPES		
FIX	Fixed Rate	A Class whose interest rate is fixed throughout the life of the Class.
IO	Interest Only	A Class that receives some or all of the interest payments made on the Mortgage Loans or other assets of the Trust and little or no principal. Interest Only Classes have either a nominal or a notional principal balance. A nominal principal balance represents actual principal that will be paid on the Class. It is referred to as nominal since it is extremely small compared to other Classes. A notional principal balance is the amount used as a reference to calculate the amount of interest due on an Interest Only Class that is not entitled to any principal.
NPR	No Payment Residual	A Residual Class that receives no payments of interest.
W	Weighted Average Coupon	A Class whose interest rate represents an effective weighted average interest rate that may change from period to period.

Structuring Assumptions

Pricing Assumptions. Unless otherwise specified, the information in the tables in this Prospectus has been prepared on the basis of (i) the assumed characteristics of the Mortgage Loans set forth herein under “The Mortgage Loans—General” and (ii) the following assumptions (the “Pricing Assumptions”):

- payments on all Mortgage Loans are due and received on the first day of each month;
- each year consists of twelve 30-day months;
- the Mortgage Loans prepay at the constant percentages of the Prepayment Scenario 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.

Weighted Average Lives of the Certificates

The weighted average life of a security refers to the average length of time, weighted by principal, that will elapse from the date of issuance to the date each dollar of principal is repaid to the investor. 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).

The weighted average lives of the Certificates will be influenced by, among other factors, the rate at which principal payments (including scheduled payments, principal prepayments, early payments under Simple Interest Loans, liquidations due to default, casualty and condemnation and payments made pursuant to any guaranty of payment by, or option to repurchase of, Fannie Mae) are made on the Mortgage Loans. Prepayments on the Mortgage Loans will be applied to principal distributions on the Certificates. In addition, because no advances will be made to cover delinquent payments of principal on the Mortgage Loans, any such delinquencies will delay the receipt of principal payments on such Mortgage Loans, particularly in the case of final payments on Balloon Mortgage Loans and, to a lesser degree, final payments on Simple Interest Loans to the extent arising from late monthly payments during previous periods. The foregoing delay will affect, and may significantly affect, the rate of distributions of principal of the Certificates. However, it is currently Fannie Mae's intention to exercise its option to repurchase Mortgage Loans (including Balloon Mortgage Loans) that are delinquent, in whole or in part, with respect to three consecutive installments of principal and interest as described herein (although no assurance can be given that such policy will remain unchanged). 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.

Maturity Considerations and Final Distribution Dates

The original maturities of substantially all of the Mortgage Loans are expected to be between 5 and 30 years. Except for Balloon Mortgage Loans, each Mortgage Loan will provide for amortization of principal according to a schedule that, in the absence of prepayments and, with respect to Simple Interest Loans, late payments, would result in repayment of the Mortgage Loan by its maturity date. Each Balloon Mortgage Loan provides for monthly payments, which generally are based upon a 30 year amortization schedule with a lump sum payment equal to the unpaid principal balance of the Balloon Mortgage Loan on its maturity date (generally 15 years from origination). With respect to Simple Interest Loans, an additional principal payment may have to be made by the borrower at the maturity of such Mortgage Loan if payments had previously been made after the due date thereof. However, as described above, because no advances will be made with respect to delinquent payments of principal on the Mortgage Loans, such delinquencies will have the effect of delaying the receipt of principal and, accordingly, the rate of principal distributions on the Certificates (subject to the effect of the repurchase option referred to in the preceding paragraph). See "The Mortgage Loans—Interest Payments on the Mortgage Loans."

The Final Distribution Date for a particular Class is the date by which the principal balance is required to be fully paid and is specified on the cover page hereof. The Final Distribution Date of the respective Classes will be determined so that distributions on the Mortgage Loans will be sufficient to retire each such Class on or before its Final Distribution Date without the necessity of any call on Fannie Mae under its guaranty.

Prepayment Scenario and Decrement Tables

Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this Prospectus (the "Prepayment Scenario") represents an assumed rate of prepayment each month relative to the then outstanding principal balance of a pool of mortgage loans for the life of such mortgage loans. A 100% Prepayment Scenario assumes a constant

prepayment rate of 5.133333333% per annum of the then outstanding principal balance of such mortgage loans in the first month of the life of the mortgage loans and an additional 1.133333333% per annum in each month thereafter until the fifteenth month. Beginning in the fifteenth month and in each month thereafter during the life of the mortgage loans, 100% Prepayment Scenario assumes a constant prepayment rate of 21% per annum each month. As used in the table below, 0% Prepayment Scenario assumes prepayment rates equal to 0% of the Prepayment Scenario *i.e.*, no prepayments. Correspondingly, 150% Prepayment Scenario assumes prepayment rates equal to 150% of the Prepayment Scenario, and so forth.

The Prepayment Scenario does not purport to be an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans. It is highly unlikely that the Mortgage Loans will prepay at any constant percentage of the Prepayment Scenario or at any other constant rate.

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 percentages of the Prepayment Scenario and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions. However, it is not the case that all of the Mortgage Loans will have the interest rates or remaining terms to maturity assumed or that the Mortgage Loans will prepay at a constant percentage of the Prepayment Scenario. 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 percentages of the Prepayment Scenario, even if the distributions of the weighted average maturities of the Mortgage Loans are identical to the distributions of the weighted average maturities specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

Date	A1 Class					A2 Class					A3 Class					A4 Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	50%	100%	125%	150%	0%	50%	100%	125%	150%	0%	50%	100%	125%	150%	0%	50%	100%	125%	150%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
September 1997	94	72	49	38	27	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
September 1998	87	37	0	0	0	100	100	39	0	0	100	100	100	79	51	100	100	100	100	100
September 1999	80	6	0	0	0	100	100	0	0	0	100	100	45	10	0	100	100	100	100	66
September 2000	72	0	0	0	0	100	0	0	0	0	100	93	1	0	0	100	100	100	44	0
September 2001	63	0	0	0	0	100	0	0	0	0	100	61	0	0	0	100	100	46	0	0
September 2002	54	0	0	0	0	100	0	0	0	0	100	34	0	0	0	100	100	4	0	0
September 2003	45	0	0	0	0	100	0	0	0	0	100	10	0	0	0	100	100	0	0	0
September 2004	35	0	0	0	0	100	0	0	0	0	100	0	0	0	0	100	85	0	0	0
September 2005	24	0	0	0	0	100	0	0	0	0	100	0	0	0	0	100	56	0	0	0
September 2006	12	0	0	0	0	100	0	0	0	0	100	0	0	0	0	100	31	0	0	0
September 2007	1	0	0	0	0	100	0	0	0	0	100	0	0	0	0	100	10	0	0	0
September 2008	0	0	0	0	0	19	0	0	0	0	100	0	0	0	0	100	0	0	0	0
September 2009	0	0	0	0	0	0	0	0	0	0	85	0	0	0	0	100	0	0	0	0
September 2010	0	0	0	0	0	0	0	0	0	0	63	0	0	0	0	100	0	0	0	0
September 2011	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	19	0	0	0	0
September 2012	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0	0	0	0
September 2013	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2014	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2015	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2016	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2017	0	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)**	6.2	1.7	1.0	0.9	0.8	11.7	3.5	2.0	1.7	1.4	14.1	5.5	3.0	2.4	2.1	14.9	9.4	5.0	4.0	3.3

Date	A5 Class					A6 Class					AL Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	50%	100%	125%	150%	0%	50%	100%	125%	150%	0%	50%	100%	125%	150%
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	100	100
September 1998	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
September 1999	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
September 2000	100	100	100	100	94	100	100	100	100	100	99	94	89	86	83
September 2001	100	100	100	85	0	100	100	100	100	97	97	88	79	74	69
September 2002	100	100	100	7	0	100	100	100	100	51	96	82	69	63	57
September 2003	100	100	45	0	0	100	100	100	69	28	93	74	57	49	42
September 2004	100	100	1	0	0	100	100	100	48	18	89	63	43	35	28
September 2005	100	100	0	0	0	100	100	76	34	12	84	53	32	24	18
September 2006	100	100	0	0	0	100	100	56	24	8	79	45	24	17	12
September 2007	100	100	0	0	0	100	100	42	16	5	74	38	18	12	7
September 2008	100	79	0	0	0	100	100	31	11	3	69	31	13	8	5
September 2009	100	41	0	0	0	100	100	22	8	2	63	26	9	5	3
September 2010	100	7	0	0	0	100	100	16	5	1	57	21	7	4	2
September 2011	100	0	0	0	0	100	37	5	1	*	22	7	2	1	*
September 2012	100	0	0	0	0	100	29	3	1	*	20	6	1	1	*
September 2013	74	0	0	0	0	100	22	2	1	*	17	4	1	*	*
September 2014	36	0	0	0	0	100	16	1	*	*	14	3	1	*	*
September 2015	0	0	0	0	0	95	11	1	*	*	10	2	*	*	*
September 2016	0	0	0	0	0	68	7	*	*	*	7	1	*	*	*
September 2017	0	0	0	0	0	63	6	*	*	*	7	1	*	*	*
September 2018	0	0	0	0	0	58	5	*	*	*	6	1	*	*	*
September 2019	0	0	0	0	0	53	4	*	*	*	6	1	*	*	*
September 2020	0	0	0	0	0	47	3	*	*	*	5	1	*	*	*
September 2021	0	0	0	0	0	40	2	*	*	*	4	*	*	*	*
September 2022	0	0	0	0	0	33	2	*	*	*	4	*	*	*	*
September 2023	0	0	0	0	0	25	1	*	*	*	3	*	*	*	*
September 2024	0	0	0	0	0	16	1	*	*	*	2	*	*	*	*
September 2025	0	0	0	0	0	7	*	*	*	*	1	*	*	*	*
September 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	17.7	12.8	7.0	5.5	4.4	23.6	16.1	11.1	8.7	6.8	13.8	10.0	8.0	7.3	6.8

* 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.

*** For a description of the Prepayment Scenario utilized in these tables, see the discussion above.

THE TRUST AGREEMENT

The following summaries describe certain provisions of the Trust Agreement not otherwise summarized in this Prospectus. Certain capitalized terms in these summaries are used as defined in the Trust Agreement. These summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the more complete provisions of the Trust Agreement.

Transfer of Mortgage Loans to the Trust

The Mortgage Loans transferred to the Trust will be identified in a Fannie Mae Security Schedule appearing as an exhibit to the Trust Agreement. In addition, Fannie Mae in its capacity as Trustee of the Trust, will hold on behalf of Certificateholders the original Mortgage Note, endorsed in blank, and an assignment to Fannie Mae of the mortgage instrument. Usually assignments are in a form suitable for recording but they are not recorded. However, a blanket assignment may be used for the transfer of a large number of Mortgage Loans, even if the properties are not located in the same recording jurisdiction, depending on the Lender's servicing experience and its financial condition. The document custody requirements described above are subject to change at any time; provided that any such change will not, in Fannie Mae's determination, materially or adversely affect the interests of Certificateholders.

At its option, Fannie Mae may choose to maintain the documents described above with a custodian institution (the Lender or another institution) supervised and regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the FDIC or the NCUA. Fannie Mae will review the Mortgage Loan schedule delivered by the Lender prior to the issuance of the Certificates and will conduct random spot checks to confirm the sufficiency of the documents after issuance of the Certificates.

Although the above procedures are intended to protect the interests of the Holders of Certificates in the Mortgage Loans, the law applicable to a liquidation, reorganization, or similar proceeding involving the assets of a Lender or of Fannie Mae is unclear and as a result no opinion can be rendered as to the status of Certificateholders' interests in the event of any such proceeding. Fannie Mae's guaranty would, however, by its terms be available in the event of any such proceeding involving the assets of a Lender.

Servicing Through Lenders

Pursuant to the Trust Agreement, Fannie Mae is responsible for servicing and administering the Mortgage Loans but, in its discretion, is permitted to contract with the originator of each Mortgage Loan, or another eligible servicing institution, to perform such functions under the supervision of Fannie Mae as more fully described herein (each, a "Lender"). Any servicing contract or arrangement by Fannie Mae with a Lender for the direct servicing of Mortgage Loans is a contract solely between Fannie Mae and that Lender, and the Certificateholders are not deemed to be parties thereto and have no claims, rights, obligations, duties, or liabilities with respect to such Lender.

Except as otherwise agreed upon by Fannie Mae, Lenders will be obligated pursuant to the applicable Guide to perform diligently all services and duties customary to the servicing of mortgages, as well as those specifically prescribed by the applicable Guide. Fannie Mae will monitor the Lender's performance and has the right to remove any Lender for cause at any time it considers such removal to be in the best interest of Certificateholders. The duties performed by Lenders include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts, collection of insurance claims, and, if necessary, foreclosure.

An amount calculated at the rate of 0.60% per annum based on the principal balance of each Mortgage Loan will be retained by Fannie Mae on a monthly basis on account of Trust expenses. Fannie Mae is also entitled to retain prepayment fees, late charges, assumption fees, and similar charges to the extent they are collected from borrowers. Fannie Mae will compensate Lenders in an amount up to, but never exceeding, the amount of interest retention described above, less a prescribed

minimum amount to be retained by Fannie Mae for itself in consideration of its guaranty obligations and servicing responsibilities.

Distributions on Mortgage Loans; Deposits in the Certificate Account

Fannie Mae will deposit or credit to one or more accounts (collectively, the “Certificate Account”) an amount equal to the sum of the distributions of the principal of and interest on the Mortgage Loans in the Trust as the same are received.

Amounts credited to the Certificate Account as of a Distribution Date will be available to be distributed to Holders on such date to the extent of interest accrued and distributable on the related Certificates and principal distributions reflected in the REMIC Trust Factors. Any reinvestment earnings on amounts so deposited will be used by Fannie Mae to pay the expenses of the Trust and will not be included in the calculation of amounts distributable to Certificateholders.

The Trust Agreement permits Fannie Mae as Trustee to maintain the Certificate Account either (i) as a trust account with an eligible depository institution (which account may contain other funds held by Fannie Mae in a trust capacity) or (ii) as part of Fannie Mae’s general assets, with appropriate entries being made on its books and records designating the funds and investments credited to the Trust.

As noted above, Fannie Mae, as Trustee, has the option to maintain the Certificate Account as part of its general assets, by making appropriate entries on its books and records designating the funds and investments credited to the Trust. Although Fannie Mae is required to hold all such funds (and, upon deposit in the Certificate Account, the investment of such funds) for the account of Certificateholders in the Trust, the law applicable to a liquidation, reorganization or similar proceeding involving the assets of Fannie Mae is unclear and as a result no opinion can be rendered as to the status of Certificateholders’ interest in such funds and investments in the event of any such proceeding.

Reports to Certificateholders

As soon as practicable following the eleventh calendar day of each month, Fannie Mae will publish or otherwise make available the REMIC Trust Factor (carried to eight decimal places) for each Class of Certificates after giving effect to the distribution of principal to be made on the following Distribution Date. The principal balance of a Certificate of any Class after giving effect to such principal distribution will be the product of the applicable REMIC Trust Factor and the applicable denomination or initial principal balance of such Certificate. With respect to each distribution on Certificates of each Class, Fannie Mae will cause to be forwarded to each Holder thereof a statement setting forth the total principal and interest distributions on such Distribution Date with respect to the Certificates in each Class held by such Holder. Fannie Mae also will furnish to each person who was a Certificateholder at any time during a calendar year such statements and information as shall be required to be furnished pursuant to the Code.

Calculations with respect to amounts due to Certificateholders will be made by Fannie Mae or on its behalf by another entity retained specifically for that purpose.

Servicing Compensation and Payment of Certain Expenses by Fannie Mae

As compensation for its activities and obligations under the Trust Agreement, Fannie Mae will be entitled to retain the amounts applicable to interest that are described under “Servicing Through Lenders” above. In addition, Fannie Mae is entitled to retain any amounts by which the proceeds of the liquidation of a Mortgage Loan exceed (i) the principal balance of that Mortgage Loan and (ii) interest thereon at the Mortgage Interest Rate through the end of the month of such liquidation. Fannie Mae will pay all expenses incurred by it in connection with its servicing activities, including, without limitation, the fees to Lenders, and is not entitled to reimbursement therefor out of the assets of the Trust.

Additional servicing compensation in the form of prepayment charges, assumption fees, late payment charges, or otherwise will be retained by Fannie Mae.

Collection and Other Servicing Procedures

Fannie Mae is responsible for servicing the Mortgage Loans and may, as set forth above, conduct such servicing through Lenders or through other Fannie Mae approved mortgage servicers. In connection with its servicing activities, Fannie Mae has full power and authority to do or cause to be done any and all things as it may deem necessary or appropriate in its sole discretion, including the foreclosure or comparable conversion of a defaulted Mortgage Loan. In lieu of undertaking any such foreclosure, Fannie Mae may, in its discretion and without obligation, repurchase from the Trust any Mortgage Loan that is delinquent, in whole or in part, as to three consecutive installments of principal and interest. It is currently Fannie Mae's intention to exercise such option when available (although there can be no assurance that such policy will remain unchanged). The purchase price will be equal to the principal balance of the delinquent Mortgage Loan together with accrued interest at the Net Mortgage Rate and will be distributed to Certificateholders in the same manner as full prepayments of Mortgage Loans. See "Description of the Certificates—Distributions of Principal."

With respect to each Mortgage Loan, the Lender makes certain warranties to Fannie Mae concerning such matters as the recordation of the original Mortgage, the validity of the Mortgage Loan as a first or second lien (as the case may be) on the Mortgaged Property, and compliance by such Mortgage Loans with applicable state and federal laws. In the event of a material breach of any such warranty or a material defect in the Mortgage Loan documentation, Fannie Mae may withdraw such Mortgage Loan from the Trust at a price equal to its principal balance together with interest thereon at the Net Mortgage Rate. Alternatively, Fannie Mae may, at its option, substitute a new Mortgage Loan for a defective Mortgage Loan; provided, however, that no such substitution may take place more than two years subsequent to the date of the original issue of the related Certificates, and any such substitute Mortgage Loan must satisfy certain eligibility criteria designed to assure that the nature of the Mortgage Loans generally will not be altered by any such substitution. Any amount by which the principal balance of the defective Mortgage Loan exceeds the principal balance of the substitute Mortgage Loan (the substitute Mortgage Loan may not be larger than the Mortgage Loan it is replacing) will be passed through to Certificateholders.

Subject to the following paragraphs, Fannie Mae in its discretion may enforce or waive enforcement of any of the terms of any Mortgage Loan or enter into an agreement for the modification of any of the terms of any Mortgage Loan, or take any action or refrain from taking any action in servicing any Mortgage Loan. (However, certain modifications are prohibited by the Trust Agreement, *e.g.*, reducing the Mortgage Interest Rate or extending the term of a Mortgage Loan, except as may be required by the terms of the Mortgage Note.) In such connection, Fannie Mae may waive any prepayment charge, assumption fee, or late payment charge or may exercise or refrain from exercising any "call option rider." Notwithstanding the foregoing, the decision by Fannie Mae to take or refrain from taking any such action must be consistent with then-current policies or practices employed by Fannie Mae respecting comparable mortgage loans held in its own portfolio and must be without consideration of the ownership status of the related Mortgage Loan.

In connection with the transfer or prospective transfer of title to a Mortgaged Property, Fannie Mae is obligated to accelerate the maturity of the related Mortgage Loan where that Mortgage Loan contains a "due-on-sale" clause permitting acceleration under those conditions unless Fannie Mae is restricted by law from enforcing the "due-on-sale" clause, the transfer is from one co-borrower to another co-borrower under the circumstances specified in Fannie Mae's published guidelines or Fannie Mae elects to withdraw such Mortgage Loan from the Trust.

In the event that, for any reason, Fannie Mae is not obligated to accelerate the maturity of a Mortgage Loan upon the transfer, or prospective transfer, of title to the underlying Mortgaged Property, Fannie Mae may enter into a transaction by which the borrower is released from liability on the related Mortgage Loan and the transferee assumes such liability; provided, however, that no such transaction shall (i) be entered into which would not have been entered into had the Mortgage Loan been held in Fannie Mae's own portfolio or (ii) provide for reduction of the Mortgage Interest Rate.

Certain Matters Regarding Fannie Mae

The Trust Agreement provides that Fannie Mae may not resign from its obligations and duties thereunder, except upon determination that those duties are no longer permissible under applicable law. No such resignation will become effective until a successor has assumed Fannie Mae's obligations and duties under the Trust Agreement; provided, however, that no successor will succeed to Fannie Mae's guaranty obligations described above. Fannie Mae will continue to be responsible under its guaranty notwithstanding any termination of its other duties and responsibilities under the Trust Agreement. In the event that Fannie Mae is unable to fulfill its continuing guaranty obligations, the Trust Agreement may be modified to provide for monthly distributions to be made from then-available Mortgage Loan payments and other recoveries in a manner similar to practices and procedures followed in the servicing of whole loans for institutional investors. See "Rights Upon Event of Default" below.

The Trust Agreement also provides that neither Fannie Mae nor any director, officer, employee, or agent of Fannie Mae will be under any liability to the Trust or to Certificateholders for any action taken, or for refraining from the taking of any action, in good faith pursuant to the Trust Agreement or for errors in judgment; provided, however, that neither Fannie Mae nor any such person will be protected against any liability that would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of willful disregard of obligations and duties.

In addition, the Trust Agreement provides that Fannie Mae is not under any obligation to appear in, prosecute, or defend any legal action that is not incidental to its responsibilities under the Trust Agreement and that in its opinion may involve it in any expense or liability. Fannie Mae may, however, in its discretion undertake any such legal action that it may deem necessary or desirable in the interests of the Certificateholders. In such event, the legal expenses and costs of such action will be expenses and costs of Fannie Mae.

Any corporation into which Fannie Mae may be merged or consolidated, or any corporation resulting from any merger, conversion, or consolidation to which Fannie Mae is a party, or any corporation succeeding to the business of Fannie Mae, will be the successor of Fannie Mae under the terms of the Trust Agreement.

Events of Default

Events of Default under the Trust Agreement will consist of (i) any failure by Fannie Mae to distribute to Holders of Certificates of any Class any required distribution that continues unremedied for 15 days after the giving of written notice of such failure to Fannie Mae by the Holders of Certificates representing principal balances aggregating not less than five percent of the aggregate principal balances of all Certificates of such Class; (ii) any failure by Fannie Mae duly to observe or perform in any material respect any other of its covenants or agreements in the Trust Agreement, which failure continues unremedied for 60 days after the giving of written notice of such failure to Fannie Mae by the Holders of Certificates of any Class representing principal balances aggregating not less than 25 percent of the aggregate principal balances of all of the Certificates of such Class; and (iii) certain events of insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings and certain actions by or against Fannie Mae indicating its insolvency, reorganization or inability to pay its obligations.

Rights Upon Event of Default

As long as an Event of Default under the Trust Agreement for the Trust remains unremedied, the Holders of Certificates of any Class representing principal balances aggregating not less than 25 percent of the aggregate of the principal balances of all Certificates of such Class may, in writing, terminate all of the obligations and duties of Fannie Mae as Trustee and in its corporate capacity under the Trust Agreement in respect of such Trust (other than its guaranty obligations described above, which continue notwithstanding any such termination) and name and appoint, in writing, a successor to succeed to all such responsibilities, duties and obligations of Fannie Mae thereunder

(other than Fannie Mae's guaranty obligations) and to the legal title of the Mortgage Loans and other assets held in the Trust.

Amendment

The Trust Agreement may be amended by Fannie Mae and the Trustee without the consent of or notice to any of the Certificateholders, for one or more of the following purposes: (i) to add to the covenants of Fannie Mae; (ii) to evidence the succession of another party or parties to Fannie Mae and the assumption by such successor or successors of the obligations of Fannie Mae thereunder in its corporate capacity or in its capacity as Trustee or in both such capacities; (iii) to eliminate any right reserved to or conferred upon Fannie Mae in its corporate capacity; (iv) to make provisions for the purpose of curing any ambiguity or correcting or supplementing any provision in the Trust Agreement, provided such provisions do not adversely affect the interest of any Certificateholder; or (v) to modify the Trust Agreement to maintain the qualification of the Trust as a REMIC.

The Trust Agreement also may be amended by Fannie Mae with the consent of the Holders of Certificates of each Class representing principal balances aggregating not less than 66 percent of the aggregate principal balances of all Certificates of such Class so as to waive compliance by Fannie Mae with any terms of the Trust Agreement, or to allow Fannie Mae to eliminate, change, add to or modify the terms of the Trust Agreement. However, no such waiver or amendment may, without the consent of all Certificateholders, terminate or modify the guaranty obligations of Fannie Mae or reduce the percentages of the Certificates the Holders of which are required to consent to any waiver or amendments. In addition, no waiver or amendment shall, without the consent of each Certificateholder affected thereby, reduce in any manner the amount of, or delay the timing of, payments received on Mortgage Loans or other assets in the Trust that are required to be distributed on any Certificate, or without the consent of all Holders of any residual interest in the Trust, adversely affect the rights of the Holders of such residual interest.

Termination

The Trust Agreement terminates upon the final payment or liquidation of the last Mortgage Loan remaining in the Trust and distribution of all proceeds thereof. The Trust Agreement will terminate also upon repurchase by Fannie Mae, at its option, of all remaining Mortgage Loans in the Trust at a price equal to 100 percent of the outstanding principal balance of each such Mortgage Loan together with one month's interest thereon at the Net Mortgage Rate, provided that Fannie Mae will not exercise such option unless the aggregate principal balance of the remaining Mortgage Loans at the time of repurchase is less than one percent of the aggregate principal balance of all the Mortgage Loans as of the Issue Date. The exercise of such option will effect retirement of the Certificates. In addition, Fannie Mae does not intend to exercise such option in respect of any Trust if (i) it has knowledge that any related Certificate has been pledged to secure an issue of cash flow obligations or is included in assets underlying an issue of cash flow obligations and (ii) the exercise of such option would take place prior to the earliest date upon which the issuer of such cash flow obligations can exercise an option to redeem such obligations or purchase such Certificates without premium. In no event, however, will the Trust continue beyond the expiration of 21 years from the death of the last survivor of the persons named in the Trust Agreement. Fannie Mae will give written notice of termination of the Trust Agreement as it relates to each affected Certificateholder, and the final distribution will be made to the person entitled thereto.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

The following is a discussion of the material anticipated federal income tax consequences to beneficial owners of the purchase, ownership and disposition of the Certificates offered hereby. The discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. The discussion below does 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.

Treasury Department regulations, issued on December 23, 1992 (the “Regulations”), provide some guidance regarding the federal income tax consequences associated with the purchase, ownership and disposition of the Certificates. While certain material provisions of the Regulations are discussed below, investors should consult their own tax advisors regarding the possible application of the Regulations in their specific circumstances.

REMIC Election

An election will be made to treat the Trust as a REMIC under the Code. Qualification as a REMIC requires ongoing compliance with certain conditions. Dewey Ballantine, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that, assuming compliance with the Trust Agreement, the Trust will be treated as a REMIC for federal income tax purposes. The Certificates (other than the R Class) will be designated as “regular interests” in the Trust (each a “Regular Certificate” and, together, the “Regular Certificates”), and the R Class will be designated as the “residual interest” in the Trust (the “Residual Certificate”).

The Trust will not be subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below. See “Taxes on the Trust” below. Generally, the total income of the Mortgage Loans in the Trust will be taxable to the beneficial owners of the Certificates, as described below.

Taxation of Beneficial Owners of Regular Certificates

Except as indicated below in this federal income tax discussion, the Regular Certificates will be treated for federal income tax purposes as debt instruments issued by a REMIC on the date such Certificates are first sold to the public (the “Settlement Date”) and not as ownership interests in a REMIC or its assets. Beneficial owners of Regular Certificates (“Regular Owners”) that otherwise report income under a cash method of accounting will be required to report income with respect to such Certificates under an accrual method.

Original Issue Discount

The Notional Class will be, and certain other Regular Certificates may be, issued with “original issue discount” within the meaning of section 1273(a) of the Code. Regular Owners should be aware that for federal income tax purposes they must include in gross income original issue discount as it accrues under a method that takes account of the compounding of interest, generally in advance of receipt of the cash attributable to such income. Fannie Mae will supply, at the time and in the manner required by the Internal Revenue Service (the “IRS”), to Holders of Regular Certificates, brokers and middlemen information with respect to the original issue discount accruing on the Regular Certificates.

In general, a Regular Certificate will be considered to be issued with original issue discount equal to the excess, if any, of its “stated redemption price at maturity” over its “issue price.” The issue price of a Regular Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Regular Certificates was sold. The issue price also includes any accrued interest attributable to the period between the beginning of the first Interest Accrual Period and the Settlement Date. The stated redemption price at maturity of a Regular Certificate that is a Notional Certificate is equal to the sum of all distributions to be made under such Regular Certificate. The stated redemption price at maturity of any other Regular Certificate is its stated principal amount, plus an amount equal to the excess (if any) of the interest payable on the first Distribution Date over the interest that accrues for the period from the Settlement Date to the first Distribution Date. The stated redemption price at maturity of a Regular Certificate does not include any qualified stated interest which is defined in the OID Regulations (as defined herein) as stated interest that is unconditionally payable at least annually at a single fixed rate.

Notwithstanding the general definition, original issue discount will be treated as zero in the case of a Regular Certificate if such discount is less than 0.25 percent of the stated redemption price at maturity of such Certificate multiplied by its weighted average life. The weighted average life of a Regular Certificate is apparently computed for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the Certificate, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the Settlement Date until the date on which each such distribution is expected to be made under the assumption that the Mortgage Loans prepay at 100% of the Prepayment Scenario (as defined under “Description of the Certificates—Prepayment Scenario and Decrement Tables” herein and, for purposes of this discussion, the “Prepayment Assumption”) by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the Regular Certificate’s stated redemption price at maturity. If original issue discount is treated as zero under this rule, the actual amount of original issue discount must be allocated to the principal distributions on the Regular Certificate and, when each such distribution is received, gain equal to the discount allocated to such distribution will be recognized.

Section 1272(a)(6) of the Code contains special original issue discount rules applicable to the Regular Certificates. Under these rules, (i) it is anticipated that the amount and rate of accrual of original issue discount on the Regular Certificates will be based on the Prepayment Assumption, and (ii) adjustments will be made in the amount of discount accruing in each taxable year in which the actual prepayment rate differs from the Prepayment Assumption.

Section 1272(a)(6)(B)(iii) of the Code requires that the prepayment assumption used to calculate original issue discount be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. The legislative history of this Code provision indicates that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. The Prepayment Assumption would satisfy such a requirement. Fannie Mae makes no representation, however, that the Mortgage Loans underlying the Certificates will prepay at the rate reflected in the Prepayment Assumption or at any other rate. Each investor must make its own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the Certificates.

Each Regular Owner must include in gross income the sum of the “daily portions” of original issue discount on its Regular Certificate for each day during its taxable year on which it held such Certificate. For this purpose, in the case of an original Regular Owner, the daily portions of original issue discount will be determined as follows. A calculation will first be made of the portion of the original issue discount that accrued during each “accrual period.” Final regulations issued by the Treasury Department relating to the tax treatment of debt instruments with original issue discount (the “OID Regulations”) provide that for purposes of measuring the accrual of original issue discount on a debt instrument, each Regular Owner may use an accrual period of any length, up to one year, as long as each Distribution Date falls on either the final day or the first day of an accrual period. Fannie Mae will report original issue discount based on accrual periods of one month, beginning on a Distribution Date and ending on the day before the next Distribution Date.

The OID Regulations define and provide special rules to determine the amount and accrual of original issue discount and qualified stated interest on variable rate debt instruments (“VRDIs”). Fannie Mae intends to apply these rules to the accrual of original issue discount on those Regular Certificates that are VRDIs. If a VRDI is issued with original issue discount, the rate of accrual of the original issue discount is determined by first substituting an equivalent fixed rate for the variable rate. The portion of original issue discount treated as accruing for any accrual period will equal the *excess*, if any, of (i) the sum of (A) the present values of all the distributions remaining to be made on the Regular Certificate, if any, as of the end of the accrual period and (B) the distribution made on such Certificate during the accrual period of amounts included in the stated redemption price at maturity, over (ii) the adjusted issue price of such Certificate at the beginning of the accrual period. The present value of the remaining distributions referred to in the preceding sentence will be calculated

based on (i) the yield to maturity of the Regular Certificate, calculated as of the Settlement Date, giving effect to the Prepayment Assumption, (ii) events (including actual prepayments) that have occurred prior to the end of the accrual period and (iii) the Prepayment Assumption. The adjusted issue price of a Regular Certificate at any time will equal the issue price of such Certificate, increased by the aggregate amount of previously accrued original issue discount with respect to such Certificate, and reduced by the amount of any distributions made on such Certificate as of that time of amounts included in the stated redemption price at maturity. The original issue discount accruing during any accrual period will then be allocated ratably to each day during the period to determine the daily portion of original issue discount.

A subsequent purchaser of a Regular Certificate that purchases such Certificate at a cost less than its remaining stated redemption price at maturity also will be required to include in gross income for each day on which it holds such Certificate, the daily portion of original issue discount with respect to such Certificate (but reduced, if the cost of such Certificate to such purchaser exceeds its adjusted issue price, by an amount equal to the product of (i) such daily portion and (ii) a constant fraction, the numerator of which is such excess and the denominator of which is the sum of the daily portions of original issue discount on such Certificate for all days on or after the day of purchase).

Certificates Purchased at a Premium

A purchaser of a Regular Certificate that purchases such Certificate at a cost greater than its remaining stated redemption price at maturity will be considered to have purchased such Certificate (a “Premium Certificate”) at a premium. Such a purchaser need not include in income any remaining original issue discount and may elect, under section 171(c)(2) of the Code, to treat such premium as “amortizable bond premium.” If a Regular Owner makes such an election, the amount of any interest payment that must be included in such Regular Owner’s income for each period ending on a Distribution Date will be reduced by the portion of the premium allocable to such period based on the Premium Certificate’s yield to maturity. The legislative history of the Tax Reform Act of 1986 states that such premium amortization should be made under principles analogous to those governing the accrual of market discount (as discussed below under “*Market Discount*”). If such election is made by the Regular Owner, the election will also apply to all bonds (as well as all REMIC regular interests) the interest on which is not excludible from gross income (“Fully Taxable Bonds”) held by the Regular Owner at the beginning of the first taxable year to which the election applies and to all such Fully Taxable Bonds thereafter acquired by it, and is irrevocable without the consent of the IRS. If such an election is not made, (i) such a Regular Owner must include the full amount of each interest payment in income as it accrues, and (ii) the premium must be allocated to the principal distributions on the Premium Certificate and, when each such distribution is received, a loss equal to the premium allocated to such distribution will be recognized. Any tax benefit from the premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the Premium Certificate.

Market Discount

A Regular Owner that purchases a Regular Certificate at a market discount, that is, at a purchase price less than the remaining stated redemption price at maturity of such Certificate, or in the case of a Regular Certificate issued with original issue discount, less than the adjusted issue price of such Certificate, will be required to allocate each principal distribution first to accrued market discount on the Regular Certificate, and recognize ordinary income to the extent such distribution does not exceed the aggregate amount of accrued market discount on such Certificate that was not previously included in income. With respect to Regular Certificates that have unaccrued original issue discount, such market discount must be included in income in addition to original issue discount includible under the rules described above under “*Original Issue Discount*.” A Regular Owner that incurs or continues indebtedness to acquire a Regular Certificate at a market discount may also be required to defer the deduction of all or a portion of the interest on such indebtedness until the corresponding amount of market discount is included in income. In general terms, market discount on a Regular Certificate

may be treated as accruing either (i) under a constant yield method, taking into account the Prepayment Assumption, or (ii) in proportion to remaining accruals of original issue discount, if any, or if none, in proportion to remaining distributions of interest on the Regular Certificate. Fannie Mae will make available, as required by the IRS, to Holders of Regular Certificates information necessary to compute the accrual of market discount.

Notwithstanding the above rules, market discount on a Regular Certificate will be considered to be zero if such discount is less than 0.25 percent of the remaining stated redemption price at maturity of such Certificate multiplied by its weighted average remaining life. Weighted average remaining life presumably would be calculated in a manner similar to weighted average life, taking into account payments (including prepayments) prior to the date of acquisition of the Regular Certificate by the subsequent purchaser. If market discount on a Regular Certificate is treated as zero under this rule, the actual amount of market discount must be allocated to the remaining principal distributions on the Regular Certificate and, when each such distribution is received, gain equal to the discount allocated to such distribution will be recognized.

Special Election

For any Regular Certificate acquired on or after April 4, 1994, the OID Regulations permit a Regular Owner to elect to include in gross income all “interest” that accrues on the Regular Certificate by using a constant yield method. For purposes of the election, the term “interest” includes stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. A Regular Owner should consult its own tax advisor regarding the time and manner of making and the scope of the election and the implementation of the constant yield method.

Special Tax Attributes

As a consequence of the qualification of the Trust as a REMIC, the Certificates offered hereby generally will be treated as “regular interests in a REMIC” (within the meaning of section 7701(a)(19)(C)(xi) of the Code) for domestic building and loan associations, “real estate assets” (within the meaning of section 856(c)(5)(A) of the Code) for real estate investment trusts, and as “qualified mortgages” (within the meaning of section 860G(a)(3) of the Code) for other REMICs. If at any time during a calendar year less than 95 percent of the assets of the Trust consist of qualified mortgages, then the portion of the Regular Certificates that are qualifying assets under these Code sections during such calendar year may be limited to the portion of the assets of the Trust that are qualified mortgages. Similarly, income on the Regular Certificates will be treated as “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. For purposes of applying this limitation, the Trust should be treated as owning the assets represented by the qualified mortgages. The assets of the Trust will include, in addition to the Mortgage Loans, payments on the Mortgage Loans held pending distribution on the Regular Certificates and any reinvestment income thereon. Regular Certificates held by a financial institution to which section 585 or 586 of the Code applies will be treated as evidences of indebtedness for purposes of section 582(c)(1) of the Code.

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.”

Taxes on the Trust

Prohibited Transactions

The Code imposes a tax on a REMIC equal to 100 percent of the net income derived from “prohibited transactions.” In general, a prohibited transaction means the disposition of a qualified mortgage other than pursuant to certain specified exceptions, the receipt of investment income from a

source other than a Mortgage Loan or certain other permitted investments, the receipt of compensation for services, or the disposition of an asset purchased with the payments on the qualified mortgages for temporary investment pending distribution on the regular and residual interests.

Contributions to a REMIC after the Startup Day

The Code imposes a tax on a REMIC equal to 100 percent of the value of any property contributed to the REMIC after the “startup day” (generally the same as the Settlement Date). Exceptions are provided for cash contributions to a REMIC (i) during the three month period beginning on the startup day, (ii) made to a qualified reserve fund by a Holder of a residual interest, (iii) in the nature of a guarantee, (iv) made to facilitate a qualified liquidation or clean-up call, and (v) as otherwise permitted by Treasury regulations.

Net Income from Foreclosure Property

The Code imposes a tax on a REMIC equal to the highest corporate rate on “net income from foreclosure property.” The terms “foreclosure property” (which includes property acquired by deed in lieu of foreclosure) and “net income from foreclosure property” are defined by reference to the rules applicable to real estate investment trusts. Generally, foreclosure property would be treated as such for a period of two years, with possible extensions. Net income from foreclosure property generally means gain from the sale of foreclosure property that is inventory property and gross income from foreclosure property other than qualifying rents and other qualifying income for a real estate investment trust.

Application to the Trust

It is not anticipated that the Trust will engage in any transactions that will give rise to a tax on the Trust. In any event, pursuant to its guaranty obligations, Fannie Mae will make distributions on the Regular Certificates without offset or deduction for any tax imposed on the Trust.

Sales of Certificates

In General

Except as provided below, if a Regular Certificate is sold, the seller will recognize gain or loss equal to the difference between the amount realized in the sale and its adjusted basis in the Certificate. The adjusted basis of a Regular Certificate generally will equal the cost of such Certificate to the seller, increased by any original issue discount or market discount included in the seller’s gross income with respect to such Certificate and reduced by distributions on such Certificate previously received by the seller of amounts included in the stated redemption price at maturity and by any premium that has reduced the seller’s interest income with respect to such Certificate. Except as provided in the following paragraph or under section 582(c) of the Code, any such gain or loss will be capital gain or loss, provided such Certificate is held as a “capital asset” (generally, property held for investment) within the meaning of section 1221 of the Code.

Gain from the sale of a Regular Certificate that might otherwise be capital gain will be treated as ordinary income to the extent that such gain does not exceed the excess, if any, of (i) the amount that would have been includible in the income of the Regular Owner had income accrued at a rate equal to 110 percent of the “applicable Federal rate” (generally, an average of current yields on Treasury securities) as of the date of purchase over (ii) the amount actually includible in such Regular Owner’s income. In addition, gain recognized on such a sale by a Regular Owner who purchased a Regular Certificate at a market discount would also be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period such Certificate was held by such Regular Owner, reduced by any market discount includible in income under the rules described above under “Taxation of Beneficial Owners of Regular Certificates—*Market Discount*.”

Termination

In general, no special tax consequences will apply to a Regular Owner upon the termination of the Trust by virtue of the final payment or liquidation of the last Mortgage Loan remaining in the Trust.

Reporting and Other Administrative Matters

For purposes of the administrative provisions of the Code, the Trust will be treated as a partnership and the Residual Owner will be treated as a partner. Fannie Mae will prepare, sign and file federal income tax returns for the Trust, which returns are subject to audit by the IRS. Moreover, within a reasonable time after the end of each calendar year, Fannie Mae will furnish to each Holder that received a distribution during such year a statement setting forth the portions of any such distributions that constitute interest distributions, original issue discount, and such other information as is required by Treasury regulations and, with respect to the Holder of the Residual Certificate in the Trust, information necessary to compute the daily portions of the taxable income (or net loss) of the Trust for each day during such year. Fannie Mae will also act as the tax matters partner for the Trust, either in its capacity as an Owner of the Residual Certificate or in a fiduciary capacity.

Backup Withholding

Distributions of interest and principal, as well as distributions of proceeds from the sale of Regular Certificates, may be subject to the “backup withholding tax” under section 3406 of the Code at a rate of 31 percent if recipients of such distributions fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a distribution to a recipient would be allowed as a credit against such recipient’s federal income tax. Furthermore, certain penalties may be imposed by the IRS on a recipient of distributions that is required to supply information but that does not do so in the proper manner.

Foreign Investors

Distributions made on a Regular Certificate to, or on behalf of, a Regular Owner that is not a U.S. Person (a “Non-U.S. Person”) generally will be exempt from U.S. federal income and withholding taxes, provided (a) the Regular Owner is not subject to U.S. tax as a result of a connection to the United States other than ownership of the Certificate, (b) the Regular Owner signs a statement under penalties of perjury that certifies that such Regular Owner is a Non-U.S. Person, and provides the name and address of such Regular Owner, and (c) the last U.S. Person in the chain of payment to the Regular Owner receives such statement from such Regular Owner or a financial institution holding on its behalf and does not have actual knowledge that such statement is false. Regular Owners should be aware that the IRS might take the position that this exemption does not apply to a Regular Owner that also owns 10 percent or more of the Residual Certificates or of the voting stock of Fannie Mae, or to a Regular Owner that is a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code.

LEGAL INVESTMENT CONSIDERATIONS

Institutions whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investment in certain Classes of the Certificates. Any financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration or other federal or state agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing the Certificates. Financial institutions should review and consider the applicability of the Federal Financial Institutions Examination Council Supervisory Policy Statement on Securities Activities (to the extent adopted by their respective federal regulators), which, among other things, sets forth guidelines for investing in certain types of mortgage related securities,

including securities such as the Certificates. In addition, financial institutions should consult their regulators concerning the risk-based capital treatment of any Certificate.

Pursuant to the Secondary Mortgage Market Enhancement Act of 1984 (“SMMEA”), securities issued or guaranteed by Fannie Mae (such as the Certificates) will be legal investments for such entities created under the laws of the United States or any state whose authorized investments are subject to state regulation to the same extent as obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. Under SMMEA, if a state enacted legislation prior to October 4, 1991 specifically limiting the legal investment authority of any such entities with respect to securities issued or guaranteed by Fannie Mae, such securities will constitute legal investments for such entities only to the extent provided in such legislation. Certain states have adopted such legislation prior to the October 4, 1991 deadline. Investors should consult their own legal advisors in determining whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment.

LEGAL OPINION

Any purchaser of Certificates will be furnished upon request an opinion by the General Counsel or Deputy General Counsel of Fannie Mae as to the validity of the Certificates and the Trust Agreement.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and the Code impose certain requirements on employee benefit plans and certain other retirement plans and arrangements, as well as on collective investment funds and separate accounts in which such plans or arrangements are invested (all of which are hereinafter referred to as a “Plan”) and on persons who are fiduciaries with respect to such Plans. Any Plan fiduciary which proposes to cause a Plan to acquire any Certificates would be required to determine whether such an investment is permitted under the governing Plan instruments and is prudent and appropriate for the Plan in view of its overall investment policy and the composition and diversification of its portfolio. In addition, ERISA and the Code prohibit certain transactions involving the assets of a Plan and “disqualified persons” (within the meaning of the Code) and “parties in interest” (within the meaning of ERISA) who have certain specified relationships to the Plan. Therefore, a Plan fiduciary considering an investment in Certificates should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or the Code.

The United States Department of Labor (“Labor”) issued a final regulation on November 13, 1986 (the “Regulation”), which provides that in the case where a Plan acquires a “guaranteed governmental mortgage pool certificate” then, for purposes of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of the Code, the Plan’s assets include the certificate and all of its rights with respect to such certificate under applicable law, but do not, solely by reason of the Plan’s holding of such certificate, include any of the mortgages underlying such certificate. Under the Regulation, the term “guaranteed governmental mortgage pool certificate” is specifically defined to include a certificate “backed by, or evidencing an interest in specified mortgages or participation interests therein” and with respect to which interest and principal payable pursuant to the certificate are guaranteed by Fannie Mae. The effect of the Regulation is to make clear that the sponsor (that is, the entity that organizes and services the trust, in this case Fannie Mae), the trustee, and other persons, in providing services with respect to the assets in the trust, would not be subject to the fiduciary responsibility provisions of Title I of ERISA, nor be subject to the prohibited transaction provisions of section 4975 of the Code, merely by reason of the Plan’s investment in a certificate. At the time the Regulation was originally issued, certificates similar to the Certificates were not in existence. However, Fannie Mae has been advised by its counsel, Arter & Hadden, that the Certificates qualify as “guaranteed governmental mortgage pool certificates,” and thus the acquisition and holding of the Certificates by Plans should not be considered to be the acquisition and holding of the Mortgage Loans underlying the Certificates.

PLAN OF DISTRIBUTION

Fannie Mae will acquire the Mortgage Loans from a Fannie Mae-approved seller/servicer in exchange for the Certificates pursuant to the Sale and Servicing Agreement. The Dealers, who have been retained by the seller/servicer, propose to offer the Certificates (other than the X and R Classes) directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealers may effect such transactions to or through dealers.

LEGAL MATTERS

Brown & Wood, LLP Washington, D.C. will serve as counsel for the Dealers. Brown & Wood, LLP also performs legal services for Fannie Mae.

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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 and the Information Statement and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus and the aforementioned document 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 and the aforementioned document 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.

\$112,519,415
(Approximate)



FannieMae

Guaranteed REMIC
Pass-Through Certificates

Fannie Mae REMIC Trust 1996-W3

PROSPECTUS

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MORGAN STANLEY & CO.
Incorporated

MERRILL LYNCH & CO.

September 10, 1996
