

\$493,098,000 (Approximate)



FannieMae

**Guaranteed REMIC Pass-Through Certificates
Fannie Mae Multifamily REMIC Trust 1997-M7**

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "Certificates") will represent beneficial ownership interests in one of two trust funds. The Certificates, other than the RL Class, together with one class of subordinate certificates (the "Subordinate Class"), which is not offered hereby, will represent beneficial ownership interests in Fannie Mae Multifamily REMIC Trust 1997-M7 (the "Trust"). The assets of the Trust will consist of the "regular interests" in a separate trust fund (the "Lower Tier REMIC"). The assets of the Lower Tier REMIC will consist of (i) approximately \$178,994,754 of whole mortgage loans (the "Whole Loans") insured by the Federal Housing Administration (the "FHA") of the United States Department of Housing and Urban Development ("HUD") under certain sections of the National Housing Act of 1934, as amended (the "Housing Act"), and secured by liens on multifamily rental housing developments ("Multifamily Rental Properties") or nursing homes, intermediate care facilities, assisted living facilities, board and care homes or other nursing facilities (collectively, "Nursing Facilities"), (ii) approximately \$102,906,735 of mortgage participation certificates (each a "Participation Certificate"), each representing a 100% participation interest in a whole mortgage loan insured by the FHA and secured by a lien on a Multifamily Rental Property or Nursing Facility, and (iii) approximately \$216,835,283 of "fully-modified pass-through" mortgage backed securities (the "GNMA Certificates") guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA"), each GNMA Certificate representing an ownership interest in a whole mortgage loan insured by the FHA and secured by a lien on a Multifamily Rental Property or Nursing Facility. The Whole Loans, the mortgage loans underlying the Participation Certificates (the "PC Loans") and the mortgage loans underlying the GNMA Certificates (the "GNMA Loans") are known collectively herein as the "Mortgage Loans". The Whole Loans, the Participation Certificates and the GNMA Certificates are also known collectively herein as the "Mortgage Assets". The Mortgage Loans are fixed-rate and generally are level-pay and fully amortizing. See "Description of the Mortgage Loans" herein. Certain information with respect to the Mortgage Loans and the Mortgaged Properties is set forth on Exhibit A hereto.

The Certificates will be issued and guaranteed as to timely distribution of principal and interest, subject to certain conditions described herein, by Fannie Mae and offered by Fannie Mae pursuant to its Prospectus for Guaranteed Multifamily REMIC Pass-Through Certificates (the "Multifamily REMIC Prospectus"), accompanying this Prospectus Supplement. **Fannie Mae will not guarantee (i) the Subordinate Class or (ii) the payment to Certificateholders of any prepayment penalties.** See "Description of the Certificates—General—Fannie Mae Guaranty" herein.

Investors should not purchase the Certificates before reading this Prospectus Supplement and the additional Disclosure Documents listed at the bottom of page S-2.

See "Risk Factors" beginning on page S-6 for a discussion of certain risks that should be considered in connection with an investment in the Certificates.

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THE CERTIFICATES MAY NOT BE SUITABLE INVESTMENTS FOR ALL INVESTORS. NO INVESTOR SHOULD PURCHASE CERTIFICATES UNLESS SUCH INVESTOR UNDERSTANDS AND IS ABLE TO BEAR THE PREPAYMENT, YIELD, LIQUIDITY AND OTHER RISKS ASSOCIATED WITH SUCH CERTIFICATES. PROSPECTIVE INVESTORS IN ANY CLASS OF CERTIFICATES SHOULD CAREFULLY CONSIDER WHETHER SUCH AN INVESTMENT IS APPROPRIATE FOR THEIR INVESTMENT OBJECTIVES. SEE "DESCRIPTION OF THE CERTIFICATES" HEREIN.

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

Class	Original Principal Balance(1)	Principal Type(2)	Interest Rate	Interest Type(2)	CUSIP Number	Final Distribution Date
A	\$ 45,597,000	SEQ	6.589%	FIX	31359QL51	May 2007
B	171,706,000	SEQ/AD	6.909	FIX	31359QL69	June 2016
C	176,745,000	SEQ/AD	6.997	FIX	31359QL77	December 2021
V	49,166,000	SEQ/AD	(3)	WAC	31359QL85	September 2007
Z	24,942,000	SEQ/AD	6.894	FIX/Z	31359QL93	December 2025
ZA	24,942,000	SEQ	6.894	FIX/Z	31359QM27	March 2035
N	443,932,000 (4)	NTL	(3)	WAC/IO	31359QM35	March 2035
R	0	NPR	0	NPR	31359QM50	July 2037
RL	0	NPR	0	NPR	31359QM68	July 2037

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

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

(3) The V and N Classes will each bear interest during each Interest Accrual Period at a variable rate per annum equal to a weighted average rate calculated as specified herein. See "Description of the Certificates—Distributions of Interest—Weighted Average Coupon Classes" herein.

(4) The N Class will be a Notional Class, will have no principal balance and will bear interest on its notional principal balance. The notional principal balance of the N Class will be as set forth above, and thereafter, will be calculated as specified herein. See "Description of the Certificates—Distributions of Interest—Notional Class" herein.

The Certificates are offered by Donaldson, Lufkin & Jenrette Securities Corporation (the "Dealer") from time to time in negotiated transactions, at varying prices to be determined at the time of sale.

The Certificates are offered by the Dealer, subject to issuance by Fannie Mae and to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by the Dealer, and subject to approval of certain legal matters by counsel. It is expected that the Certificates, except for the R and RL Classes, will be available through the book-entry system of The Depository Trust Company on or about September 30, 1997 (the "Settlement Date"). It is expected that the R and RL Classes in registered, certificated form will be available for delivery at the offices of the Dealer, 277 Park Avenue, New York, New York 10172 on or about the Settlement Date.

**Donaldson, Lufkin & Jenrette
Securities Corporation**

The date of this Prospectus Supplement is September 8, 1997.

(Cover continued from previous page)

The yield to investors in each Class of Certificates will be sensitive in varying degrees to, among other things, the rate of principal payments of the related Mortgage Loans, the actual characteristics of such Mortgage Loans and the purchase price paid for such Classes. The yields to investors in the V and N Classes will also be sensitive to fluctuations in the Weighted Average Pass-Through Rate of the Mortgage Loans. Accordingly, investors should consider the following risks:

- Subject to the effect of applicable lockouts and mortgage prepayment penalties, the Mortgage Loans may be prepaid by the related borrowers at any time and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time. Depending on other factors present at the time, Mortgage Loans having prepayment penalties may be less likely to prepay than Mortgage Loans that do not have such penalties. In addition, the full principal balance of a Mortgage Loan may be distributed upon a default thereof, which could take place during an otherwise applicable lockout or prepayment penalty period.
- 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.
- In the case of the Notional Class, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield and, in certain cases, an actual loss on the investment.
- The allocation to a Class of any prepayment penalties may be insufficient to offset fully the adverse effects on the anticipated yield that may arise out of the corresponding principal prepayment. Fannie Mae, however, does not guarantee that any prepayment penalties due under any Mortgage Loan will in fact be collected from mortgagors, any Servicers (as defined herein) of the Mortgage Loans or GNMA or paid to holders of the Participation Certificates or GNMA Certificates and therefore to the Holders of such Classes.
- There will be no reimbursement to investors for any premium paid by such investors, or for any loss in an investor's yield, if such investors receive early payments of principal.

See "Description of the Certificates—Yield Considerations" herein.

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

- The actual final payment of any Class may occur earlier, and could occur much earlier, than the Final Distribution Date for such Class specified on the cover page. See "Description of the Certificates—Weighted Average Lives of the Certificates" herein and "Maturity and Prepayment Considerations and Risks—Weighted Average Life and Final Distribution Dates" in the Multifamily REMIC Prospectus.
- The rate of principal distributions of the Certificates is uncertain and investors may be unable to reinvest the distributions thereon at yields equaling the yields on the Certificates. See "Yield Considerations—Reinvestment Risk" in the Multifamily REMIC Prospectus and "Description of the Certificates—Yield Considerations" 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" in the Multifamily REMIC Prospectus.
- The Dealer intends to make a market for the Certificates but is not obligated to do so. There can be no assurance that a secondary market will develop for the Certificates or, if developed, that it will continue. Thus, investors may not be able to sell their Certificates readily or at prices that will enable them to realize their anticipated yield. No investor should purchase Certificates unless such investor understands and is able to bear the risk that the value of the Certificates will fluctuate over time and that the Certificates may not be readily salable.

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

Elections will be made to treat the Lower Tier REMIC and the Trust as "real estate mortgage investment conduits" ("REMICs") pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). The R and RL Classes will be subject to transfer restrictions. See "Description of the Certificates—Additional Characteristics of Residual Certificates" and "Certain Federal Income Tax Consequences" in the Multifamily REMIC Prospectus, and "Description of the Certificates—Characteristics of the R and RL Classes" and "Certain Additional Federal Income Tax Consequences" herein.

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

- Fannie Mae's Prospectus for Guaranteed Multifamily REMIC Pass-Through Certificates dated November 1, 1995 (the "Multifamily REMIC Prospectus"); and
- Fannie Mae's Information Statement dated March 31, 1997 and any supplements thereto (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 202-752-7547). The Information Statement may also be obtained from the Dealer by writing or calling the Prospectus Department of Donaldson, Lufkin & Jenrette Securities Corporation at 277 Park Avenue, 7th Floor, New York New York 10172 (telephone 212-892-4525). Other data specific to the Certificates is available in electronic form by calling Fannie Mae at 1-800-752-6440 or 202-752-6000.

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REFERENCE SHEET

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

Certain Characteristics of the Mortgage Loans (as of September 1, 1997)

The Mortgage Loans are expected to have the following characteristics (aggregated on the basis of the applicable FHA insurance programs):

FHA Insurance Program	Approximate Issue Date Balance	Number of Loans	Percent of Total Balance	Weighted Average Mortgage Loan Interest Rate	Weighted Average Pass-through Rate	Weighted Average Original Term to Maturity (1) (in months)	Weighted Average Remaining Term to Maturity (in months)	Weighted Average Period from Issuance (1) (in months)	Weighted Average Remaining Lockout Period (in months)	Weighted Average Term to End of Mortgage Loan Prepayment Penalty Period (in months)
223(f)	\$178,865,226	43	35.86%	7.922%	7.640%	404	391	13	71	103
232	149,536,900	40	29.98	8.430	8.141	449	416	33	32	83
221(d)4	110,523,971	21	22.16	8.066	7.780	446	413	33	37	90
232/223(f)	29,381,759	9	5.89	8.064	7.774	403	394	8	50	96
223(a)7	12,679,874	3	2.54	7.741	7.492	407	376	31	25	73
241	5,808,672	5	1.16	8.970	8.640	326	286	40	42	77
231	7,242,778	3	1.45	9.353	8.707	394	323	71	33	101
241(f)	2,685,667	2	0.54	7.924	7.674	474	456	18	41	101
223(d)	2,011,925	2	0.40	8.447	8.104	439	412	26	45	71
	<u>\$498,736,772</u>	<u>128</u>	<u>100.00%</u>							

(1) Based on the later of (a) one month prior to the first principal and interest payment after the most recent FHA endorsement or (b) origination (where origination with respect to a GNMA Certificate is the issue date and origination with respect to a Whole Loan or Participation Certificate is one month prior to the first principal and interest payment date).

In addition, the table contained on Exhibit A hereto sets forth certain information regarding the characteristics of the individual Mortgage Loans as of September 1, 1997 (the “Issue Date”), including information regarding the applicable FHA program, property location, approximate principal balance, scheduled monthly principal and interest, mortgage interest rate, pass-through rate, FHA debenture rate, maturity date, original and remaining terms to maturity, age and issue date, and additional information regarding prepayment lockout and prepayment penalty periods applicable to the Mortgage Loans. Certain additional information regarding the Mortgage Loans may be obtained from Fannie Mae as described under “Description of the Mortgage Loans” herein.

For a description of the characteristics and assumptions on the basis of which certain tabular information herein has been prepared, see “Description of the Certificates—Structuring Assumptions” herein.

Prepayment Penalties

In the event that any prepayment penalties received on the Mortgage Loans are included in the distributions with respect to any Distribution Date, (i) the distribution to be made on the N Class on such Distribution Date will include an amount representing 75% of the prepayment penalties so received and (ii) the distribution to be made on the Class currently receiving distributions of principal from the Cash Flow Distribution Amount on such Distribution Date will include an amount representing 25% of the prepayment penalties so received (or, if more than one of the A, B, C, V, Z and ZA Classes are receiving principal distributions from the Cash Flow Distribution Amount on such Distribution Date, the amount representing 25% of the prepayment penalties so received will be allocated among such Classes, pro rata, based on the principal amounts so distributable thereon). Notwithstanding the foregoing, after the date on which the outstanding notional amount of the N Class has been reduced to zero, the N Class will receive no distributions of prepayment penalties.

Interest Rates

The Certificates will bear interest at the rates set forth on the cover or described herein. See “Description of the Certificates—Distributions of Interest—*Notional Class*” and “—*Weighted Average Coupon Classes*” herein.

Notional Class

The notional principal balance of the N Class will be equal to 100% of the aggregate outstanding principal balance of the A, B, C, Z and ZA Classes immediately prior to the related Distribution Date. See “Description of the Certificates—Distributions of Interest—*Notional Class*” herein.

Distribution of Principal

Principal Distribution Amount

Z Accrual Amount

To the V, B and C Classes, in that order, to zero, and then to the Z Class.

ZA Accrual Amount

To the V, B, C and Z Classes, in that order, to zero, and then to the ZA Class.

Cash Flow Distribution Amount

To the A, B, C, V, Z and ZA Classes, in that order, to zero.

Weighted Average Lives (years) *

Class	Lockout**						
	CPR Prepayment Assumption						
	0%	10%	20%	35%	40%	50%	100%
A	5.5	1.7	1.1	0.7	0.6	0.5	0.1
B	14.8	6.1	4.4	3.4	3.1	2.8	1.5
C	21.7	11.9	8.9	6.9	6.6	6.0	4.5
V	5.6	5.6	5.6	5.6	5.6	5.5	5.0
Z	26.3	16.4	12.5	10.5	10.3	9.9	9.2
ZA	31.9	23.1	16.7	12.9	12.3	11.6	10.0
N	25.3	12.0	8.2	6.2	5.8	5.3	3.9

Class	Extended Protection**						
	CPR Prepayment Assumption						
	0%	10%	20%	35%	40%	50%	100%
A	5.5	4.2	3.8	3.5	3.4	3.3	2.7
B	14.8	9.6	8.4	7.5	7.3	7.0	6.0
C	21.7	14.0	11.7	10.4	10.2	9.9	8.8
V	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Z	26.3	18.0	14.4	12.2	11.8	11.2	9.9
ZA	31.9	24.4	18.6	14.6	13.8	12.7	10.1
N	25.3	15.0	11.7	9.9	9.5	9.1	7.7

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

** “Lockout” assumes no prepayment through the applicable lockout end dates and “Extended Protection” assumes no prepayment through any applicable prepayment penalty end dates. See “Description of the Certificates—Structuring Assumptions—Pricing Assumptions” 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. In addition, the yields to investors in the N and V Classes will be sensitive to fluctuations in the Weighted Average Pass-Through Rate of the Mortgage Loans. Generally, if the actual rate of payments on the Mortgage Loans is slower than the rate anticipated by an investor who purchased a Certificate of the A, B, C, V, Z or ZA Class 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 of the N Class or who purchased a Certificate of the A, B, C, V, Z or ZA Class at a premium, the actual yield to such investor will also be lower than such investor's anticipated yield.

The timing of changes in the rate of principal payments (including prepayments) or, in the case of the N and V Classes in the Weighted Average Pass-Through Rate, may significantly affect the yield to an investor, even if the average rate of principal prepayments or the average Weighted Average Pass-Through Rate is consistent with such investor's expectations. In general, the earlier the payment of principal or change in the level of the Weighted Average Pass-Through Rate, 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) or the level of the Weighted Average Pass-Through Rate occurring at a rate or level higher (or lower) than the rate or level 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) or level of the Weighted Average Pass-Through Rate.

The effective yields on the Certificates will be reduced below the yields otherwise produced because principal and interest payable on a Distribution Date will not be distributed earlier than 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 Certificate after its principal balance has been reduced to zero. As a result of the foregoing, the market values 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.

There will be no reimbursement to investors for any premium paid by investors or for any loss in yield if such investors receive early payments of principal.

Reinvestment Risk

Subject to the effect of the applicable prepayment lockout periods and the payment of any applicable prepayment penalties, the Mortgage Loans may be prepaid at any time. In addition, the principal balance of a Mortgage Loan may be distributed upon a default thereof, which could take place during an otherwise applicable lockout or prepayment penalty period. Accordingly, it is not possible to predict the rate at which distributions of principal of the Certificates will be received. 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 equaling or exceeding the yields on the Certificates. It is possible that yields on such reinvestments will be lower, and may be significantly lower, than the yields on the 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.

Certain Prepayment Considerations and Risks

The rate of distributions of principal of the A, B, C, V, Z and ZA Classes 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), as well as to the sequential order in which each such Class will receive distributions in respect of principal. Most of the Mortgage Loans prohibit voluntary prepayments during specified lockout periods. The Mortgage Loans have remaining lockout terms that range from approximately 0 to 121 months and with a weighted average remaining lockout term of approximately 48 months. Certain of the Mortgage Loans also provide for payment of a mortgage prepayment penalty in connection with prepayments for a period extending beyond the lockout period. Depending on other factors present at the time, Mortgage Loans having prepayment penalties may be less likely to prepay than Mortgage Loans that do not have such penalties. A prepayment penalty, however, would not be paid in the event that a borrower defaults on payment of its Mortgage Loan and the proceeds of liquidation of such Mortgage Loan are insufficient to allow for allocation of an amount thereof to such prepayment penalty. The liquidation proceeds would be applied to the recovery of all principal, interest and liquidation expenses before any application to a prepayment penalty in respect of the related Mortgage Loan. In addition, certain state laws limit the amount of prepayment penalty payable in connection with the prepayment of a Mortgage Loan, and under the laws of a number of states it is unclear whether the imposition of a prepayment penalty in connection with an involuntary prepayment is enforceable. See “Maturity and Prepayment Considerations and Risks—Early Repayment of Mortgage Loans” in the Multifamily REMIC Prospectus.

Pursuant to the Sale and Servicing Agreement (as defined herein), the Subordinate Directing Holder (as defined herein) or the Master Servicer may at its option purchase from the Lower Tier REMIC any Whole Loan (or Participation Certificate relating to a PC Loan) with respect to which any default has occurred, and thereby cause a prepayment with respect thereto, as soon as the sixty-first day after such default has first occurred. Payment of proceeds, however, under the related FHA insurance contract (the “FHA Insurance Contract”) with respect to such Mortgage Loan generally would occur several months after such purchase by the Subordinate Directing Holder or the Master Servicer may have occurred, during which time the related mortgagor might have cured the default and reinstated such Mortgage Loan. Thus, such Whole Loan (or Participation Certificate) may have been purchased by the Subordinate Directing Holder or the Master Servicer several months before the full FHA insurance proceeds with respect thereto may have been received and before the related mortgagor may have cured the related default and caused the reinstatement of the defaulted Mortgage Loan.

In the event that any prepayment penalties are included in the distributions received by the Trustee on the Mortgage Loans with respect to any Distribution Date, such amounts will be included in the distributions to be made on certain Classes, including the N Class, as described under “Description of the Certificates—Distribution of Interest—*General*” herein. Fannie Mae, however, does not guarantee that any prepayment penalties due under any Mortgage Loan will in fact be collected from mortgagors, any Servicers of the Mortgage Loans or GNMA or paid to holders of the Participation Certificates or GNMA Certificates and therefore to applicable Certificateholders. Accordingly, Holders of the applicable Classes will receive them only to the extent actually received by Fannie Mae and, even if collected, allocation thereof to such Holders may be insufficient to offset fully the adverse effects on the anticipated yield thereon arising out of the corresponding payment. Notwithstanding the foregoing, after the date on which the outstanding notional amount of the N Class has been reduced to zero, the N Class will receive no distributions of prepayment penalties.

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 resulting prepayments, if they involve the Mortgage Loans, will result in the distribution to Certificateholders of the principal balances of the prepaid Mortgage Loans.

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. 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.

Acceleration of mortgage payments as a result of the sale of the related Mortgaged Property is another factor affecting the prepayment rates. However, generally, FHA-insured mortgage loans, such as the Mortgage Loans, may with the approval of the FHA be assumed by the transferee of title to the related mortgaged properties.

In addition, pursuant to the Sale and Servicing Agreement, the Seller (as defined herein) or the Master Servicer (as defined herein) may be required to purchase Mortgage Assets out of the Lower Tier REMIC in the event that certain representations and warranties of the Seller or Master Servicer made under the Sale and Servicing Agreement with respect to such Mortgage Assets are breached. The purchase of any Mortgage Assets will result in a prepayment thereon, which could significantly affect the yields to investors.

Risks of Multifamily Lending

Thirty-one of the Whole Loans and PC Loans, collectively representing approximately 43% of the aggregate Issue Date Balance of all the Whole Loans and Participation Certificates, are secured by liens on Multifamily Rental Properties, which are apartment buildings with five or more rental units. Lending on Multifamily Rental Properties is generally viewed as exposing the lender to a greater risk of loss than one- to four-family residential lending. The repayment of Mortgage Loans secured by income producing properties such as Multifamily Rental Properties is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed or maintenance fees are not paid), the mortgagor's ability to repay the Mortgage Loan may be impaired. Multifamily real estate can be affected significantly by supply and demand in the local housing market and, therefore, may be subject to adverse economic conditions. Market values may vary as a result of economic events or governmental regulations outside of the control of the mortgagor or lender, such as imposition of rent control laws or the renewal of rent subsidies, which could impact the future cash flow of the property. All of these factors may lead to defaults on the Mortgage Loans and principal prepayments thereon, which may significantly affect yield to investors. In addition, principal prepayments resulting from liquidations of Mortgage Loans due to defaults, casualties or condemnations affecting the Mortgaged Properties securing the Mortgage Loans may significantly affect the yield to investors.

No attempt was made to identify the property type of the Mortgage Loans for the GNMA Certificates.

Risks Related to Nursing Facilities

Forty-six of the Whole Loans and PC Loans, collectively representing approximately 57% of the aggregate Issue Date Balance of all the Whole Loans and Participation Certificates, are secured by liens on Nursing Facilities. Once established, a Nursing Facility is subject to federal, state and/or local operating requirements, including, but not limited to, those mandated by Medicare and Medicaid and set forth in Titles XVIII (Medicare) and XIX (Medicaid) of the Social Security Act and accompanying regulations, and those mandated by applicable state and local laws and regulations.

The failure of any Nursing Facility to comply with such requirements could lead to civil or criminal sanctions, the appointment of a receiver to operate the Nursing Facility or the suspension or termination of the Nursing Facility operator from the Medicare and Medicaid programs or other insurance programs, and thus may severely impair the borrowers' ability to make payments on the related Mortgage Loan and may lead to defaults and prepayments with respect thereto.

Nursing Facility operators typically rely on government reimbursements for a significant portion of their operating revenues, which are often subject to delays by fiscal intermediaries or due to government funding restrictions. Changes in federal or state reimbursement policies may also adversely affect an operator's revenues, and change in federal reimbursement policies may lead to a simultaneous decline in the revenue and subsequent default of several of the Nursing Facilities securing the Mortgage Loans. In addition, the successful operation of a Nursing Facility will generally depend on a number of factors, including, among other things, local competing facilities, the quality of care and the cost of that care, reputation, management and affiliations with other health care providers. The operators of the subject Nursing Facilities are likely to compete on a local and regional basis with other providers who operate similar facilities. Some of these competitors may be better equipped financially, and may provide more services, than the subject Nursing Facilities. All of these factors could lead to a significant decline in the revenues of a Nursing Facility and the subsequent default and prepayment of the related Mortgage Loan.

No attempt was made to identify the property type of the Mortgage Loans for the GNMA Certificates.

Geographic Concentration

Twenty-three of the Mortgaged Properties securing approximately 14.3% of the Issue Date Pool Balance (as defined herein) are located in the state of Virginia, nine of the Mortgaged Properties securing approximately 11.7% of the Issue Date Pool Balance are located in the state of California, and 18 of the Mortgaged Properties securing approximately 9.8% of the Issue Date Pool Balance are located in the state of Ohio. Repayments by mortgagors and the market value of the Mortgaged Properties could be affected by economic conditions generally or in regions where the mortgagors and the Mortgaged Properties are located, changes in governmental rules and fiscal policies, acts of nature and other facts that are beyond the control of the Mortgagors. Because of this relative lack of geographic diversity in the Mortgaged Properties, prepayments on the Mortgage Loans, which could have a significant effect on the yield to investors, may be higher than would be the case if the locations of the Mortgaged Properties were more diverse.

Limited Information with Respect to the Mortgage Loans

The Seller, Fannie Mae and the Master Servicer have only limited information with respect to the Mortgage Loans, the Mortgaged Properties (their operating revenues and expenses and values) and the related mortgagors. Generally, neither audited financial statements nor recent appraisals were available with respect to the mortgagors or the Mortgaged Properties that would permit the calculation of debt service coverage ratios or loan-to-value ratios.

With respect to the Mortgaged Properties securing certain of the Whole Loans and PC Loans, an approximation of debt service coverage ratio was obtained by estimating net operating income with respect to each such Mortgaged Property, in most cases, from reported information available on the most recent statement of profit and loss or equivalent document filed pursuant to HUD requirements, and dividing such estimated net operating income by an estimate of annual debt service, obtained by multiplying the monthly payment of principal and interest on the related Mortgage Loan by 12. With respect to five of the six Whole Loans and PC Loans that are known to be second mortgage loans, the amount of the monthly payment for the first mortgage loan secured by each related Mortgaged Property was included in such calculations of debt service coverage ratios for such five Whole Loans and PC Loans. No mortgage loans subordinate to the Whole Loans or PC Loans were taken into

account in any calculation of debt service coverage ratios. On the basis of such approximations, it was determined that eleven of the Whole Loans and PC Loans, representing approximately 15% of all the Whole Loans and PC Loans (by aggregate Issue Date Balance (as defined herein)), had Issue Date debt service coverage ratios between 1.0x and 1.249x, inclusive. In the circumstances where the debt service coverage ratio of a Mortgage Loan is at or slightly above 1.0x, the revenue derived from the use and operation of the related Mortgaged Property may be insufficient to cover the operating expenses of such Mortgaged Property and to pay debt service due on such Mortgage Loan. Accordingly, in such cases, the related mortgagor or its principals may have been required to pay a portion of such items from sources other than the cash flow of the related Mortgaged Property. If the related mortgagor or its principals cease to use such alternative cash sources at a time when operating revenue from the related Mortgaged Property is still insufficient to cover such payments, deferred maintenance at the related Mortgaged Property and/or default under the subject Mortgage Loan is likely to result. Neither the Seller nor Fannie Mae makes any representation as to whether any such mortgagor will continue to make such payments out of alternative cash sources or what the incentives of any borrower might be for doing so. Neither the Seller nor Fannie Mae have complete information regarding the degree to which property revenues are attributable to Section 8 (as defined below) rent subsidies. No attempt was made to calculate debt service coverage ratios or determine the lien positions with respect to the Mortgage Loans underlying the GNMA Certificates.

In addition, the Seller and Fannie Mae do not have information with respect to current loan-to-value ratios of the Mortgage Loans, and are therefore unable to make any predictions regarding the default experience of the pool of Mortgage Loans based on such information. Generally, mortgage loans with high loan-to-value ratios will be more likely to experience default than mortgage loans with lower loan-to-value ratios.

Limitations of FHA Insurance

The recovery of FHA Insurance Benefits (as defined below) following a default on a Whole Loan or PC Loan insured by the FHA (such insurance, the “FHA Insurance”) is subject to a number of conditions, including, in the case of Whole Loans, strict compliance by the Master Servicer or any sub-servicer servicing a Whole Loan (a “Sub-Servicer”, and together with the Master Servicer, the “Servicers”), with the applicable regulations promulgated by the FHA (the “FHA Regulations”) in servicing the Mortgage Loans. Although the Master Servicer and each Sub-Servicer servicing the Whole Loans will have been approved as such by the FHA, and are required to comply with FHA Regulations, such regulations are susceptible to interpretive uncertainties and administrative revisions. Failure to comply with all FHA Regulations may result in a reduction or denial of FHA Insurance Benefits, and there can be no assurance that FHA’s enforcement of its regulations will not become more strict in the future. In addition, any claim paid by the FHA in connection with the assignment of a defaulted Whole Loan or PC Loan to the FHA will recover, at most, only 99% of the unpaid principal on that Mortgage Loan and a portion of the unpaid interest. See “Description of the Mortgage Loans—FHA Mortgage Insurance” herein.

The Master Servicer, Sub-Servicers, mortgagors and Fannie Mae are subject at all times to the FHA Regulations. There can be no assurance that FHA Regulations will not be changed in the future, nor that any such change would not adversely affect the timing of payments to the Certificateholders. Although pursuant to the Sale and Servicing Agreement, the Master Servicer has agreed not to act, or fail to act, in any manner that impairs the FHA Insurance on a Whole Loan and has agreed to reimburse Fannie Mae and the Trust for any loss resulting from any FHA Insurance on a Whole Loan or PC Loan being voided, reduced, released or adversely affected, there can be no assurance that at the time the Master Servicer must make such reimbursement, it will have the financial capacity to do so.

HUD, the current Administration and various members of Congress have recently suggested the need for legislation that could significantly alter the nature or scope of FHA insurance programs. There can be no assurance of the effect that any such proposed legislation might have on the Mortgage Loans or the Certificates were such legislation enacted.

Loans Assisted Under Section 8

Section 8 of the United States Housing Act of 1937, as amended (“Section 8”), authorized the payment by the federal government of rental subsidies to owners of qualified housing. Through Section 8 project-based assistance, HUD subsidizes the difference between the tenants’ contribution (based on a percentage of their income) and the contract rents for the units. HUD pays the subsidies either directly to the owner or through public housing agencies. The Seller believes that several of the Mortgage Loans receive some form of Section 8 assistance. However, the Seller has not been able to verify the accuracy of such information, the assistance of any Project Based Assistance (as defined herein) with respect to any of the Mortgage Loans, the particular form of such Section 8 assistance, the length of any related Section 8 contract or the number of units covered by or maximum dollar amount of such contract for any of the Mortgage Loans.

Historically, there have been differing default and prepayment experience between loans receiving Section 8 rent subsidies and insured under certain sections of the Housing Act and those insured under the same sections but not receiving Section 8 rent subsidies. These default and prepayment rates may or may not be affected by subsequent Congressional legislation which may or may not affect projects whose Project-Based Assistance expires during the term of the FHA-insured mortgage. In addition, Congress has recently enacted legislation to curtail the Section 8 program, which may result in a higher default rate for such Mortgage Loans that are secured by Mortgaged Properties subject to Section 8. See “Description of the Mortgage Loans — FHA Mortgage Insurance — The Section 8 Program” and Exhibit A herein.

Deferred Principal Payment / Reamortization

Some of the Whole Loans and PC Loans permit the related mortgagors to partially prepay principal up to a certain percentage (typically, approximately 15%) of the unpaid balance of any such Mortgage Loan in any year without any payment of any Prepayment Premium and, to the extent of such prepayment, to skip the principal portion of any subsequent Monthly Payments (as defined herein) to the extent of such partial prepayments. In addition, if a PC Servicer (as defined herein) makes an excessive or erroneous payment to the Master Servicer of any principal prepayment or prepayment penalty on (or thought to relate to) the related PC Loan, such PC Servicer may reduce future distributions of principal on such related PC Loan in order to recover such excessive or erroneous payment. Any reduction in distributions of principal with respect to any Distribution Date described in the two preceding sentences are known as a “Deferred Principal Payment”. No Delinquency Advance (as defined herein) will be made by the Master Servicer, and no payment will be made by Fannie Mae under its guaranty of the Certificates to cover any such Deferred Principal Payment.

Many of the Mortgage Loans also permit reamortization thereof if prepayments are received as a result of condemnation or insurance payments with respect to the related Mortgaged Property.

Participation Certificates

Twenty-eight Mortgage Loans (representing approximately 20.6% of the Issue Date Pool Balance) are evidenced by Participation Certificates that in each such case represents a 100% ownership interest in an FHA insured whole mortgage loan. Each Participation Certificate has been issued pursuant to a Participation Agreement (as defined herein). Pursuant to a Participation Agreement, the PC Servicer is responsible for the servicing of the related PC Loan, including collecting all amounts due thereunder, monitoring the performance by the mortgagor with the terms of the related PC Loan and maintaining the FHA Insurance Contract with respect thereto. Although the Master Servicer will be the registered holder of the Participation Certificate, its ability to direct the PC Servicer with respect to the servicing of the PC Loan will be limited to the rights granted to the holder of the Participation Certificate under the Participation Agreement, and neither Fannie Mae nor the Master Servicer may compel the PC Servicer to perform any task with respect to a PC Loan unless the registered holder of the related Participation Certificate is given the power to do so under the related Participation Agreement. In addition, the provisions of any Participation Agreement and the rights

granted to the Master Servicer as holder of the related Participation Certificate may differ from the rights of the Master Servicer under any sub-servicing agreement.

DESCRIPTION OF THE CERTIFICATES

The following summaries describing certain provisions of the Certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the remaining provisions of this Prospectus Supplement, the Multifamily REMIC Prospectus and the provisions of the Trust Agreement (as defined below). Capitalized terms used and not otherwise defined in this Prospectus Supplement have the respective meanings assigned to such terms in the Multifamily REMIC Prospectus (including the Glossary contained therein) or the Trust Agreement (as the context may require).

General

Structure. The Trust and the Lower Tier REMIC will be created pursuant to a trust agreement dated as of September 1, 1997 (the “Trust Agreement”), executed by the Federal National Mortgage Association (“Fannie Mae”) in its corporate capacity and in its capacity as trustee (the “Trustee”), and the Certificates in the Classes and aggregate original principal balances set forth on the cover hereof will be issued by Fannie Mae pursuant thereto. A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement.

The Certificates (other than the R and RL Classes) and the Subordinate Class will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust. The interests in the Lower Tier REMIC other than the RL Class (the “Lower Tier Regular Interests”) will be designated as the “regular interests,” and the RL Class will be designated as the “residual interest,” in the Lower Tier REMIC.

The assets of the Trust will consist of the Lower Tier Regular Interests, and the Certificates, other than the RL Class, and the Subordinate Class will evidence the entire beneficial ownership interest in the distributions of principal and interest on the Lower Tier Regular Interests.

The assets of the Lower Tier REMIC will consist of the Mortgage Assets. The Lower Tier Regular Interests and the RL Class (collectively, the “Lower Tier Interests”) will in the aggregate evidence the entire beneficial ownership interest in the distribution of principal and interest on the Mortgage Assets. See “The Mortgage Loans” herein.

Fannie Mae Guaranty. Pursuant to its guaranty of the Certificates, Fannie Mae will be obligated to distribute to the Holders of Certificates (i) all interest accrued and distributable on the Certificates as provided herein under “Description of the Certificates—Distributions of Interest” and (ii) the Principal Distribution Amount (as defined herein) (which does not always include certain scheduled principal payments if any Deferred Principal Payment occurs), whether or not sufficient funds are received with respect to the Mortgage Assets. If Fannie Mae were unable to perform these guaranty obligations, distributions to Certificateholders would consist solely of payments and other recoveries on the Mortgage Assets. *Fannie Mae will not guarantee the Subordinate Class or collection or the payment to the Certificateholders of any prepayment penalties.* Accordingly, Certificateholders entitled to receive prepayment penalties will receive them only to the extent actually received in respect of the Mortgage Assets. The guaranty of Fannie Mae is not backed by the full faith and credit of the United States.

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

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

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

The distribution to the Holder of the R or RL Certificate of the proceeds of any remaining assets of the Trust or the Lower Tier REMIC, as applicable, will be made only upon presentation and surrender of the related Certificate at the office of the Paying Agent. The Paying Agent initially will be State Street.

Authorized Denominations. The Certificates, other than the R and RL Certificates, will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. Each of the R and RL Certificates will be issued as a single certificate and will not have a principal balance.

Distribution Dates. Distributions on the Certificates will be made on the 25th day of each month or, if such 25th day is not a business day, on the first business day next succeeding such 25th day (each, a “Distribution Date”), commencing in the month following the Settlement Date. See “Distributions of Interest—General” and “—Interest Accrual Period” and “Distributions of Principal—Principal Distribution Amount” herein.

Record Date. Each monthly distribution on the Certificates will be made to Holders of record on the last day of the preceding month.

REMIC Trust Factors. As soon as practicable following the twentieth 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 in the case of each such Class, when multiplied by the original principal balance of a Certificate of such Class, will be equal to the amount of principal remaining to be distributed with respect to such Certificate after giving effect to the distribution of principal to be made on the following Distribution Date and any interest to be added as principal to the principal balances of the Accrual Classes on such Distribution Date. In the event an adjustment to the Trust Factor is necessary with respect to any Distribution Date, Fannie Mae will publish or otherwise make available an adjusted Trust Factor as soon as practicable following any such adjustment.

Optional Termination

There may be an early termination of the Trust in the event the Master Servicer, Fannie Mae or the Subordinate Directing Holder purchases the Mortgage Assets in the Lower Tier REMIC. See “The Trust Agreement—Termination” and “The Sale and Servicing Agreement—Termination” herein.

Book-Entry Procedures

General

The DTC Certificates will be registered at all times in the name of the nominee of The Depository Trust Company, a New York-chartered limited purpose trust company, or any successor depository

selected or approved by Fannie Mae (the “Depository”). In accordance with its normal procedures, the Depository will record the positions held by each Depository participating firm (each, a “Depository Participant”) in the DTC Certificates, whether held for its own account or as a nominee for another person. State Street will act as Paying Agent for, and perform certain administrative functions with respect to, the DTC Certificates.

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

Method of Distribution

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

Distributions of Interest

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

<u>Interest Type*</u>	<u>Classes</u>
Fixed Rate	A, B, C, Z and ZA
Weighted Average Coupon	V and N
Accrual	Z and ZA
Interest Only	N
No Payment Residual	R and RL

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

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

In addition, in the event that any prepayment penalties received on the Mortgage Loans are included in the distributions with respect to any Distribution Date, (i) the distribution to be made on

the N Class on such Distribution Date will include an amount representing 75% of the prepayment penalties so received and (ii) the distribution to be made on the Class currently receiving distributions of principal from the Cash Flow Distribution Amount on such Distribution Date will include an amount representing 25% of the prepayment penalties so received (or, if more than one of the A, B, C, V, Z and ZA Classes are receiving principal distributions from the Cash Flow Distribution Amount on such Distribution Date, the amount representing 25% of the prepayment penalties so received will be allocated among such Classes, pro rata, based on the principal amounts so distributable thereon). Notwithstanding the foregoing, after the date on which the outstanding notional amount of the N Class has been reduced to zero, the N Class will receive no distributions of prepayment penalties.

Interest Accrual Period. Interest to be distributed on each 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 “Description of the Certificates—Yield Considerations” herein.

Accrual Classes. The Z and ZA Classes will be Accrual Classes. Interest will accrue on the Accrual Classes at the per annum rates as described herein; however, such interest will not be distributed thereon (i) in the case of the Z Class, until the Distribution Date following the Distribution Date on which the principal balance of the C Class or the V Class is reduced to zero, whichever is later, and (ii) in the case of the ZA Class, the Distribution Date following the Distribution Date on which the principal balance of the Z Class is reduced to zero. Interest so accrued and unpaid on the Accrual Classes will be added as principal to the respective principal balances thereof on each Distribution Date. Distributions of principal of the Accrual Classes will be made as described herein.

Notional Class. The N Class will be a Notional Class and will have no principal balance. The notional principal balance of the Notional Class will be equal to the applicable percentage of the outstanding principal balances of the following Classes immediately prior to the related Distribution Date:

<u>Class</u>	<u>Percentage of Principal Balance of Specified Classes</u>
N	100% of the A, B, C, Z and ZA Classes

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

Weighted Average Coupon Classes. The V and N Classes will be Weighted Average Coupon Classes. The V Class will bear interest for each Interest Accrual Period at the rate per annum equal to the Weighted Average Pass-Through Rate of the Mortgage Loans. The N Class will bear interest during each Interest Accrual Period at a rate per annum equal to the Weighted Average Pass-Through Rate of the Mortgage Loans less the weighted average of the rates at which interest accrues on the A, B, C, Z and ZA Classes. Fannie Mae’s determination of the rate of interest for such Class for the related Interest Accrual Period shall (in the absence of manifest error) be final and binding.

The V and N Classes will bear interest during the initial Interest Accrual Period at the initial interest rate set forth below:

<u>Class</u>	<u>Initial Interest Rate</u>
V	7.85444%
N	0.94496%

Each such rate of interest may be obtained by telephoning Fannie Mae at 1-800-BEST-MBS or 202-752-6547.

Distributions of Principal

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

<u>Principal Type*</u>	<u>Classes</u>
Sequential Pay	A, B, C, V, Z and ZA
Accretion Directed	B, C, V and Z
Notional	N
No Payment Residual	R and RL

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

Principal Distribution Amount

On each Distribution Date, principal will be distributed on the Certificates in an amount (the "Principal Distribution Amount") equal to the sum of (i) with respect to the GNMA Certificates, the principal distributions received by the Master Servicer by the seventeenth calendar day of the month of such Distribution Date, (ii) with respect to the Whole Loans and the Participation Certificates, the principal component of all Monthly Payments which became due during the period from the second day of the month preceding the month in which such Distribution Date occurs and ending on and including the first day of the month in which such Distribution Date occurs (such period, the "Due Period"), (iii) with respect to the Whole Loans and the Participation Certificates, the aggregate of all payments, revenues and proceeds received by the related PC Servicers and Servicers during the calendar month preceding the month in which such Distribution Date occurs, which payments, revenues and proceeds were applied by the Master Servicer or related PC Servicers and Sub-Servicers as recoveries of principal of such related Mortgage Loans in accordance with the Sale and Servicing Agreement or Participation Agreements (including, without limitation, voluntary prepayments, mandatory prepayments and involuntary prepayments), in each case net of any portion of such amounts that represents a recovery of the principal portion of any such Monthly Payment due on or before the first day of the month in which such Distribution Date occurs (together with the amounts specified in clauses (i) and (ii), the "Cash Flow Distribution Amount"), (iv) any interest accrued and added on such Distribution Date to the principal balance of the Z Class (the "Z Accrual Amount") and (v) any interest accrued and added on such Distribution Date to the principal balance of the ZA Class (the "ZA Accrual Amount" and, together with the Cash Flow Distribution Amount and the Z Accrual Amount, the "Principal Distribution Amount"). See "General—*REMIC Trust Factors*" herein.

Payments of amounts described in clauses (ii) or (iii) of the definition of "Principal Distribution Amount" above shall be reduced by any Deferred Principal Payments. See "Risk Factors—Deferred Principal Payments/Reamortization."

Z Accrual Amount

On each Distribution Date, the Z Accrual Amount, if any, will be distributed, sequentially, as principal of the V, B and C Classes, in that order, until the respective principal balances thereof are reduced to zero, and thereafter to the Z Class.

} Accretion
Directed
Classes
and
Accrual
Class

ZA Accrual Amount

On each Distribution Date, the ZA Accrual Amount, if any, will be distributed, sequentially, as principal of the V, B, C and Z Classes, in that order, until the respective principal balances thereof are reduced to zero, and thereafter, to the ZA Class.

} Accretion
Directed
Classes
and
Accrual
Class

Cash Flow Distribution Amount

On each Distribution Date, the Cash Flow Distribution Amount will be distributed, sequentially, as principal of the A, B, C, V, Z and ZA Classes, in that order, until the respective principal balances thereof are reduced to zero.

} Sequential
Pay
Classes

Subordination

The rights of the holders of the Subordinate Class to receive distributions with respect to the Mortgage Loans will be subordinate to the rights of the Certificateholders. The subordination is effected by the allocation on each Distribution Date of all principal payments on the Mortgage Loans to the A, B, C, V, Z and ZA Classes until retired.

Structuring Assumptions

Pricing Assumptions. Unless otherwise specified, the information in the tables under “Yield Considerations” and “Decrement Tables” has been prepared on the basis of the actual characteristics of the Mortgage Loans (as described in Exhibit A hereto) and the following assumptions (the “Pricing Assumptions”):

- (i) the Settlement Date for the Certificates is September 30, 1997;
- (ii) scheduled interest and principal payments on the Mortgage Loans are calculated using the Issue Date Balance, the mortgage interest rate, and the remaining term to maturity set forth in Exhibit A (scheduled monthly principal and interest payments for each Mortgage Loan on Exhibit A were disregarded) and no Deferred Principal Payments occurs;
- (iii) all principal payments (including prepayments) on the Mortgage Loans are distributed on the Certificates on the Distribution Date relating to the month in which such payments are received;
- (iv) the Mortgage Loans prepay at the percentages of CPR specified in the related tables, provided that no prepayments occur through the applicable lockout end dates or prepayment penalty end dates, as applicable, except in the case of 5 Mortgage Loans for which no prepayments occur through the applicable Section 8 contract end dates, as specified on Exhibit A;
- (v) distributions on the Certificates are always received on the 25th of the month, whether or not a business day;
- (vi) no prepayment penalties are received on the Mortgage Loans; and
- (vii) there are no repurchases of Mortgage Loans and none of Fannie Mae, the Master Servicer or the Subordinate Directing Holder exercises the right of optional termination of the Trust described herein.

CPR Assumptions. Prepayments on mortgage loans may be measured by a prepayment standard or model. The model used herein is the “Constant Prepayment Rate” or “CPR” model. The CPR model represents an assumed constant rate of prepayment each month, expressed as a per annum percentage of the then outstanding principal balance of the pool of mortgage loans. *CPR does not purport to be either 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 backing the Certificates.* See “—Yield Considerations” and “—Decrement Tables”

herein and “Yield Considerations” and “Maturity and Prepayment Considerations and Risks” in the Multifamily REMIC Prospectus.

Yield Considerations

General. The yield to maturity for each Certificate will depend upon the purchase price thereof, the rate of principal payments (including prepayments resulting from liquidations of Mortgage Loans due to defaults, casualties or condemnations affecting the Mortgaged Properties) and the actual characteristics of the Mortgage Loans. There can be no assurance that the Mortgage Loans will prepay at any of the rates assumed herein or at any other particular rate, that the pre-tax yields on the Certificates will correspond to any of the pre-tax yields shown herein or that the aggregate purchase prices of the Certificates will be as expected. 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. It is not likely that the Mortgage Loans will prepay at the indicated CPR levels until maturity or that all of such Mortgage Loans will prepay at the same rate.

The timing of changes in the rate of principal prepayments or, in the case of the V and N Classes, in the Weighted Average Pass-Through Rate of the Mortgage Loans, may significantly affect the actual yield to maturity to an investor, even if the average rate of principal prepayments or the average Weighted Average Pass-Through Rate is consistent with the expectations of such investor. In general, the earlier the payment of principal of the Mortgage Loans or change in the level of the Weighted Average Pass-Through Rate, the greater the effect on an investor’s yield to maturity. As a result, the effect on an investor’s yield of principal prepayments or the level of the Weighted Average Pass-Through Rate occurring at a rate or level higher (or lower) than the rate or level anticipated by the investor during the period immediately following the issuance of the related Certificates will not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments or the level of the Weighted Average Pass-Through Rate. For a description of the prepayment provisions of the Mortgage Loans, see Exhibit A hereto.

The effective yields on the interest bearing Classes will be reduced below the yields 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 will be paid on any Class after its principal balance has been reduced to zero. As a result of the foregoing, the market values of the interest bearing Classes will be lower than would have been the case if there were no such delay. Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the Certificates.

Prepayment Provisions. The rate of prepayment on the Mortgage Loans will depend on a variety of factors, including the characteristics of such Mortgage Loans, the level of prevailing interest rates or the assessment of prepayment premiums and other economic, geographic and social factors. See “Risk Factors—Certain Prepayment Considerations and Risks” herein.

The Interest Only Class. The tables below indicate the sensitivity of the pre-tax corporate bond equivalent yields to maturity of the Interest Only Class to various constant percentages of CPR. The yields set forth in such tables were calculated by determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the applicable Class, would cause the discounted present value of such assumed streams of cash flows to equal the assumed aggregate purchase price of such Class and converting such monthly rates to corporate bond equivalent rates. Such calculations do not take into account variations that may occur in the interest rates at which investors may be able to reinvest funds received by them as distributions on the Certificates and consequently do not purport to reflect the return on any investment in the Certificates when such reinvestment rates are considered.

As indicated in the tables below, the yield to investors in the Interest Only Class will be highly sensitive to the rate of principal payments (including principal prepayments) of the

Mortgage Loans. Subject to certain restrictions, the Mortgage Loans may be prepaid prior to their stated maturities. See “Description of the Mortgage Loans” herein.

On the basis of the assumptions described below including the assumption that no prepayment penalties are received, the yield to maturity on the Interest Only Class would be 0% if prepayments were to occur at a constant rate of approximately 26% CPR, assuming no prepayment through the applicable lockout end dates and applicable Section 8 contract end dates, as specified on Exhibit A. If the actual prepayment rate of the Mortgage Loans was to exceed the foregoing level for as little as one month while equaling such level for the remaining months, investors in such Class would not fully recoup their initial investment. There can be no assurance that the Mortgage Loans will prepay at any of the rates assumed herein or at any other particular rate, that the pre-tax yields on the Certificates will correspond to any of the pre-tax yields shown herein or that the aggregate purchase price of the N Class will be as assumed below.

The information set forth in the following table was prepared on (i) the basis of the Pricing Assumptions and (ii) the assumption that the aggregate purchase price of the Interest Only Class (expressed as a percentage of original principal balance) will be as follows:

<u>Class</u>	<u>Price*</u>
N	5.68750%

* The price does not include accrued interest. Accrued interest has been added to such price in calculating the yields set forth in the table below.

Sensitivity of the N Class to Prepayments

	<u>Lockout*</u>						
	<u>CPR Prepayment Assumption</u>						
	<u>0%</u>	<u>10%</u>	<u>20%</u>	<u>35%</u>	<u>40%</u>	<u>50%</u>	<u>100%</u>
Pre-Tax Yields to Maturity	16.1%	9.2%	3.2%	(3.5)%	(5.2)%	(7.8)%	(16.6)%

	<u>Extended Protection*</u>						
	<u>CPR Prepayment Assumption</u>						
	<u>0%</u>	<u>10%</u>	<u>20%</u>	<u>35%</u>	<u>40%</u>	<u>50%</u>	<u>100%</u>
Pre-Tax Yields to Maturity	16.1%	13.1%	10.8%	8.3%	7.7%	6.7%	2.6%

* “Lockout” assumes no prepayment through the applicable lockout end dates and “Extended Protection” assumes no prepayment through any applicable prepayment penalty end dates. See “Structuring Assumptions—Pricing Assumptions” herein.

A portion of any prepayment penalties actually received will be allocated to the N Class and will increase the yield on such Class. However, any such allocation may be insufficient to offset fully the adverse effects on the anticipated yield arising out of the corresponding principal prepayment.

Weighted Average Lives of the Certificates

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

The weighted average lives of the Certificates will depend, in varying degrees, on the rate of payment of principal of the Mortgage Loans (including the timing of changes in such rate) which, in turn, will depend on the characteristics of such Mortgage Loans, the level of prevailing interest rates or the assessment of prepayment penalties and other economic, geographic and social factors.

The interaction of the foregoing factors may have an effect on the Certificates at different times during the lives of the Certificates. Accordingly, no assurance can be given as to the weighted average life of any Class. Further, to the extent the price of a Certificate represents a discount or premium to its respective original principal balance, any variability in the weighted average life of a Certificate in combination with such discount or premium could result in variability in its yield to maturity. For an example of how the weighted average life of a Certificate may be affected at various constant prepayment rates, see the Decrement Tables below.

Decrement Tables

The following tables indicate the percentages of the original principal balances or notional principal balances of the specified Classes that would be outstanding after each of the dates shown at the *constant* percentages of CPR and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions. It is unlikely, however, that prepayments of the Mortgage Loans will conform to any level of CPR, and no representation is made that the Mortgage Loans will prepay at the CPRs shown or at any other constant prepayment rate.

Percent of Original Principal Balances Outstanding

Date	A Class													
	CPR Prepayment Assumption													
	Lockout††							Extended Protection††						
	0%	10%	20%	35%	40%	50%	100%	0%	10%	20%	35%	40%	50%	100%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100
September 1998	93	72	52	20	10	0	0	93	93	93	93	93	93	93
September 1999	85	40	0	0	0	0	0	85	85	84	84	84	83	77
September 2000	77	0	0	0	0	0	0	77	74	72	69	67	65	43
September 2001	68	0	0	0	0	0	0	68	60	53	44	41	35	12
September 2002	58	0	0	0	0	0	0	58	42	28	10	5	0	0
September 2003	47	0	0	0	0	0	0	47	15	0	0	0	0	0
September 2004	36	0	0	0	0	0	0	36	0	0	0	0	0	0
September 2005	23	0	0	0	0	0	0	23	0	0	0	0	0	0
September 2006	10	0	0	0	0	0	0	10	0	0	0	0	0	0
September 2007	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2008	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2009	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2010	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2011	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2012	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2013	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
September 2015	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
September 2017	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
September 2019	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
September 2021	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
September 2023	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
September 2025	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
September 2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2033	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2034	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2035	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2036	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2037	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	5.5	1.7	1.1	0.7	0.6	0.5	0.1	5.5	4.2	3.8	3.5	3.4	3.3	2.7

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

†† “Lockout” assumes no prepayment through the applicable lockout end dates and “Extended Protection” assumes no prepayment through any applicable prepayment penalty end dates. See “Structuring Assumptions—Pricing Assumptions” herein.

	B Class														
	CPR Prepayment Assumption														
	Lockout††							Extended Protection††							
Date	0%	10%	20%	35%	40%	50%	100%	0%	10%	20%	35%	40%	50%	100%	
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
September 1998	100	100	100	100	100	97	62	100	100	100	100	100	100	100	
September 1999	100	100	100	85	81	73	32	100	100	100	100	100	100	100	
September 2000	100	99	82	60	54	44	10	100	100	100	100	100	100	100	
September 2001	100	86	61	33	26	13	0	100	100	100	100	100	100	100	
September 2002	100	71	37	3	0	0	0	100	100	100	100	100	99	83	
September 2003	100	52	9	0	0	0	0	100	100	97	87	84	79	52	
September 2004	100	34	0	0	0	0	0	100	94	82	66	62	54	5	
September 2005	100	17	0	0	0	0	0	100	81	60	37	30	19	0	
September 2006	100	2	0	0	0	0	0	100	65	37	6	0	0	0	
September 2007	99	0	0	0	0	0	0	99	47	10	0	0	0	0	
September 2008	90	0	0	0	0	0	0	90	19	0	0	0	0	0	
September 2009	81	0	0	0	0	0	0	81	0	0	0	0	0	0	
September 2010	71	0	0	0	0	0	0	71	0	0	0	0	0	0	
September 2011	61	0	0	0	0	0	0	61	0	0	0	0	0	0	
September 2012	50	0	0	0	0	0	0	50	0	0	0	0	0	0	
September 2013	38	0	0	0	0	0	0	38	0	0	0	0	0	0	
September 2014	25	0	0	0	0	0	0	25	0	0	0	0	0	0	
September 2015	11	0	0	0	0	0	0	11	0	0	0	0	0	0	
September 2016	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	
September 2018	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	
September 2020	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	
September 2022	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	
September 2024	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	
September 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2033	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2034	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2035	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2036	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2037	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Weighted Average Life (years)**	14.8	6.1	4.4	3.4	3.1	2.8	1.5	14.8	9.6	8.4	7.5	7.3	7.0	6.0	

C Class															
Date	CPR Prepayment Assumption														
	Lockout††							Extended Protection††							
	0%	10%	20%	35%	40%	50%	100%	0%	10%	20%	35%	40%	50%	100%	
Initial Percent	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	
September 1999	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
September 2000	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
September 2001	100	100	100	100	100	100	69	100	100	100	100	100	100	100	
September 2002	100	100	100	100	95	81	17	100	100	100	100	100	100	100	
September 2003	100	100	100	68	58	43	3	100	100	100	100	100	100	100	
September 2004	100	100	85	43	34	20	0	100	100	100	100	100	100	100	
September 2005	100	100	65	23	15	4	0	100	100	100	100	100	100	78	
September 2006	100	100	48	10	3	0	0	100	100	100	100	98	85	39	
September 2007	100	87	32	0	0	0	0	100	100	100	73	63	48	0	
September 2008	100	66	9	0	0	0	0	100	100	70	22	10	0	0	
September 2009	100	47	0	0	0	0	0	100	93	37	0	0	0	0	
September 2010	100	29	0	0	0	0	0	100	70	10	0	0	0	0	
September 2011	100	12	0	0	0	0	0	100	48	0	0	0	0	0	
September 2012	100	0	0	0	0	0	0	100	27	0	0	0	0	0	
September 2013	100	0	0	0	0	0	0	100	8	0	0	0	0	0	
September 2014	100	0	0	0	0	0	0	100	0	0	0	0	0	0	
September 2015	100	0	0	0	0	0	0	100	0	0	0	0	0	0	
September 2016	96	0	0	0	0	0	0	96	0	0	0	0	0	0	
September 2017	81	0	0	0	0	0	0	81	0	0	0	0	0	0	
September 2018	64	0	0	0	0	0	0	64	0	0	0	0	0	0	
September 2019	46	0	0	0	0	0	0	46	0	0	0	0	0	0	
September 2020	26	0	0	0	0	0	0	26	0	0	0	0	0	0	
September 2021	5	0	0	0	0	0	0	5	0	0	0	0	0	0	
September 2022	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	
September 2024	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	
September 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2033	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2034	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2035	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2036	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2037	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Weighted Average Life (years)**	21.7	11.9	8.9	6.9	6.6	6.0	4.5	21.7	14.0	11.7	10.4	10.2	9.9	8.8	

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

†† “Lockout” assumes no prepayment through the applicable lockout end dates and “Extended Protection” assumes no prepayment through any applicable prepayment penalty end dates. See “Structuring Assumptions—Pricing Assumptions” herein.

	V Class														
	CPR Prepayment Assumption														
	Lockout††							Extended Protection††							
Date	0%	10%	20%	35%	40%	50%	100%	0%	10%	20%	35%	40%	50%	100%	
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
September 1998	93	93	93	93	93	93	93	93	93	93	93	93	93	93	
September 1999	85	85	85	85	85	85	85	85	85	85	85	85	85	85	
September 2000	77	77	77	77	77	77	77	77	77	77	77	77	77	77	
September 2001	68	68	68	68	68	68	68	68	68	68	68	68	68	68	
September 2002	58	58	58	58	58	58	58	58	58	58	58	58	58	58	
September 2003	48	48	48	48	48	48	48	48	48	48	48	48	48	48	
September 2004	37	37	37	37	37	37	14	37	37	37	37	37	37	37	
September 2005	26	26	26	26	26	26	0	26	26	26	26	26	26	26	
September 2006	13	13	13	13	13	0	0	13	13	13	13	13	13	13	
September 2007	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2008	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2009	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2010	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2011	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2012	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2013	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	
September 2015	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	
September 2017	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	
September 2019	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	
September 2021	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	
September 2023	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	
September 2025	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	
September 2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2033	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2034	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2035	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2036	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2037	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Weighted Average Life (years)**	5.6	5.6	5.6	5.6	5.6	5.5	5.0	5.6	5.6	5.6	5.6	5.6	5.6	5.6	

Z Class															
Date	CPR Prepayment Assumption														
	Lockout††							Extended Protection††							
	0%	10%	20%	35%	40%	50%	100%	0%	10%	20%	35%	40%	50%	100%	
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
September 1998	107	107	107	107	107	107	107	107	107	107	107	107	107	107	
September 1999	115	115	115	115	115	115	115	115	115	115	115	115	115	115	
September 2000	123	123	123	123	123	123	123	123	123	123	123	123	123	123	
September 2001	132	132	132	132	132	132	132	132	132	132	132	132	132	132	
September 2002	141	141	141	141	141	141	141	141	141	141	141	141	141	141	
September 2003	151	151	151	151	151	151	151	151	151	151	151	151	151	151	
September 2004	162	162	162	162	162	162	162	162	162	162	162	162	162	162	
September 2005	173	173	173	173	173	173	139	173	173	173	173	173	173	173	
September 2006	186	186	186	186	186	177	117	186	186	186	186	186	186	186	
September 2007	199	199	199	181	141	93	0	199	199	199	199	199	199	0	
September 2008	213	213	213	26	0	0	0	213	213	213	213	213	148	0	
September 2009	228	228	153	0	0	0	0	228	228	228	136	57	0	0	
September 2010	244	244	50	0	0	0	0	244	244	244	0	0	0	0	
September 2011	262	262	0	0	0	0	0	262	262	172	0	0	0	0	
September 2012	280	251	0	0	0	0	0	280	280	54	0	0	0	0	
September 2013	300	163	0	0	0	0	0	300	300	0	0	0	0	0	
September 2014	322	81	0	0	0	0	0	322	252	0	0	0	0	0	
September 2015	345	3	0	0	0	0	0	345	153	0	0	0	0	0	
September 2016	369	0	0	0	0	0	0	369	60	0	0	0	0	0	
September 2017	395	0	0	0	0	0	0	395	0	0	0	0	0	0	
September 2018	424	0	0	0	0	0	0	424	0	0	0	0	0	0	
September 2019	454	0	0	0	0	0	0	454	0	0	0	0	0	0	
September 2020	486	0	0	0	0	0	0	486	0	0	0	0	0	0	
September 2021	521	0	0	0	0	0	0	521	0	0	0	0	0	0	
September 2022	438	0	0	0	0	0	0	438	0	0	0	0	0	0	
September 2023	310	0	0	0	0	0	0	310	0	0	0	0	0	0	
September 2024	177	0	0	0	0	0	0	177	0	0	0	0	0	0	
September 2025	35	0	0	0	0	0	0	35	0	0	0	0	0	0	
September 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2033	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2034	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2035	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2036	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
September 2037	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Weighted Average Life (years)**	26.3	16.4	12.5	10.5	10.3	9.9	9.2	26.3	18.0	14.4	12.2	11.8	11.2	9.9	

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

†† “Lockout” assumes no prepayment through the applicable lockout end dates and “Extended Protection” assumes no prepayment through any applicable prepayment penalty end dates. See “Structuring Assumptions—Pricing Assumptions” herein.

ZA Class														
Date	CPR Prepayment Assumption													
	Lockout††							Extended Protection††						
	0%	10%	20%	35%	40%	50%	100%	0%	10%	20%	35%	40%	50%	100%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100
September 1998	107	107	107	107	107	107	107	107	107	107	107	107	107	107
September 1999	115	115	115	115	115	115	115	115	115	115	115	115	115	115
September 2000	123	123	123	123	123	123	123	123	123	123	123	123	123	123
September 2001	132	132	132	132	132	132	132	132	132	132	132	132	132	132
September 2002	141	141	141	141	141	141	141	141	141	141	141	141	141	141
September 2003	151	151	151	151	151	151	151	151	151	151	151	151	151	151
September 2004	162	162	162	162	162	162	162	162	162	162	162	162	162	162
September 2005	173	173	173	173	173	173	173	173	173	173	173	173	173	173
September 2006	186	186	186	186	186	186	186	186	186	186	186	186	186	186
September 2007	199	199	199	199	199	199	80	199	199	199	199	199	199	132
September 2008	213	213	213	213	197	138	0	213	213	213	213	213	213	0
September 2009	228	228	228	146	108	58	0	228	228	228	228	228	168	0
September 2010	244	244	244	85	54	17	0	244	244	244	224	159	71	0
September 2011	262	262	225	45	22	0	0	262	262	262	134	83	23	0
September 2012	280	280	171	20	3	0	0	280	280	280	77	39	0	0
September 2013	300	300	128	5	0	0	0	300	300	256	40	14	0	0
September 2014	322	322	95	0	0	0	0	322	322	194	17	0	0	0
September 2015	345	345	68	0	0	0	0	345	345	145	2	0	0	0
September 2016	369	299	48	0	0	0	0	369	369	107	0	0	0	0
September 2017	395	256	32	0	0	0	0	395	368	77	0	0	0	0
September 2018	424	217	19	0	0	0	0	424	313	54	0	0	0	0
September 2019	454	183	9	0	0	0	0	454	265	35	0	0	0	0
September 2020	486	152	1	0	0	0	0	486	221	21	0	0	0	0
September 2021	521	124	0	0	0	0	0	521	182	10	0	0	0	0
September 2022	558	100	0	0	0	0	0	558	148	2	0	0	0	0
September 2023	597	78	0	0	0	0	0	597	118	0	0	0	0	0
September 2024	640	60	0	0	0	0	0	640	92	0	0	0	0	0
September 2025	685	44	0	0	0	0	0	685	69	0	0	0	0	0
September 2026	617	29	0	0	0	0	0	617	49	0	0	0	0	0
September 2027	510	17	0	0	0	0	0	510	31	0	0	0	0	0
September 2028	411	6	0	0	0	0	0	411	17	0	0	0	0	0
September 2029	316	0	0	0	0	0	0	316	5	0	0	0	0	0
September 2030	228	0	0	0	0	0	0	228	0	0	0	0	0	0
September 2031	145	0	0	0	0	0	0	145	0	0	0	0	0	0
September 2032	73	0	0	0	0	0	0	73	0	0	0	0	0	0
September 2033	41	0	0	0	0	0	0	41	0	0	0	0	0	0
September 2034	9	0	0	0	0	0	0	9	0	0	0	0	0	0
September 2035	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2036	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2037	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	31.9	23.1	16.7	12.9	12.3	11.6	10.0	31.9	24.4	18.6	14.6	13.8	12.7	10.1

N† Class														
Date	CPR Prepayment Assumption													
	Lockout††							Extended Protection††						
	0%	10%	20%	35%	40%	50%	100%	0%	10%	20%	35%	40%	50%	100%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100
September 1998	100	98	96	93	92	89	76	100	100	100	100	100	100	100
September 1999	100	96	91	86	84	81	65	100	100	100	100	100	100	99
September 2000	100	92	85	77	74	70	58	100	100	100	99	99	99	97
September 2001	100	88	78	67	64	60	42	100	99	99	98	97	97	94
September 2002	100	83	70	57	54	48	23	100	99	97	95	95	94	88
September 2003	100	77	60	44	40	34	18	100	97	94	90	89	87	77
September 2004	100	71	52	35	32	26	18	100	94	90	84	82	79	60
September 2005	100	66	45	29	26	21	18	100	91	83	73	71	67	50
September 2006	100	61	40	25	22	20	17	100	86	75	63	60	55	36
September 2007	100	57	35	21	19	16	4	100	80	66	51	48	42	7
September 2008	99	50	28	13	11	8	0	99	71	52	33	28	20	0
September 2009	97	44	21	8	6	3	0	97	63	41	20	16	9	0
September 2010	95	39	17	5	3	1	0	95	55	32	13	9	4	0
September 2011	93	34	13	3	1	0	0	93	48	24	8	5	1	0
September 2012	91	30	10	1	*	0	0	91	42	19	4	2	0	0
September 2013	88	26	7	*	0	0	0	88	37	14	2	1	0	0
September 2014	86	23	5	0	0	0	0	86	32	11	1	0	0	0
September 2015	83	20	4	0	0	0	0	83	28	8	*	0	0	0
September 2016	80	17	3	0	0	0	0	80	24	6	0	0	0	0
September 2017	77	14	2	0	0	0	0	77	21	4	0	0	0	0
September 2018	73	12	1	0	0	0	0	73	18	3	0	0	0	0
September 2019	69	10	1	0	0	0	0	69	15	2	0	0	0	0
September 2020	65	9	*	0	0	0	0	65	12	1	0	0	0	0
September 2021	61	7	0	0	0	0	0	61	10	1	0	0	0	0
September 2022	56	6	0	0	0	0	0	56	8	*	0	0	0	0
September 2023	51	4	0	0	0	0	0	51	7	0	0	0	0	0
September 2024	46	3	0	0	0	0	0	46	5	0	0	0	0	0
September 2025	40	2	0	0	0	0	0	40	4	0	0	0	0	0
September 2026	35	2	0	0	0	0	0	35	3	0	0	0	0	0
September 2027	29	1	0	0	0	0	0	29	2	0	0	0	0	0
September 2028	23	*	0	0	0	0	0	23	1	0	0	0	0	0
September 2029	18	0	0	0	0	0	0	18	*	0	0	0	0	0
September 2030	13	0	0	0	0	0	0	13	0	0	0	0	0	0
September 2031	8	0	0	0	0	0	0	8	0	0	0	0	0	0
September 2032	4	0	0	0	0	0	0	4	0	0	0	0	0	0
September 2033	2	0	0	0	0	0	0	2	0	0	0	0	0	0
September 2034	1	0	0	0	0	0	0	1	0	0	0	0	0	0
September 2035	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2036	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September 2037	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	25.3	12.0	8.2	6.2	5.8	5.3	3.9	25.3	15.0	11.7	9.9	9.5	9.1	7.7

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

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

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

†† “Lockout” assumes no prepayment through the applicable lockout end dates and “Extended Protection” assumes no prepayment through any applicable prepayment penalty end dates. See “Structuring Assumptions—Pricing Assumptions” herein.

Characteristics of the R and RL Classes

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

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

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

THE TRUST AGREEMENT

The following summary descriptions of certain provisions set forth in the Trust Agreement do not purport to be complete and are subject to, and qualified in their entirety by reference to, the provisions of the Trust Agreement.

Servicing of the Whole Loans

Due-on-Sale and Due-on-Encumbrance Provisions. When any Mortgaged Property has been conveyed by the related mortgagor (except as otherwise provided herein), Fannie Mae will, to the extent that it has knowledge of such conveyance, enforce any due-on-sale clause contained in the related Mortgage Note or Mortgage, to the extent permitted under applicable law and governmental regulations, but only to the extent that such enforcement will not adversely affect or jeopardize coverage under the related FHA Insurance Contract or any hazard or other insurance policy (each, a “Required Insurance Policy”) that is required to be maintained from time to time under the Sale and Servicing Agreement in respect of such Whole Loan. In the event that Fannie Mae or the related Sub-Servicer is prohibited by law from enforcing any such due-on-sale clause, or if coverage under the related FHA Insurance Contract or any Required Insurance Policy would be adversely affected, Fannie Mae is authorized, subject to the provisions of the Trust Agreement or Sale and Servicing Agreement, to take or enter into an assumption and modification agreement from or with the person to whom such property has been or is about to be conveyed, pursuant to which such person becomes liable under the related Mortgage Note and, unless prohibited by applicable state law, the mortgagor remains liable

thereon, provided that the Whole Loans will continue to be covered (if so covered before Fannie Mae enters such agreement) by the related FHA Insurance Contract and the applicable Required Insurance Policies. Fannie Mae, subject to the provisions of the Trust Agreement or Sale and Servicing Agreement, is also authorized with the prior approval of the FHA and, if necessary and appropriate, the insurers under any Required Insurance Policies to enter into a substitution of liability agreement with such person, pursuant to which the original mortgagor is released from liability and such person is substituted as mortgagor and becomes liable under the related Mortgage Note.

When any Mortgaged Property securing a Whole Loan has been further encumbered by the related mortgagor, Fannie Mae shall, to the extent it has knowledge of such encumbrance, enforce any due-on-encumbrance clause contained in the related Mortgage Note or Mortgage, to the extent permitted under applicable law and governmental regulations, but only to the extent that such enforcement will not adversely affect or jeopardize coverage under the related contract of FHA Insurance or any Required Insurance Policy.

Modifications, Waivers and Amendments. Fannie Mae is not permitted to engage in any material modifications with respect to any Whole Loan while such Whole Loan remains in the Lower Tier REMIC unless Fannie Mae is required to do so by the FHA. In addition, Fannie Mae shall not make or permit any modification, waiver or amendment of any term of, or take any other action with respect to, any Whole Loan that would (A) result in an adverse event with respect to the qualification of either the Trust or the Lower Tier REMIC as a REMIC or (B) cause any Whole Loan to cease to be a “qualified mortgage” within the meaning of Section 860G(a)(3) of the Code.

Realization Upon Defaulted Whole Loans. If a mortgagor with respect to a Whole Loan shall fail to make any payment due on any Whole Loan or fail to perform any other covenant thereunder which could result in the acceleration of the debt, and such failure continues for a period of 30 days, the Master Servicer shall promptly notify the FHA of its intention to file an insurance claim and assign the Whole Loan to the FHA. Fannie Mae shall thereafter take such reasonable action as is necessary to perfect the claim under the related FHA Insurance Contract. If the FHA allows Fannie Mae to decide the form in which the insurance proceeds under the related FHA Insurance Contract (the “FHA Insurance Benefits”) will be paid (*e.g.*, cash, debentures issued by the FHA (“FHA Debentures”) or some combination thereof), Fannie Mae shall in each case request that such FHA Insurance Benefits be paid in cash. Notwithstanding the foregoing, if for any reason a defaulted Mortgage Loan cannot be assigned to the FHA (including, without limitation, by reason of any change in the FHA Regulations), then the Master Servicer may foreclose upon such Mortgage Loan or acquire a deed in lieu thereof (and shall provide the appropriate notices to the FHA). Fannie Mae shall cooperate with all reasonable requests of the Master Servicer in connection with the foregoing. If Fannie Mae forecloses upon a Mortgage Loan or accepts a deed in lieu thereof, then following such foreclosure or such other acquisition of title to the related Mortgaged Property, title thereto shall be taken in the name of Fannie Mae in its capacity as Trustee or its designee. Immediately upon acquiring title to any Mortgaged Property, Fannie Mae shall convey or cause the conveyance of such Mortgaged Property to the FHA or, alternatively, Fannie Mae shall take such other action in respect of such Mortgaged Property as is in the best interests of the Certificateholders, and as will not result in an adverse event with respect to the qualification of either the Lower Tier REMIC or the Trust as a REMIC.

See “The Sale and Servicing Agreement—General” for a general description of the Sale and Servicing Agreement and the allocation by Fannie Mae to the Master Servicer, as an independent contractor to Fannie Mae, of the foregoing servicing responsibilities with respect to the Mortgage Loans, subject to certain retained consent rights of Fannie Mae described below.

Servicing of the Participation Certificates

Modification, Waivers and Amendments. With respect to any Participation Certificate, Fannie Mae is required to use reasonable efforts to monitor the related PC Servicer with respect to such

Participation Certificate, the related PC Loan and (i) any potential modification, waiver or amendment of any term of such Participation Certificate or Participation Agreement, or (ii) any action by the PC Servicer, that would possibly (A) result in an adverse event with respect to the qualification of the Trust or the Lower-Tier REMIC as a REMIC, or (B) cause any Participation Certificate to cease to be a “qualified mortgage” within the meaning of Section 860G(a)(3) of the Code. Fannie Mae is required to direct such PC Servicer with respect to such matters to the extent (but only to the extent) permitted to do so by the related Participation Agreement.

Defaults Under Participation Agreements. If Fannie Mae shall gain actual knowledge of any default on the part of the related PC Servicer under any Participation Agreement, and if such default is of a nature that the related Participation Agreement would permit the termination of the defaulting party, then unless such default is promptly cured or Fannie Mae waives such default, Fannie Mae may, in accordance with the terms of the related Participation Agreement, terminate the defaulting party thereunder and appoint such a successor as would be appropriate as a Master Servicer under the Sale and Servicing Agreement. If no other suitable successor can be found, Fannie Mae may act as such successor. In any event, so long as such default shall not have been remedied, Fannie Mae, in addition to the rights specified above, is required to take all actions now or hereafter existing at law, in equity or by statute to enforce the rights and remedies and to protect the interests of the Certificateholders as the beneficial owners of the related Participation Certificates (including the institution and prosecution of all judicial, administrative and other proceedings and the filings of proofs of claim and debt in connection therewith). If a default by the mortgagor of the related PC Loan occurs, then, to the extent the related Participation Agreement grants the holder of the related Participation Certificate the right to direct the PC Servicer with respect to the remedies to be exercised with respect to such default, Fannie Mae is required to direct the PC Servicer to file an insurance claim and assign such PC Loan to the FHA.

Sale of Defaulted Participation Certificates. If Fannie Mae discovers or is notified that a PC Servicer intends to file an insurance claim with respect to a defaulted PC Loan, Fannie Mae is required to notify the holders of the Subordinate Class, and the Subordinate Directing Holder may, at its option, purchase the related Participation Certificate at the applicable Purchase Price by delivering cash in an amount equal to the applicable Purchase Price to Fannie Mae no earlier than 61 days following the date on which the mortgagor shall have failed to make the payment or perform the covenant that caused such default, and no later than 75 days after such date. If the Subordinate Directing Holder declines to purchase such Participation Certificate, then the Master Servicer may purchase such Participation Certificate pursuant to and subject to the limitations of the Sale and Servicing Agreement. Upon receipt by Fannie Mae from the Subordinate Directing Holder or Master Servicer, as the case may be, of the applicable Purchase Price for any Participation Certificate, Fannie Mae will release the related Participation Certificate to or at the direction of the Subordinate Directing Holder or Master Servicer, as the case may be, and will execute and deliver such instruments of transfer or assignment and other reasonably requested documents, in each case without recourse, as shall be necessary to vest in the purchaser thereof, or its designee, title (to the extent that such title was transferred to Fannie Mae) to such Mortgage Asset.

Receipt of FHA Debentures. If (i) Fannie Mae receives as a distribution in kind on the related Participation Certificate any FHA Debentures received as part of the FHA Insurance Benefits in respect of any defaulted PC Loan assigned to the FHA, or (ii) if Fannie Mae discovers or is notified that FHA Debentures so received in respect of any defaulted PC Loan back a Participation Certificate and will not be distributed in kind, then, Fannie Mae will promptly notify the Master Servicer of its receipt of such FHA Debentures, or such discovery, as applicable, and will promptly deliver such FHA Debentures to the Master Servicer for purchase or require the Master Servicer to purchase the Participation Certificate, as the case may be, pursuant to the Sale and Servicing Agreement. See “The Sale and Servicing Agreement—Sale of FHA Debentures” herein.

Termination

Pursuant to the Trust Agreement, Fannie Mae, in its corporate capacity, is entitled to purchase all of the Mortgage Assets remaining in the Lower Tier REMIC and effect an early termination of the Lower Tier REMIC and the Trust at any time that the aggregate stated principal balance of all of the Mortgage Assets remaining in the Lower Tier REMIC is five percent or less (one percent or less if all of the Mortgage Assets remaining in the Lower Tier REMIC are GNMA Certificates) of the Issue Date Pool Balance, for a purchase price generally equal to the aggregate outstanding principal balance, and thirty days accrued interest, for all of the Mortgage Assets remaining in the Lower Tier REMIC.

There also may be an early termination of the Trust in the event the Master Servicer, Fannie Mae or the Subordinate Directing Holder purchases the Mortgage Loans in the Lower Tier REMIC. See “The Sale and Servicing Agreement—Termination” herein.

THE SALE AND SERVICING AGREEMENT

Fannie Mae, as purchaser, DLJ Mortgage Capital, Inc., as seller (the “Seller”), WMF/Huntoon, Paige Associates Limited (“WMF/Huntoon”), as master servicer (the “Master Servicer”), and ABN Amro Bank, N.V., as fiscal agent (the “Fiscal Agent”), are parties to a Sale and Servicing Agreement, dated as of September 1, 1997 (the “Sale and Servicing Agreement”), pursuant to which Fannie Mae acquired the Mortgage Assets from the Seller and, pursuant to its powers under the Trust Agreement, Fannie Mae engaged the Master Servicer, as an independent contractor to Fannie Mae, to service the Mortgage Loans.

The Sale and Servicing Agreement is a contract solely between Fannie Mae and the other parties thereto and neither the Certificateholders nor the holders of the Subordinate Class are deemed to be parties thereto or, except with respect to certain rights of the Subordinate Directing Holder to purchase defaulted Whole Loans and Participation Certificates relating to defaulted PC Loans and, under certain circumstances, to purchase all of the assets in the Lower Tier REMIC, have any claims, rights, obligations, duties or liabilities with respect to the Sale and Servicing Agreement or the parties thereto.

General

The Sale and Servicing Agreement sets forth the standards and the detailed procedures to be followed by, and rights and obligations of, the Master Servicer with respect to servicing and administering the Mortgage Assets.

Master Servicer. In general, the Master Servicer is responsible for (i) subject to the related FHA Insurance Contract, applicable law and governmental regulations and other required insurance policies, to make determinations with respect to the enforcement of due-on-sale and due-on-encumbrance clauses with respect to Whole Loans and to the extent permitted under the related Participation Agreement, mortgage loans underlying the Participation Certificates, (ii) maintaining in effect all FHA Insurance Contracts with respect to the Whole Loans and enforcement thereof and collection thereunder, (iii) with respect to the Participation Certificates, directing (subject in certain circumstances to the consent of Fannie Mae) the servicers (the “PC Servicers”) under the related Participation Agreement with respect to certain matters relating to the PC Loans, to the extent such direction is permitted under the related Participation Agreements, (iv) under certain circumstances, selling defaulted Whole Loans, Participation Certificates relating to defaulted PC Loans and FHA Debentures (as defined below), (v) making Advances (as defined below) and (vi) the collection of payments on the Mortgage Assets and the maintenance of various accounts with respect thereto.

Fiscal Agent. Under the Sale and Servicing Agreement, Fannie Mae enforces all of the duties and obligations of WMF/Huntoon as Master Servicer relating to Advances against the Fiscal Agent to the extent that WMF/Huntoon does not perform such duties and obligations. The Fiscal Agent will be subrogated to the rights of the Master Servicer under the Sale and Servicing Agreement that arise

from the Fiscal Agent's performance of the Master Servicer's duties and obligations relating to Advances thereunder, provided that the requirement that the Fiscal Agent perform such duties and obligations shall be in accordance with, and subject to, the requirements and limitations set forth in the Sale and Servicing Agreement.

Whole Loan Modifications

The Master Servicer may not, without the consent of the FHA (if required under FHA Regulations), and, in the case of a material modification, Fannie Mae (i) modify or extend any Whole Loan, (ii) make or consent to any material amendment, change, modification or alteration of any Whole Loan, (iii) consent to any release, substitution or exchange of the collateral given for any Whole Loan, (iv) waive any claim or right against the mortgagor under or any guarantor, standby creditor or obligor of a Whole Loan, or (v) consent to any transfer of or subordinate financing on any Mortgaged Property securing a Whole Loan unless such transfer or subordinate financing is permitted under the loan documents relating thereto. Moreover, the Master Servicer may not make or permit any modification, waiver or amendment of any term of, or take any other action with respect to, any Whole Loan that would (i) result in certain specified adverse tax consequences with respect to either the Lower Tier REMIC or the Trust Fund or (ii) cause any Whole Loan to cease to be a "qualified mortgage" within the meaning of Section 860G(a)(3) of the Code.

Advances

Delinquency Advances. Subject to the conditions herein the Master Servicer will, with respect to each Distribution Date, make "Delinquency Advances" to Fannie Mae in an amount equal to the aggregate of the following: (i) all scheduled monthly payments of principal and interest (the "Monthly Payment") (after adjustment of the interest portion of each such Monthly Payment to the Pass-Through Rate for the related Whole Loan) that were due on the Whole Loans (including, without limitation, Whole Loans that have been assigned to the FHA following a default thereof ("FHA Assigned Loans")) but as to which a determination has been made by the Master Servicer that all amounts (including FHA Insurance Benefits) have not been recovered thereon) on their respective Due Dates (as defined herein) during the related Due Period in each case to the extent not received on or before the second business day preceding such Distribution Date (the "Delinquency Advance Determination Date"); (ii) with respect to each FHA Debenture received (but not yet purchased) by the Master Servicer with respect to any Whole Loan or Participation Certificate, an amount equal to the excess, if any, of (A) the scheduled Monthly Payment (after adjustment of the interest portion of the Monthly Payment to the Pass-Through Rate for the related Mortgage Loan) that would have been due on the related Mortgage Loan on its Due Date during the related Due Period had it remained outstanding, over (B) the portion of the aggregate remittance received on the FHA Debenture during the period beginning immediately following the Delinquency Advance Determination Date in the immediately preceding calendar month and ending (and including) the related Delinquency Advance Determination Period (the "Collection Period") (net of any portion thereof allocable to pay related Fannie Mae guaranty fees and reimburse related Advances); and (iii) with respect to each Participation Certificate, an amount equal to the excess, if any, of (A) the Monthly Payment (after adjustment of the interest portion of such Monthly Payment to the Pass-Through Rate for the related PC Loan) that was due (or, if it is no longer outstanding, would have been due) on the related PC Loan during the related Due Period, over (B) the portion of the aggregate remittance received on the related Participation Certificate during the related Collection Period (net of any portion thereof allocable to pay related unpaid Master Servicing fees and Fannie Mae guaranty fees and to reimburse related Advances).

Servicing Advances. The Master Servicer is also required to cover certain servicing expenses ("Servicing Advances", together with Delinquency Advances, the "Advances"), except that Master Servicer will not make any particular Servicing Advance if and to the extent that (i) the Master Servicer determines, in its good faith and reasonable judgment, that such Servicing Advance, if made, would not be specifically covered by the FHA Insurance Benefits with respect to the related Whole

Loan and (ii) the failure to make such Servicing Advance would not adversely affect the ability to recover the full amount of FHA Insurance Benefits in respect of the related Whole Loan; and provided, further, that the Master Servicer shall not be required to make any Servicing Advance that the Master Servicer determines, in its reasonable and good faith judgment, would, if made, be nonrecoverable from collections in respect of the related Whole Loan as described in “—Advances—Recoverability of Advances” below. Notwithstanding the foregoing, the Master Servicer shall make all Servicing Advances described in clause (i) above regardless of whether any such Servicing Advance would constitute a nonrecoverable advance.

Recoverability of Advances. The Master Servicer is entitled to reimburse itself for unreimbursed Delinquency Advances out of amounts received in respect of (A) the particular Whole Loans or Participation Certificates with respect to which such unreimbursed Delinquency Advances were made (including, for this purpose, without limitation, late payments from mortgagors, insurance proceeds, condemnation proceeds, liquidation proceeds and repurchase proceeds), and the amounts received in connection with the sale of any related FHA Debentures, and (B) the particular FHA Debentures with respect to which such unreimbursed Delinquency Advances were made that represents a payment or other collection of interest. The Master Servicer is entitled to reimburse itself for Servicing Advances from liquidation proceeds, insurance proceeds, condemnation proceeds and repurchase proceeds from the related Mortgage Assets and payments made by the related mortgagor or obligor in respect of the amounts for which the applicable unreimbursed Servicing Advance was made.

Interest on Advances. The Master Servicer, or any successor thereto, will be entitled to interest on each Advance at a rate per annum equal to two percentage points above the “federal funds rate” set forth from time to time in Federal Reserve Statistical Release H.15 (519), as most recently published by the Board of Governors of the Federal Reserve System, generally payable at or after the time that the Master Servicer has been compensated for the related Advance.

Sale of Defaulted Mortgage Loans

If a mortgagor fails to make a payment on any Whole Loan or fails to perform any other covenant thereunder which could result in the acceleration of the debt, and such failure continues for thirty days, or if the Master Servicer learns that the PC Servicer intends to file an FHA insurance claim as a result of such a default with respect to a PC Loan, the Master Servicer will notify the holders of the Subordinate Class. Thereafter, a holder or combination of holders of the Subordinate Class representing in the aggregate a greater than 50% interest in such Class (the “Subordinate Directing Holder”) may, at its option, if such Whole Loan or PC Loan has not been reinstated or transferred to HUD, purchase such Whole Loan or the related Participation Certificate at the applicable purchase price by delivering cash, in an amount generally equal to the outstanding principal balance plus accrued and unpaid interest (the “Purchase Price”), to the Master Servicer no earlier than 61 days following the date on which the mortgagor shall have failed to make the payment or perform the covenant that shall have caused such default, and no later than 75 days after such date. If the Subordinate Directing Holder declines to purchase such defaulted Whole Loan or the related Participation Certificate, then the Master Servicer may, at its option, if such Whole Loan or PC Loan has not been reinstated or transferred to HUD, purchase such defaulted Whole Loan or related Participation Certificate no earlier than 76 days following the date on which the mortgagor shall have failed to make the payment or perform the covenant that shall have caused such default, and no later than ninety days after such date. If the Master Servicer does not purchase such defaulted Whole Loan or related Participation Certificate by the end of such 90th day, such defaulted Whole Loan or related PC Loan shall be assigned by the Master or the related PC Servicer, as applicable, to the FHA.

Sale of FHA Debentures

If the Master Servicer receives FHA Debentures as part of the FHA Insurance Benefits in respect of any defaulted Mortgage Loan assigned to the FHA, or if the Master Servicer receives as a distribution in kind on the related Participation Certificate any FHA Debentures received as part of

the FHA Insurance Benefits in respect of any defaulted PC Loan assigned to the FHA, or if the Master Servicer discovers or is notified that FHA Debentures so received in respect of any defaulted PC Loan back a Participation Certificate and will not be distributed in kind, then the Master Servicer will promptly purchase any such FHA Debentures or related Participation Certificate, as the case may be, at the applicable Purchase Price for such FHA Debentures or Participation Certificate, as applicable, within 14 days of its receipt of FHA Debentures or discovery with respect to a defaulted PC Loan that the underlying FHA Debentures will not be distributed in kind.

Sub-Servicers

The Master Servicer may perform its servicing obligations under the Sale and Servicing Agreement through Sub-Servicers; provided that each such Sub-Servicer, at all times it is servicing any Mortgage Loan, is an established and approved servicer of multifamily, FHA-insured project mortgage loans; and provided further that the Master Servicer will remain primarily obligated for such servicing under the Sale and Servicing Agreement. As of the Settlement Date, all of the Whole Loans will be sub-serviced through Sub-Servicers.

The Master Servicer will be solely liable for all fees owed by it to any Sub-Servicer, irrespective of whether its compensation pursuant to the Sale and Servicing Agreement is sufficient to pay such fees. Each Sub-Servicer will be reimbursed by the Master Servicer for certain expenditures which it makes, generally to the same extent the Master Servicer would be so reimbursed under the Sale and Servicing Agreement.

Maintenance of FHA Insurance; Collection Thereunder

The Master Servicer may not act, or fail to act, in any such manner as to impair the full force and effect of the FHA Insurance in respect of any Whole Loan throughout the term of the Sale and Servicing Agreement and is to exercise its best reasonable efforts to discharge its obligations arising out of the contract of FHA Insurance in respect of each Whole Loan. The Master Servicer will be liable to Fannie Mae and the Trust for any loss, liability or expense incurred by Fannie Mae, the Trust and/or any Certificateholder by reason of any FHA Insurance being voided, reduced, released or adversely affected. The Master Servicer will service and administer the Whole Loans in accordance with the servicing standard set forth in the Sale and Servicing Agreement and will discharge all obligations of the mortgagee under each Whole Loan and, subject to the right to assign the Whole Loan to the FHA, will take all action reasonably necessary to preserve the lien of the related mortgage, including, without limitation, the defense of actions to challenge or foreclose such lien. In particular, the Master Servicer will: (i) ensure the payment, on a timely basis, of the premiums on the FHA Insurance in respect of each Whole Loan regardless of whether payment relating thereto would be non-recoverable from related proceeds; (ii) make or cause to be made an annual physical inspection of the property subject to each Whole Loan and furnish an inspection report to the FHA and the Trustee; and (iii) maintain insurance as specified above and pay ground rents, if any, taxes and other assessments on, any Mortgaged Property if the related mortgagor fails to do so regardless of whether payment relating thereto would be non-recoverable from related proceeds.

If a mortgagor fails to make any payment due on any Whole Loan or fails to perform any other covenant under the provisions of any Whole Loan, and such failure continues for a period of 30 days, the Master Servicer will promptly notify the FHA and the holders of the Subordinate Class of the default and will, within 45 days (or such shorter period as permitted or required by the FHA) after such default shall have occurred (unless the defaulted Whole Loan is purchased by the Subordinate Directing Holder or the Master Servicer as described herein), notify the FHA of its intention to file an insurance claim and of its election to assign the Whole Loan to the FHA. The Master Servicer will thereafter take such reasonable action as is necessary to perfect the claim under the FHA Insurance and will complete all forms and other documentation needed to notify the FHA of, and file and perfect, such an insurance claim on a timely basis. In any such connection, the Master Servicer will be obligated to advance from its own funds all amounts necessary to preserve rights under the related

contract of FHA Insurance and, subject to any applicable limitations in the Sale and Servicing Agreements, to preserve and protect the related Mortgaged Property and title thereto, including, but not limited to, FHA Insurance premiums, hazard and other insurance premiums, taxes, special assessments and other costs associated with providing security for such premises. If the Master Servicer is permitted to elect whether to receive FHA Insurance Benefits in the form of cash or FHA Debentures, the Sale and Servicing Agreement will require the Master Servicer to select cash.

Notwithstanding the foregoing, if for any reason a defaulted Whole Loan cannot be assigned to the FHA (including, without limitation, by reason of any change in the FHA Regulations), then the Master Servicer may foreclose upon such Whole Loan or acquire a deed in lieu thereof. Fannie Mae is to cooperate with all reasonable requests of the Master Servicer in connection with the foregoing.

If the Master Servicer forecloses upon a Whole Loan or accepts a deed in lieu thereof in accordance with the preceding paragraph, then Fannie Mae shall convey such Mortgaged Property to the FHA or, alternatively, the Master Servicer shall, subject to the terms and conditions of the Sale and Servicing Agreement, take such other action in respect of such Mortgaged Property as is in the best interests of the Certificateholders.

Servicing of Participation Certificates and GNMA Certificates

If at any time the Master Servicer, as the registered holder of a GNMA Certificate or an FHA Debenture, is requested in such capacity, by any person whatsoever to take any action (other than the disposition thereof) or to give any consent, approval or waiver, then the Master Servicer will promptly inform Fannie Mae in writing of such request, and the Master Servicer may take such course of action, grant or withhold such consent, waiver or approval or otherwise appropriately act, in any event as it determines, in its reasonable and good faith judgment, is in the best interests of the Certificateholders; except that if such request relates to receipt of payments by the Certificateholders or any other material rights of the Certificateholders, then the Master Servicer will inform Fannie Mae of such request and shall take such action as directed in writing by Fannie Mae. If the Master Servicer does not receive written instructions from Fannie Mae within 30 days of its receipt of notification from the Master Servicer, the Master Servicer may (i) take such course of action as it determines, in its reasonable and good faith judgment, is in the best interest of the Certificateholders or (ii) refuse to take such requested action or give any such requested consent, approval or waiver.

If at any time the Master Servicer, as the registered holder of a Participation Certificate, is requested in such capacity, by any person whatsoever to take any action (other than the disposition thereof) or to give any consent, approval or waiver, then: (i) in the event that such request is otherwise made in connection with the servicing and administration of the related PC Loan or any Mortgaged Property acquired in respect thereof, the Master Servicer will inform Fannie Mae and the Master Servicer shall act in its reasonable discretion as if it were servicing and administering such PC Loan or related Mortgaged Property, as the case may be, under the Sale and Servicing Agreement; (ii) in the event that such request is made in connection with the termination of, or the exercise of any other remedy against, the PC Servicer under the related Participation Agreement as a result of a default by such party thereunder, the Master Servicer shall proceed as described in the accordance with the next succeeding paragraph; and (iii) in the event that such request is made in connection with an amendment of the related Participation Agreement or any other matter (not covered by the immediately preceding clause (ii)), relating to the receipt of payments by Certificateholders or any other material rights thereof, the Master Servicer shall promptly notify Fannie Mae of such request in writing and shall take such action in connection with the exercise and/or enforcement of any rights and/or remedies available to the registered holder of such Participation Certificate with respect to such request as Fannie Mae shall direct in writing; provided that if the Master Servicer does not receive written instructions from Fannie Mae within 30 days of its receipt of such notification from the Master Servicer, the Master Servicer may (i) take such course of action as it determines, in its reasonable and good faith judgment, is in the best interest of Certificateholders or (ii) refuse to take such requested action or to give any such requested consent, approval or waiver.

If the Master Servicer shall gain actual knowledge (including by notification thereof by Fannie Mae) of any default on the part of the related PC Servicer under any Participation Agreement, the Master Servicer will promptly notify Fannie Mae thereof in writing. If such default is of a nature that the related Participation Agreement would permit the termination of the defaulting party, then unless such default is promptly cured or the Master Servicer is instructed by Fannie Mae to waive such default, the Master Servicer may, in accordance with the terms of the related Participation Agreement, terminate the defaulting party thereunder and appoint such a successor as would be appropriate as a Master Servicer under the Sale and Servicing Agreement. If no other suitable successor can be found, then the Master Servicer will, unless it is prohibited by law or Fannie Mae, accept appointment as such successor subject to the terms of the related Participation Agreement. In any event, so long as such default shall not have been remedied, the Master Servicer, in addition to the rights specified above, may take all actions now or thereafter existing at law, in equity or by statute to enforce the rights and remedies and to protect the interests of Fannie Mae (in its capacity as Trustee) and the Certificateholders and Subordinate Certificateholders as the beneficial owners of the related Participation Certificate (including the institution and prosecution of all judicial, administrative and other proceedings and the filings of proofs of claim and debt in connection therewith). If a default by the mortgagor of the related PC Loans occurs, then, to the extent the related Participation Agreement grants the holder of the related Participation Certificate the right to direct the PC Servicer with respect to the remedies to be exercised with respect to such default, the Master Servicer shall direct the PC Servicer to file an insurance claim and assign such PC Loan to the FHA. The Master Servicer, on behalf of Fannie Mae and the Certificateholders, is required to monitor the performance (and, except with respect to such matters described above in which it is required to act at the direction of Fannie Mae, enforce the obligations) of the respective PC Servicers under the Participation Agreements.

Representations and Warranties; Repurchases

In the Sale and Servicing Agreement, the Seller and the Master Servicer will make certain customary representations and warranties with respect to FHA insured mortgage loans for the benefit of Fannie Mae with respect to the Mortgage Loans being sold by such Seller. In the Trust Agreement, Fannie Mae will assign or cause to be assigned to the Trustee all such representations and warranties given to Fannie Mae with respect to the Mortgage Loans and shall also give the Trustee the right to directly enforce the remedies set forth in the Sale and Servicing Agreement with respect to a breach of any such representations and warranties. The representations and warranties in the Sale and Servicing Agreement will continue in effect throughout the term of the Sale and Servicing Agreement. Following the discovery of a breach of any of such representations and warranties that is determined to materially and adversely affect the value of a Mortgage Loan, the Seller or Master Servicer may be required to purchase the affected Mortgage Loan from the Lower Tier REMIC at the applicable purchase price.

Amendment

The Sale and Servicing Agreement may be amended from time to time without the consent of any of the Certificateholders by the mutual agreement of Fannie Mae and, if materially and adversely affected thereby, the Seller, the Master Servicer, and the Fiscal Agent; provided, however, that such parties acknowledge and agree in the Sale and Servicing Agreement that certain provisions thereof expressly grant rights or benefits to the Subordinate Directing Holder, and that the Subordinate Directing Holder is a third party beneficiary of such provisions.

Termination

The obligations and responsibilities created by the Sale and Servicing Agreement will terminate upon payment (or provision for payment) to the Certificateholders and the holders of the Subordinate Class of all amounts held by or on behalf of the Trustee and required under the Trust Agreement to be so paid on the Distribution Date following the earlier to occur of (i) the purchase by the Subordinat-

ing Directing Holder, the Master Servicer or Fannie Mae (in that order of priority) of all of the Mortgage Assets remaining in the Lower Tier REMIC in the event the aggregate stated principal balance of the Mortgage Assets remaining in the Lower Tier REMIC as of the date of such election is five percent or less (or one percent or less, if the Mortgage Assets remaining in the Lower Tier REMIC are entirely GNMA Certificates) of the Issue Date Pool Balance and (ii) the final payment (or any advance with respect thereto) on or other liquidation of the last Mortgage Assets remaining in the Lower Tier REMIC. The purchase price payable by Fannie Mae, the Master Servicer or the Subordinate Directing Holder pursuant to clause (i) of the preceding sentence will be generally equal to the outstanding principal balance, and thirty days accrued interest, for all of the Mortgage Assets then remaining in the Lower Tier REMIC.

DESCRIPTION OF THE MORTGAGE LOANS

General

The Lower-Tier REMIC will consist of 128 Mortgage Assets with an aggregate Issue Date Balance of \$498,736,772 (the “Issue Date Pool Balance”), subject to a permitted variance of plus or minus 5%. The “Issue Date Balance” of each Mortgage Loan is the actual unpaid principal balance thereof as of the Issue Date after application of all payments of principal due on or before such date, whether or not received.

The information with respect to the Mortgage Loans set forth herein and on Exhibit A hereto has been collected and summarized by the Seller and provided to Fannie Mae. Fannie Mae has made no independent verification of such information and, therefore, does not warrant its truth or accuracy and shall not be responsible therefor.

The Whole Loans

The Lower-Tier REMIC will include 49 fixed rate, fully amortizing whole mortgage loans having an aggregate Issue Date Balance of \$178,994,754, subject to a permitted variance of plus or minus 5%. Each Whole Loan is evidenced by a promissory note or other evidence of indebtedness (a “Mortgage Note”) and secured by a mortgage, deed of trust or other similar security instrument (a “Mortgage”) creating a lien on a Mortgaged Property. The Whole Loans are insured, to the extent and subject to the limitations described herein, by the FHA under the provisions of the Housing Act.

The Participation Certificates

The Lower-Tier REMIC also will include 28 participation certificates, each of which represents a 100% interest in a PC Loan, each of which is a fixed rate, fully amortizing whole mortgage loan. The aggregate Issue Date Balance of the Participation Certificates is \$102,906,735, subject to a permitted variance of plus or minus 5%. Each PC Loan is evidenced by a Mortgage Note, secured by a Mortgage on a Mortgaged Property, and is insured, to the extent and subject to the limitations described herein, by the FHA under the provisions of the Housing Act.

Each of the Participation Certificates was issued pursuant to a Participation Agreement between a mortgagee that originated or owned such PC Loan, a servicer with respect to such PC Loan (a “PC Servicer”), which generally is such mortgagee, and the holder of the Participation Certificate. Pursuant to the Participation Agreement, the PC Servicer is responsible for the servicing of the PC Loan, including collecting all amounts due thereunder, monitoring the performance by the mortgagor with the terms of the related PC Loan and maintaining the FHA Insurance Contract with respect thereto. Although the Master Servicer will be the registered holder of the Participation Certificate, its ability to direct the PC Servicer with respect to the servicing of the PC Loan will be limited to the rights granted to the holder of the Participation Certificate under the Participation Agreement. Generally, the holder of the Participation Certificates has been given the right to direct the disposition of the PC Loans following defaults with respect thereto, and to replace the PC Servicer should it default under the Participation Agreement.

GNMA Certificates

The Government National Mortgage Association is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development. Section 306(g) of Title III of the National Housing Act of 1934, as amended (the “Housing Act”), authorizes GNMA to guarantee the timely payment of the principal of, and interest on, certificates that are based on and backed by a pool of mortgage loans insured by the Federal Housing Administration (“FHA”) under the Housing Act or Title V of the Housing Act of 1949, or partially guaranteed by the Department of Veterans Affairs under the Servicemen’s Readjustment Act of 1944, as amended, or Chapter 37 of Title 38, United States Code.

Section 306(g) of the Housing Act provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” To meet its obligations under such guaranties, GNMA is authorized, under Section 306(d) of the Housing Act, to borrow from the United States Treasury with no limitations as to amount.

Each GNMA Certificate will be a “fully modified pass-through” mortgage-backed security issued and serviced by a mortgage banking company or other financial concern approved by GNMA as a seller-servicer of loans insured by the FHA.

It is expected that 51 Mortgage Loans will underlie the GNMA Certificates. Such Mortgage Loans are expected to have an aggregate balance of approximately \$216,835,283 (subject to a permitted variance of plus or minus 5%) as of the Issue Date, after giving effect to all payments of principal due on or before that date. Such mortgage loans underlying the GNMA Certificates are fixed-rate and generally are level-pay and fully amortizing. Each such underlying mortgage loan is secured by a Mortgage that creates a lien on the applicable borrower’s fee simple estate in a Mortgaged Property.

FHA Insurance Programs

FHA multifamily insurance programs generally are designed to assist private and public mortgagors in obtaining insured financing for the construction, purchase or rehabilitation of rental housing pursuant to the Housing Act. Mortgages are provided by FHA-approved institutions, which include mortgage bankers, commercial banks, savings and loan associations, trust companies, insurance companies, pension funds, state and local housing finance agencies and certain other approved entities.

Mortgages insured under the programs described below will have such maturities and amortization features as the FHA may approve, provided that generally the minimum mortgage term will be at least ten years and the maximum mortgage term will not exceed the lesser of 40 years and 75 percent of the estimated remaining economic life of the improvements on the mortgaged property.

Tenant eligibility for FHA-insured projects generally is not restricted by income, except for projects as to which rental subsidies are made available with respect to some or all of the units therein or to specified tenants.

The following is a summary of the various FHA insurance programs under which the Mortgage Loans are insured.

Section 221(d)(4) (Low and Moderate Income Multifamily Housing Mortgage Insurance)

Section 221(d)(4) of the Housing Act provides for mortgage insurance to assist private industry in the construction or substantial rehabilitation of rental and cooperative housing for low- and moderate-income families and families that have been displaced as a result of urban renewal, governmental actions or disaster.

The maximum mortgage amounts under Section 221(d)(4) are as follows: (i) the maximum per dwelling unit amount; (ii) in the case of new construction, 90 percent of the estimated replacement cost of the property or project with improvements; (iii) in the case of repair or rehabilitation, 90 percent of the sum of the estimated cost of the repair or rehabilitation of the project plus the estimated value of the property before repair or rehabilitation; (iv) if the mortgage involves financing of the purchase of property that has been rehabilitated by a local public agency with federal assistance pursuant to Section 110(c)(8) of the Housing Act of 1949, the lesser of 90 percent of the appraised value of the property at the time the mortgage is approved for insurance and 90 percent of the actual cost of acquisition.

Section 223(a)(7) (Refinancing of FHA-Insured Mortgages)

Section 223(a)(7) permits the FHA to refinance existing mortgage loans under any section or title of the Housing Act. Such refinancing results in prepayment of the existing insured mortgage. The principal amount of the new, refinanced mortgage loan generally is limited to the lesser of the original principal amount of the existing mortgage loan and the unpaid balance of the existing mortgage loan. The maximum amount for loans previously refinanced under Section 223(f) (described below) is based on the amount that can be amortized by 90 percent of the project's net operating income, which amount can be increased to 95 percent if the borrower is a nonprofit organization.

The term of a new mortgage loan insured under Section 223(a)(7) may not exceed the unexpired term of the existing mortgage loan, except that it may have a term of up to twelve years in excess of the unexpired term of the existing mortgage loan if the FHA determines that such extended term will inure to the benefit of the insurance fund under which the mortgage loan is insured, taking into consideration the outstanding insurance liability under the existing insured loan and the remaining economic life of the related property.

Section 223(d) (Insurance for Operating Loss Loans Secured by FHA-Insured Mortgages)

Section 223(d) authorizes the FHA to insure loans made to cover operating losses during the first two years of operation (or up to 80 percent of the unreimbursed cash contributions by the project owner during any period of up to two years within the first ten years of operation) in the case of projects that are secured by existing FHA-insured mortgage loans and that cover any property containing other than a one- to four-family dwelling. An "operating loss" is defined as the amount by which the sum of the taxes, interest on the mortgage debt, mortgage insurance premiums, hazard insurance premiums and the expense of maintenance and operation of the project covered by the mortgage loan exceeds the income of the project.

Any loans insured under Section 223(d) will (i) bear interest at such rate and be secured in such a manner as the FHA shall require, (ii) be limited to a term not exceeding the unexpired term of the original mortgage loan and (iii) be insured under the same section as the original mortgage loan. The amount of the loan must not exceed the operating loss (or up to 80 percent of the unreimbursed cash contributions noted above). In the event that the borrower fails to make any payment due under a Section 223(d) loan or under the original mortgage loan, and such default continues for a period of 30 days, both the 223(d) loan and the original mortgage loan shall be considered in default under FHA regulations. In such event, FHA insurance benefits shall be computed in the same manner as for the original mortgage loan.

Section 223(f) (Purchase or Refinancing of Existing Projects)

Section 223(f) provides for federal insurance of mortgage loans originated by FHA-approved lenders in connection with the purchase or refinancing of existing multifamily housing complexes that do not require substantial rehabilitation. The principal objective of the Section 223(f) program is to permit the refinancing of mortgages to provide for a lower debt service in order to preserve an

adequate supply of affordable rental housing. Such projects may have been financed originally with conventional or FHA-insured mortgages.

To be eligible for insurance under Section 223(f), a project must have rental income sufficient to pay operating expenses and annual debt service, and must have a reserve fund for replacements or provide an operating deficit fund on terms approved by the FHA. The cost of repairs, replacements and improvements may not exceed the greater of 15 percent of the property's value after the improvements and \$6,500 per dwelling unit (adjusted for high-cost areas); and no more than one major building component may be replaced. The project must have been completed at least three years prior to the application for mortgage insurance, and its remaining economic life must be at least ten years.

If the project is to be acquired by the mortgagor and financed in part with the insured mortgage, the maximum mortgage loan amount under Section 223(f) is 85 percent of the cost of acquisition as determined by the FHA (90 percent of such amount for a cooperative multifamily project and for projects financed with state or local assistance or located in older, declining urban areas that meet certain eligibility requirements). If, on the other hand, the property is to be refinanced without a change in ownership, then the maximum mortgage loan amount may not exceed: (a) for rental projects, the greater of 70 percent of the estimated value of the property and the cost of refinancing the existing indebtedness and (b) for cooperative projects, the cost of refinancing the existing indebtedness. In addition to the above limitations, a mortgage loan insured under Section 223(f) may not have a principal amount in excess of the lesser of 85 percent of the estimated value of the project and the statutory per dwelling unit amount.

Secondary financing on multifamily housing projects is permissible under Section 223(f). The secondary debt may be secured by a second lien on the related project and cannot mature prior to the maturity date of the original mortgage loan, but may be prepaid out of surplus cash from operations of the project. If a loan is made to finance the purchase of an existing project, the second mortgage loan may not exceed 7.5 percent of the lesser of the estimated value of the project and the cost of acquisition. In the case of secondary financing used to refinance an existing project, the second mortgage may not exceed the lesser of 7.5 percent of the estimated value of the project and 50 percent of the difference between the cost of refinancing the project and the maximum mortgage loan amount determined by the FHA.

Section 232/223(f) (Mortgage Insurance for Nursing Homes and Other Care Facilities)

Section 232 provides for federal insurance of private construction mortgage loans to finance new or rehabilitated nursing homes, intermediate care facilities, board and care homes, assisted living for the frail elderly or allowable combinations thereof, including equipment to be used in their operation. Section 232 also provides for supplemental loans to finance the purchase and installation of fire safety equipment in these facilities. However, these loans are governed by different restrictions and limitations than those set forth below for the actual facilities.

The maximum mortgage amount that is insurable under Section 232 for new construction and substantial rehabilitation is, for profit-motivated mortgagors, 90 percent of the estimated value of the project, including the equipment to be used in the operation, when the proposed improvements are completed and the equipment is installed, and 95 percent of such value for private nonprofit mortgagors.

A mortgage executed in connection with the purchase or refinancing of existing projects under Section 232 pursuant to Section 223(f) of the Housing Act must have a principal amount no greater than 85 percent for a profit-motivated mortgagor (90 percent for a private nonprofit mortgagor) of the estimated value of the project, including major equipment and any repairs and improvements. Such mortgage also may not exceed the amount that could be amortized by 85 percent for profit-motivated mortgagors (90 percent for nonprofit) of the net projected project income available for payment of debt service. If the project is to be refinanced by the insured mortgage without a change in

ownership, the maximum mortgage may not exceed the cost to refinance the existing indebtedness, as determined by the FHA. If the mortgage insured pursuant to Section 223(f) is to be used in part to finance the acquisition of the project by the mortgagor, in addition to the above-mentioned limits, the maximum loan amount is 85 percent of the cost of acquisition for profit-motivated mortgagors and 90 percent for nonprofit mortgagors.

Section 241 (Supplemental Financing and Equity Take Out Loans)

Section 241 provides for FHA insurance to finance property improvements, energy-conserving improvements or additions to any FHA-insured multifamily loan. Pursuant to legislation enacted in 1987, Section 241(f) provides, as a specific element of a “plan of action” approved by the FHA, insurance for second mortgage financing and for loans to facilitate the take out of accumulated equity. The overall purpose of the Section 241 loan program is to provide a project with a means to remain competitive, extend its economic life and finance the replacement of obsolete equipment without the refinancing of the existing mortgage.

Supplemental loans that are insured under Section 241 may be in an amount of up to 90 percent of the value of improvements, additions or equipment financed by the loan; provided that such amount, when added to any outstanding balance of the mortgage covering the project, may not exceed the maximum mortgage amount insurable under the section or title pursuant to which the mortgage covering such project is insured. For supplemental loans relating to the purchase and installation of energy conserving improvements on a property not previously insured by the FHA, the maximum insurable amount is the least of (a) the cost of the improvements, (b) an amount which can be supported by residual income, as determined by FHA, and (c) an amount which when added to the existing indebtedness does not exceed the estimate of the value of the project after installation of the energy-conserving improvements.

An equity loan insured under Section 241(f) may not exceed 90 percent of the owner’s equity in the project, nor may it exceed an amount which, when added to the existing indebtedness on the property, can be supported by 90 percent of the projected net operating income of the project. An equity loan made to an owner who agrees to extend the low-income affordability restrictions on the related housing pursuant to a plan of action may not exceed an amount equal to the amount of rehabilitation costs required by the plan and the lesser of (i) 70 percent of the preservation equity in the project and (ii) an amount determined to be supported by the project on the basis of an eight percent return on the extension preservation equity, assuming normal debt service coverages. Such an equity loan must also provide for the lender to deposit ten percent of the loan in an escrow account for five years.

An acquisition loan insured under Section 241(f) may not exceed the amount of rehabilitation costs as determined under an approved plan of action and related charges, plus 95 percent of the transfer preservation equity of the project. If the purchaser is a qualified priority purchaser as defined under FHA regulations, the loan may include any expenses associated with obtaining the loan implementing the plan of action, as approved by the FHA. Acquisition loans have a term of 40 years.

Section 231 (Mortgage Insurance for Elderly Housing Projects)

Section 231 provides federal mortgage insurance for loans obtained for the new construction, acquisition, substantial rehabilitation or refinancing of housing projects in which at least half of the units are rented to elderly or handicapped persons. The maximum insurable loan for new construction under Section 231 is the lesser of (a) the statutory per dwelling unit amount and (b) for public and private nonprofit mortgagors, the estimated full replacement cost of the project or, for private, profit-motivated mortgagors, 90 percent of such estimated replacement cost. A mortgage for properties other than new construction may not exceed the estimated value of the project after completion of the rehabilitation for public and private nonprofit mortgagors, or 90 percent of such estimated value for private, profit-motivated mortgagors.

A mortgage that involves repair or rehabilitation is subject to the following additional limitations under Section 231: (i) if the mortgagor is the fee simple owner of the project, the maximum mortgage is the estimated cost of the proposed repairs or rehabilitation; (ii) if the mortgage is in part for the refinancing of a project subject to an outstanding indebtedness, the maximum amount is the sum of the estimated cost of repair or rehabilitation plus, for a nonprofit mortgagor, the portion of the outstanding indebtedness not exceeding the estimated fair market value of the land and improvements prior to the repair or rehabilitation, and for a profit-motivated mortgagor, 90% of such estimated value; and (iii) if part of the insured mortgage is to finance the acquisition of a project, the maximum mortgage amount is as follows: (a) for a nonprofit mortgagor, the estimated cost of the proposed repair or rehabilitation plus the actual purchase price of the land and improvements not in excess of the estimated fair market value of the land and improvements prior to the repair or rehabilitation and (b) for a profit-motivated mortgagor, 90% of the estimated cost of the repair or rehabilitation, plus 90% of the lesser of (x) the actual purchase price of the land and improvements and (y) the estimated fair market value of such land and improvements prior to repair or rehabilitation.

The Section 8 Program. Project-based Section 8 rent subsidies are paid by HUD to owners of certain types of low income multifamily housing properties on behalf of eligible tenants. Tenant eligibility is determined based upon family income and size, as well as the median income for the area. The subsidy paid by HUD is based on the difference between the rent charged to the tenant (which rent is established by HUD, as set forth below) and the tenant's ability to pay. The payment of subsidies to a particular project owner is made pursuant to a Housing Assistance Payment contract (a "HAP Contract") between the owner of the project and HUD or between the owner and a local public housing authority ("PHA"), depending on which entity is administering the HAP Contract.

Section 8 assistance may be either tenant-based or project-based. Tenant-based assistance involves subsidy payments made to a PHA on behalf of eligible tenants which the PHA pays to the project owner. "Project-Based Assistance" differs from tenant-based assistance in that subsidies not linked to particular tenants are paid to the owner directly from HUD. Generally, housing projects qualified for Project-Based Assistance provide that the tenants therein spend, in general, at least approximately 30% of their gross monthly income on rent and have household income below approximately 80% of the median income level for their geographic area. HUD can set the basic income limits higher or lower than 80%, based on the prevailing level of construction costs or unusually high or low incomes. There are, however, overall restrictions on the number of assisted tenants whose households are not classified as "very low income" households. "Very-low income" for a family of four is defined as 50% of area median income, and the percentage is adjusted for family size.

In some cases, the ability of a project owner to meet its payment obligations under an FHA Mortgage may be dependent upon its ability to obtain further subsidies to replace the expiring Project Based Assistance. Because the remaining term to maturity of an affected Mortgage Loan may be longer than the remaining term of any related HAP Contract, and because there is no assurance that HUD will extend the term of any particular HAP Contract upon its expiration, it is possible that the expiration of a HAP Contract with respect to a particular Mortgaged Property could result in an unscheduled recovery of principal due to a full or partial FHA-insurance claim or prepayment with respect to a related Mortgage Loan, notwithstanding any prepayment lockout otherwise applicable thereto. See "Yield Considerations" herein.

The Seller believes that several of the Mortgage Loans receive some form of Section 8 assistance. However, the Seller has not been able to verify such information, the existence of any Project-Based Assistance with respect to any of the Mortgage Loans, the particular form of such Section 8 assistance, the length of any related HAP Contract or the number of units covered by or maximum dollar amount of such contract for any of such Mortgage Loans.

Historically, there have been differing default and prepayment rate experiences between loans receiving Section 8 rent subsidies and insured under certain sections of the Housing Act and those

insured under the same sections but not receiving Section 8 rent subsidies. These default and prepayment rates may or may not be affected by subsequent Congressional legislation which may or may not affect projects whose Project-Based Assistance expires during the term of the FHA-insured mortgage.

HUD's default and prepayment experience with respect to its FHA programs is available at the Office of the Housing-FHA Comptroller, Statistical and Actuarial Analysis Staff (phone: (202) 755-7510).

Certain Additional Characteristics of the Mortgage Loans

Mortgage Rates; Calculations of Interest. All of the Mortgage Loans bear interest at mortgage interest rates (each, a "Mortgage Rate") that will remain fixed for their remaining terms. All of the Mortgage Loans accrue interest on the basis of a 360-day year consisting of twelve 30-day months.

Due Dates. All of the Mortgage Loans have Due Dates (that is, the dates upon which the related Monthly Payments first become due) that occur on the first day of each month.

Amortization. All of the Mortgage Loans are fully-amortizing over their remaining terms to stated maturity. Certain of the Mortgage Loans provide that, if the related borrower makes a partial principal prepayment, such borrower will not be in default if it fails to make any subsequent scheduled payment of principal provide that such borrower continues to pay interest in a timely manner and the unpaid principal balance of such Mortgage Loan at the time of such failure is at or below what it would otherwise be in accordance with its amortization schedule if such partial principal prepayment had not been made. Many of the Mortgage Loans also permit the reamortization thereof if prepayments are received as a result of condemnation or insurance payments with respect to the related Mortgaged Property.

Level Payments. All of the Mortgage Loans provide for level monthly payments except as discussed above and shown on Exhibit A.

"Due-on-Sale" and "Due-on-Encumbrance" Provisions. In general, the Mortgages do not contain "due-on-sale" clauses restricting sale or other transfer of the related Mortgaged Property. Any transfer of the Mortgaged Property is subject to HUD review and approval under the terms of HUD's Regulatory Agreement with the owner, which is incorporated by reference into the Mortgage.

Lockouts. Except as described below, most of the Mortgage Loans have provisions that prohibit voluntary prepayment for a number of years following origination ("lockout provisions"). The Mortgage Loans have remaining lockout terms that range from approximately 0 to 121 months, and with a weighted average remaining lockout term of approximately 48 months. In the case of certain Mortgage Loans, full or partial prepayments by nonprofit mortgagors cannot be effected without prior written consent from the FHA. The enforceability of these lockout provisions under certain state laws is unclear.

Mortgage Prepayment Penalties. Certain of the Mortgage Loans have a period (a "prepayment penalty period") during which voluntary and involuntary prepayments (except for prepayments resulting from condemnation or casualty losses) must be accompanied by a mortgage prepayment penalty equal to a specified percentage of the principal amount of the Mortgage Loan being prepaid. The prepayment penalty period extends beyond the termination of the lockout provision. Exhibit A to this Prospectus Supplement sets forth, for each Mortgage Loan, a description of the related mortgage prepayment penalty and the period during which the mortgage prepayment penalty applies as well as the last month of any applicable lockout provision.

Notwithstanding the foregoing, the Mortgage Loans must include a provision which allows the FHA to override any lockout and/or prepayment penalty provisions when the Mortgage Loan is in default if the FHA determines that it is in the best interest of the federal government to allow the mortgagor to refinance or partially prepay the Mortgage Loan without restrictions or penalties and thereby avoid or mitigate an FHA insurance claim.

Some of the Whole Loans and PC Loans may be prepaid in an amount up to approximately 15% of the principal balance thereof in each year without the payment of any Prepayment Premium thereon.

Coinsurance. Certain of the Mortgage Loans may be federally insured under FHA coinsurance programs that provide for the retention by the mortgage lender of a portion of the mortgage insurance risk that otherwise would be assumed by FHA under the applicable FHA insurance program. As part of such coinsurance programs, FHA delegates to mortgage lenders approved by FHA for participation in such coinsurance programs certain underwriting functions generally performed by FHA. Accordingly, there can be no assurance that such mortgage loans were underwritten in conformity with FHA underwriting guidelines applicable to mortgage loans that were solely federally insured or that the default risk with respect to coinsured mortgage loans is comparable to that of FHA-insured mortgage loans generally. As a result, there can be no assurance as to the likelihood of future default or as to the rate of prepayment on the coinsured Mortgage Loans.

Additional Mortgage Loan Information

The Mortgage Loans and Mortgaged Properties are expected to have the following additional characteristics as of the Issue Date. The figures in the columns “Aggregate Issue Date Balance” in the tables below are based on the Issue Date Balances of the related Mortgage Loans. The sum of any column of the following tables, or in the table set forth in Exhibit A hereto, may not equal the indicated total due to rounding.

Following the issuance of the Certificates, Fannie Mae will make available in electronic form certain data specific to the Certificates and certain information with respect to the Mortgage Loans, in each case as of the Issue Date, including information set forth on Exhibit A hereto and will make available certain other information relating to the Mortgage Loans and the Mortgaged Properties. To obtain this information in electronic form, call Fannie Mae at 1-800-752-6440 or 202-752-6000.

The following table sets forth the range of the aggregate Issue Date Balances of the Mortgage Loans as of the Issue Date.

Mortgage Loan Balances as of the Issue Date

<u>Range of Issue Date Balance</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Issue Date Balance</u>	<u>Percent of Issue Date Pool Balance</u>
\$ 100,000 to 500,000	4	\$ 1,233,379	0.25%
500,001 to 1,000,000	10	8,478,966	1.70
1,000,001 to 1,500,000	16	20,398,483	4.09
1,500,001 to 2,000,000	12	21,249,473	4.26
2,000,001 to 2,500,000	13	29,440,938	5.90
2,500,001 to 3,000,000	16	43,089,193	8.64
3,000,001 to 3,500,000	8	25,936,027	5.20
3,500,001 to 4,000,000	10	38,216,011	7.66
4,000,001 to 4,500,000	6	25,307,204	5.07
4,500,001 to 5,000,000	2	9,256,499	1.86
5,000,001 to 5,500,000	2	10,223,767	2.05
5,500,001 to 6,000,000	3	16,967,141	3.40
6,000,001 to 6,500,000	4	24,818,319	4.98
6,500,001 to 7,000,000	5	33,664,296	6.75
7,000,001 to 7,500,000	1	7,257,025	1.46
7,500,001 to 8,000,000	5	38,824,795	7.78
8,000,001 to 8,500,000	3	24,764,591	4.97
9,000,001 to 9,500,000	2	18,544,861	3.72
10,500,001 to 11,000,000	1	10,556,575	2.12
13,000,001 to 13,500,000	2	26,567,934	5.33
18,500,001 to 19,000,000	1	18,712,024	3.75
19,000,001 to 19,500,000	1	19,345,373	3.88
\$25,500,001 to 26,000,000	1	25,883,900	5.19
	<u>128</u>	<u>\$498,736,773</u>	<u>100.00%</u>

Average Mortgage Loan Balance: \$3,896,381

The following table sets forth the range of the Mortgage Interest Rates on the Mortgage Loans as of the Issue Date.

Mortgage Interest Rates as of the Issue Date

Range of Mortgage Interest Rates (%)	Number of Mortgage Loans	Aggregate Issue Date Balance	Percent of Issue Date Pool Balance
7.001 to 7.250	6	\$ 34,838,277	6.99%
7.251 to 7.500	14	49,963,152	10.02
7.501 to 7.750	20	96,165,002	19.28
7.751 to 8.000	30	134,331,962	26.93
8.001 to 8.250	14	49,036,755	9.83
8.251 to 8.500	14	35,258,595	7.07
8.501 to 8.750	7	35,591,756	7.14
8.751 to 9.000	6	19,051,822	3.82
9.001 to 9.250	6	13,805,625	2.77
9.251 to 9.500	2	3,641,490	0.73
9.501 to 9.750	1	2,511,466	0.50
9.751 to 10.000	2	5,025,741	1.01
10.001 to 10.250	2	4,770,377	0.96
10.251 to 10.500	2	4,491,650	0.90
10.501 to 12.000	2	10,253,102	2.06
	<u>128</u>	<u>\$498,736,773</u>	<u>100.00%</u>

Weighted Average Mortgage Rate: 8.145%

The following table sets forth the range of the Pass-Through Rates on the Mortgage Loans as of the Issue Date.

Pass-Through Rates as of the Issue Date

Range of Pass-Through Rates (%)	Number of Mortgage Loans	Aggregate Issue Date Balance	Percent of Issue Date Pool Balance
6.751 to 7.000	5	\$ 33,456,639	6.71%
7.001 to 7.250	15	47,195,790	9.46
7.251 to 7.500	23	111,098,822	22.28
7.501 to 7.750	28	117,051,107	23.47
7.751 to 8.000	18	73,214,971	14.68
8.001 to 8.250	9	17,576,415	3.52
8.251 to 8.500	6	22,515,456	4.51
8.501 to 8.750	8	34,304,954	6.88
8.751 to 9.000	6	13,805,625	2.77
9.001 to 9.250	1	1,464,658	0.29
9.251 to 9.500	1	2,511,466	0.50
9.501 to 9.750	2	5,025,741	1.01
9.751 to 10.000	2	4,770,377	0.96
10.001 to 10.250	2	4,491,650	0.90
10.251 to 10.500	1	7,786,627	1.56
10.501 to 10.750	1	2,466,475	0.49
	<u>128</u>	<u>\$498,736,773</u>	<u>100.00%</u>

Weighted Average Pass-Through Rate: 7.854%

The following table sets forth the range of original and remaining terms to stated maturity (in months) of the Mortgage Loans.

Original Term to Maturity (in months)

<u>Range of Months</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Issue Date Balance</u>	<u>Percent of Issue Date Pool Balance</u>
241 to 300	3	\$ 5,510,173	1.10%
301 to 360	12	28,581,136	5.73
361 to 420	46	198,050,572	39.71
421 to 480	67	266,594,891	53.45
	<u>128</u>	<u>\$498,736,773</u>	100.00%

Weighted Average Original Term to Maturity: 426

Remaining Term to Maturity (in months)

<u>Range of Months</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Issue Date Balance</u>	<u>Percent of Issue Date Pool Balance</u>
121 to 180	1	\$2,466,475	0.49%
181 to 240	1	2,457,658	0.49
241 to 300	3	6,985,608	1.40
301 to 360	25	73,865,726	14.81
361 to 420	67	289,988,390	58.14
421 to 480	31	122,972,916	24.66
	<u>128</u>	<u>\$498,736,773</u>	100.00%

Weighted Average Remaining Term to Maturity: 401

The following table sets forth the geographic areas in which the Mortgaged Properties are located.

Mortgage Loans by State

State	Number of Mortgage Loans	Aggregate Issue Date Balance	Percent of Issue Date Pool Balance
Alaska	2	\$ 8,384,477	1.68%
Arizona	8	30,935,123	6.20
California	9	58,363,428	11.70
Colorado	3	4,427,102	0.89
Connecticut	3	25,247,993	5.06
Florida	3	4,913,521	0.99
Georgia	3	18,192,641	3.65
Illinois	5	18,157,159	3.64
Indiana	1	9,475,996	1.90
Kentucky	3	7,607,077	1.53
Louisiana	2	4,985,230	1.00
Massachusetts	4	22,747,261	4.56
Maryland	6	28,028,600	5.62
Minnesota	4	11,550,882	2.32
Missouri	2	3,266,257	0.65
Montana	1	4,428,538	0.89
North Carolina	4	6,376,100	1.28
New Hampshire	1	2,979,276	0.60
New Jersey	2	27,010,260	5.42
Nevada	1	2,596,112	0.52
New York	4	9,884,854	1.98
Ohio	18	48,905,746	9.81
Oklahoma	2	4,995,598	1.00
Oregon	1	7,535,534	1.51
Pennsylvania	2	12,570,099	2.52
Rhode Island	1	7,786,627	1.56
Texas	7	26,749,409	5.36
Virginia	23	71,433,993	14.32
Washington	1	7,619,549	1.53
Wisconsin	2	1,582,329	0.32
	<u>128</u>	<u>\$498,736,773</u>	<u>100.00%</u>

The following table sets forth the debt service coverage ratios as of the Issue Date for the 77 Mortgage Loans that are the Whole Loans and the PC Loans. Such debt service coverage ratios were calculated by estimating net operating income with respect to each related Mortgaged Property, in most cases, from reported information available on the most recent statement of profit and loss or equivalent document filed pursuant to HUD requirements, and dividing such estimated net operating income by an estimate of annual debt service obtained by multiplying the monthly payment of principal and interest on the related Mortgage Loan by 12. With respect to five of the six Whole Loans and PC Loans that are known to be second mortgage loans, the amount of the monthly payment for the first mortgage loan secured by each related Mortgaged Property was included in such calculations of debt service coverage ratios for such five Whole Loans and PC Loans. (The sixth such second mortgage loan was one of the loans for which no financial information was available and falls within the n/a category below.) No mortgage loans subordinate to the Whole Loans or PC Loans were taken into account in any calculation of debt service coverage ratios. Fannie Mae has made no independent verification of such information and, therefore, does not warrant its truth or accuracy and shall not be responsible therefor.

DSCR's for Whole Loans and PC Loans

Range	Number of Mortgage Loans	Aggregate Issue Date Balance	Percent of Issue Date Pool Balance
1.000 to 1.249	11	\$ 42,502,070	15.08%
1.250 to 1.499	17	67,176,369	23.83
1.500 to 1.749	12	53,694,112	19.05
1.750 to 1.999	9	29,933,452	10.62
2.000 to 2.249	4	11,348,441	4.03
2.250 to 2.499	3	5,226,631	1.85
2.500 to 2.749	2	6,196,307	2.20
2.750 to 2.999	6	17,799,916	6.31
3.000 to 3.249	3	11,980,218	4.25
3.250 to 3.499	3	10,941,691	3.88
3.500 to 3.749	2	2,112,464	0.75
3.750 to 3.999	1	8,298,236	2.94
n/a	4	14,691,581	5.21
	<u>77</u>	<u>\$281,901,489</u>	<u>100.00%</u>

Weighted Average Debt Service Coverage Ratio: 1.87 x

CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES

The following tax discussion, when read in conjunction with the discussion of “Certain Federal Income Tax Consequences” in the Multifamily REMIC Prospectus, describes the current federal income tax treatment of investors in the Certificates. These two tax discussions do not purport to deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the Certificates.

REMIC Elections and Special Tax Attributes

Elections will be made to treat the Lower Tier REMIC and the Trust as REMICs for federal income tax purposes. Dewey Ballantine, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that, assuming compliance with the Trust Agreement, the Lower Tier REMIC and the Trust will qualify as REMICs for federal income tax purposes. The Certificates, other than the R and RL Classes, and the Subordinate Class will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust. The Lower Tier Regular Interests will be designated as the “regular interests,” and the RL Class will be designated as the “residual interest,” in the Lower Tier REMIC.

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

Taxation of Beneficial Owners of Regular Certificates

The Notional, Accrual and Weighted Average Coupon Classes will be, and certain other Classes of Certificates may be, issued with original issue discount (“OID”) for federal income tax purposes, which generally will result in recognition of some taxable income in advance of the receipt of the cash attributable to such income. The Prepayment Assumption that will be used in determining the rate of accrual of OID is described below. If a negative amount of OID accrues with respect to the Notional Class in any period, the amount of OID allocable to such period will be zero and Holders may offset such negative amount only against any future OID attributable to such Class. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the Multifamily REMIC Prospectus. No representation is made as to whether the Mortgage Loans will prepay at that or any other rate. See “Description of the Certificates—Weighted Average Life” herein and “Maturity and Prepayment Considerations and Risks—Weighted Average Life and Final Distribution Dates” in the Multifamily REMIC Prospectus. In addition, certain Classes of Certificates may be treated as having been issued at a premium for federal income tax purposes. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Certificates Purchased at a Premium*” in the Multifamily REMIC Prospectus.

The V Class pays interest based on a weighted average of the interest rates on the Mortgage Loans and will not qualify as a “variable rate debt instrument” under the OID Regulations. The OID Regulations do not adequately address the taxation of Regular Certificates such as the V Class. In addition, final Treasury regulations governing contingent payment debt instruments (published in the Federal Register on June 14, 1996) provide specifically that they do not apply to debt instruments, such as the Regular Certificates, to which section 1272(a)(6) of the Code applies. Section 1272(a)(6) of the Code contains special original issue discount rules applicable to Regular Certificates, although no regulations have been issued under this section and the treatment of the V Class under section 1272(a)(6) remains unclear. In the absence of other guidance, Fannie Mae intends to refer to the principles of the OID Regulations in preparing information reports to Holders of the V Class. Investors are urged to consult their own tax advisors regarding the tax treatment of the V Class in their specific circumstances.

For information reporting purposes, the V Class will be treated as issued with OID for federal income tax purposes, which generally will result in recognition of some taxable income in advance of the receipt of the cash attributable to such income. In addition, all interest payments on such Class will be treated as included in the stated redemption price at maturity of such Class. Accruals of OID will be determined as for Regular Certificates calling for a variable rate of interest, as described under “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the Multifamily REMIC Prospectus.

The Prepayment Assumption will be applied on a loan-by-loan basis. The Prepayment Assumption that will be used for the Mortgage Loans will be 0% CPR until the prepayment penalty end date for each such Mortgage Loan and 35% CPR thereafter. The prepayment penalty end dates for the Mortgage Loans are provided on Exhibit A herein. Because the prepayment penalty end date for each Mortgage Loan is not the same, during the period beginning on the earliest prepayment penalty end date of the Mortgage Loans and ending on the last prepayment penalty end date of the Mortgage Loans, the effective Prepayment Assumption will increase, from 0% CPR to 35% CPR, in proportion

to the percentage of Mortgage Loan prepayment penalty end dates that have passed. Such increase in the effective Prepayment Assumption will result in an acceleration in the rate of accrual of original issue discount with respect to the Certificates as each Mortgage Loan reaches its prepayment penalty end date.

The Taxpayer Relief Act of 1997 adds a provision to the Code that requires the recognition of gain upon the “constructive sale of an appreciated financial position.” A constructive sale of a financial position occurs if a taxpayer enters into certain transactions or series of such transactions that have the effect of substantially eliminating the taxpayer’s risk of loss or opportunity for gain with respect to the financial instrument. Debt instruments that (i) entitle the holder to a specified principal amount, (ii) pay interest at a fixed or variable rate and (iii) are not convertible into the stock of the issuer or a related party cannot be the subject of a constructive sale for this purpose. Accordingly, only the Notional Class Certificates, which do not have a principal balance, could be subject to this provision and only if a Holder of a Notional Class Certificate engages in a constructive sale transaction.

Taxation of Beneficial Owners of Residual Certificates

Under the Regulations, neither the R nor the RL Class will have significant value. Special rules regarding the treatment of “excess inclusions” by certain thrift institutions no longer apply because of the amendment of sections 593 and 860E of the Code by the Small Business Job Protection Act of 1996. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” in the Multifamily REMIC Prospectus.

For purposes of determining the portion of the taxable income of the Trust that generally will not be treated as excess inclusions, the rate to be used is 7.67% (which is 120% of the “federal long-term rate”). See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” and “—Foreign Investors—*Residual Certificates*” in the Multifamily REMIC Prospectus. The federal income tax consequences of any consideration paid to a transferee on the transfer of an R or RL Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

The Taxpayer Relief Act of 1997 adds provisions to the Code that will apply to an “electing large partnership.” If an electing large partnership holds an R or RL Certificate, all interests in the electing large partnership are treated as held by disqualified organizations for purposes of the tax imposed upon a pass-through entity by section 860E(e) of the Code. An exception to this tax, otherwise available to a pass-through entity that is furnished certain affidavits by record holders of interests in the entity and that does not know such affidavits are false, is not available to an electing large partnership.

PLAN OF DISTRIBUTION

The Dealer will receive the Certificates in exchange for the Mortgage Loans pursuant to a Fannie Mae commitment. The Dealer proposes to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect such transactions to or through dealers.

LEGAL MATTERS

Certain legal matters will be passed upon for Fannie Mae by Mayer, Brown & Platt, Chicago, Illinois; and an opinion with respect to certain tax matters will be delivered to Fannie Mae by Dewey, Ballantine, Washington, D.C. Any purchases of Certificates will be furnished upon request an opinion of the General Counsel or Deputy General Counsel of Fannie Mae as to the validity of the Certificates and the Trust Agreement. Certain legal matters will be passed upon for the Dealer by Sidley & Austin, New York, New York.

Exhibit A

Project or Pool Number	FHA Program (1)	City	State	Issue Date Balance	Scheduled Monthly Principal & Interest	Mortgage Interest Rate	Pass- Through Rate	FHA Debtenture Rate	Maturity Date	Original Term to Maturity (mos.)	Remaining Term to Maturity (mos.)	Mortgage Loan Age (mos.)	Mortgage Loan Issue Date	Lockout End Date (2)	Prepayment Penalty End Date (2)	Remaining Lockout Term	Remaining Prepayment Penalty Term	Lockout / Prepayment Penalty Code (5)
052-35456	221(d)4	Annapolis	MD	\$ 6,562,075.27	\$ 48,086.30	8.00000%	7.77400%	10.250%	November 2027	387	362	25	August 1995	—	August 2000	0	35	6
064-38001	231	Metairie	LA	2,527,572.23	17,656.72	7.75000	7.49400	9.000	September 2031	425	408	17	April 1996	April 2001	April 2006	43	103	1
051-43108	232	Richmond	VA	2,747,986.71	19,065.65	7.75000	7.49400	9.000	April 2032	433	415	18	March 1996	March 2001	March 2006	42	102	1
012-43132	232	Briarcliff Manor	NY	3,933,092.22	36,740.15	10.25000	9.84400	9.000	October 2021	360	289	71	October 1991	—	April 1999	0	19	3
043-22001	232/223(f)	Columbus	OH	2,917,090.06	23,510.38	9.00000	8.74400	8.000	June 2027	420	357	63	June 1992	—	April 2002	0	55	1
000-43047	232	Burke	VA	6,293,119.69	43,746.71	7.75000	7.54400	9.000	December 2031	429	411	18	March 1996	March 2001	March 2006	42	102	1
051-11044	223(f)	Hampton	VA	9,068,865.61	72,970.15	9.00000	8.74400	8.000	September 2027	420	360	60	September 1992	September 1997	September 2000	0	36	3
064-12001	241	Baton Rouge	LA	2,457,657.82	23,992.17	9.25000	8.97400	8.500	August 2014	252	203	49	August 1993	February 2003	February 2003	65	65	2
092-11029	223(f)	Minneapolis	MN	3,362,484.23	29,658.70	10.00000	9.64400	8.750	October 2026	420	349	71	October 1991	—	September 2001	0	48	1
043-10014	241	Mt. Vernon	OH	980,806.87	8,112.40	9.25000	8.84400	8.375	November 2026	360	350	10	November 1996	July 2001	July 2006	46	106	1
043-35308	221(d)4	Lancaster	OH	1,946,436.72	13,570.11	7.50000	7.24400	8.250	January 2028	383	364	19	February 1996	January 2001	January 2006	40	100	1
123-35188	221(d)4	Peoria	AZ	13,076,300.32	101,352.61	8.72000	8.51400	9.000	August 2029	439	383	56	January 1993	December 1997	December 2002	3	63	1
123-15001	223(d)	Peoria	AZ	844,642.61	6,549.89	8.72000	8.46400	9.000	July 2029	438	382	56	January 1993	December 1997	December 2002	3	63	1
051-11036	223(f)	Blacksburg	VA	2,566,230.78	21,202.07	9.25000	8.96900	8.500	January 2027	420	352	68	January 1992	—	January 2002	0	52	1
051-43107	232	Rocky Mount	VA	2,213,947.38	15,553.49	7.75000	7.49400	9.375	April 2030	409	391	18	March 1996	March 2001	March 2006	42	102	1
051-43104	232	Gretna	VA	2,723,519.34	19,155.13	7.75000	7.49400	9.375	February 2030	407	389	18	March 1996	March 2001	March 2006	42	102	1
051-43121	232	Hanover	VA	2,378,913.31	16,458.69	7.75000	7.49400	8.500	October 2032	439	421	18	March 1996	March 2001	March 2006	42	102	1
136-35672	221(d)4	Orangevale	CA	5,127,103.02	37,355.87	8.00000	7.79400	8.000	August 2028	411	371	40	May 1994	—	May 2003	0	68	8
051-43102	232	Henrico	VA	3,854,727.26	27,158.32	7.75000	7.54400	9.125	November 2029	404	386	18	March 1996	March 2001	March 2006	42	102	1
051-43119	232	Wise	VA	2,900,374.16	22,966.02	9.12500	8.86900	8.000	March 2033	480	426	54	March 1993	March 1998	March 2003	6	66	1
051-43116	232	Grundy	VA	4,159,680.14	29,623.37	8.00000	7.74400	9.000	March 2032	432	414	18	March 1996	March 2001	March 2006	42	102	1
051-43109	232	Brookneal	VA	2,647,607.19	18,889.78	8.00000	7.74400	9.000	November 2031	428	410	18	March 1996	March 2001	March 2006	42	102	1
051-43110	232	Lexington	VA	2,655,794.35	18,887.94	8.00000	7.74400	8.750	June 2032	435	417	18	March 1996	March 2001	March 2006	42	102	1
051-43113	232	Virginia Beach	VA	3,821,131.86	27,340.54	8.00000	7.74400	9.000	May 2031	422	404	18	March 1996	March 2001	March 2006	42	102	1
051-43124	232	Nassawadox	VA	892,200.16	6,987.76	9.00000	8.74400	8.500	December 2032	480	423	57	December 1992	January 1998	January 2003	4	64	1
043-35307	221(d)4	Reynoldsburg	OH	6,680,792.16	46,444.92	7.50000	7.29400	10.250	May 2028	387	368	19	February 1996	January 2001	January 2006	40	100	1
123-43028	232	Peoria	AZ	3,542,608.74	27,368.15	8.72000	8.49400	9.375	March 2030	446	390	56	January 1993	December 1997	December 2002	3	63	1
053-43046	232	Tarboro	NC	3,982,359.50	27,914.58	7.65000	7.34400	9.000	March 2029	421	378	43	February 1994	—	January 2004	0	76	4
114-43040	232	Houston	TX	3,323,864.78	25,496.03	8.75000	8.46900	9.375	February 2032	448	413	35	October 1994	—	September 1999	0	24	12
016-43057	232	Woonsocket	RI	7,786,626.77	71,219.94	10.70000	10.44400	9.000	April 2032	480	415	65	April 1992	—	April 2002	0	55	9
053-43069	232	Thomasville	NC	1,232,330.31	9,236.74	8.50000	8.19400	9.000	December 2031	425	411	14	July 1996	June 2001	June 2006	45	105	1
042-43075	232	Oakwood Village	OH	2,248,323.06	16,202.68	8.00000	7.74400	9.125	March 2030	398	390	8	January 1997	January 2002	January 2007	52	112	1
071-43128	232	Chicago	IL	6,961,679.12	53,721.67	8.75000	8.49400	9.375	December 2030	429	399	30	March 1995	March 2000	March 2005	30	90	1
051-43103	232	Roanoke	VA	4,169,873.70	29,245.21	7.75000	7.49400	9.375	July 2030	412	394	18	March 1996	March 2001	March 2006	42	102	1
035-43188	223(a)7	Hackensack	NJ	8,298,235.91	61,492.88	8.00000	7.74400	7.000	July 2026	390	346	44	January 1994	—	January 2002	0	52	7
061-43077	232	Kennesaw	GA	3,008,815.60	26,843.40	10.40000	10.14400	9.000	January 2032	480	412	68	January 1992	November 1997	November 2002	2	62	1
046-43033	232	Trotwood	OH	2,511,466.47	20,895.69	9.63400	9.37800	8.750	August 2032	474	419	55	February 1993	January 1998	January 2003	4	64	1
051-43111	232	Stanleytown	VA	2,270,552.35	15,889.69	7.75000	7.49400	9.250	November 2030	416	398	18	March 1996	March 2001	March 2006	42	102	1
053-43060	232	Statesville	NC	903,667.30	6,732.49	8.37500	7.96900	9.000	October 2030	411	397	14	July 1996	June 2001	June 2006	45	105	1
053-10004	241	Statesville	NC	257,743.21	1,920.23	8.37500	8.06900	8.750	October 2030	411	397	14	July 1996	June 2001	June 2006	45	105	1
051-43118	232	Lynchburg	VA	1,663,256.52	14,291.13	10.00000	9.74400	8.750	November 2032	480	422	58	November 1992	December 1997	December 2002	3	63	1
123-35196	221(d)4	Tucson	AZ	7,893,084.87	55,091.22	7.75000	7.49400	9.000	May 2031	421	404	17	April 1996	April 2001	April 2006	43	103	1
046-43028	232	Cincinnati	OH	8,038,942.36	58,223.72	8.00000	7.74400	9.000	June 2029	419	381	38	July 1994	—	June 2004	0	81	4
043-10013	241	Springfield	OH	810,160.26	7,291.70	9.12500	8.84400	8.000	March 2018	300	246	54	March 1993	June 1998	June 2003	9	69	1
042-43096	232	Bucyrus	OH	3,801,835.50	27,938.17	8.40000	8.09400	7.750	February 2034	480	437	43	February 1994	June 2004	June 2004	81	81	2
051-11085	223(f)	Norfolk	VA	1,486,978.95	10,826.34	8.12500	7.71900	8.375	July 2030	420	394	26	July 1995	July 2000	July 2003	34	70	3
017-43060	232	New London	CT	4,629,248.50	33,840.51	8.37500	8.09400	7.750	October 2034	478	445	33	December 1994	June 1999	June 2004	21	81	1
063-43052	232	Century	FL	2,176,831.83	18,139.53	9.50000	8.64400	7.750	May 2029	420	380	40	May 1994	January 1999	January 2004	16	76	1
133-43007	232	Lubbock	TX	1,781,550.38	13,551.11	8.75000	8.34400	8.000	April 2034	480	439	41	April 1994	November 2003	November 2003	74	74	2
051-11084	223(f)	Norfolk	VA	2,531,791.04	17,503.33	7.62500	7.21900	8.375	October 2030	420	397	23	October 1995	October 2000	October 2003	37	73	3
052-43054	232	Elkton	MD	6,035,482.29	39,579.97	7.37500	7.14400	7.750	June 2035	480	453	27	June 1995	December 2004	December 2004	87	87	2
101-11073	223(f)	Boulder	CO	2,242,355.25	18,182.99	8.45000	8.04400	7.250	October 2021	300	289	11	October 1996	October 2001	October 2006	49	109	1
063-10002	241	Jacksonville	FL	1,302,303.54	9,580.09	8.25000	7.84400	7.750	November 2030	440	398	42	March 1994	February 1999	February 2004	17	77	1
071-35630	223(a)7	Chicago	IL	1,381,638.56	8,897.84	7.25000	7.04400	7.250	March 2036	480	462	18	March 1996	February 2006	February 2006	101	101	2
075-43099	232	Brookfield	WI	1,464,658.09	11,983.25	9.50000	9.09400	8.000	December 2033	480	435	45	December 1993	December 2003	December 2003	75	75	2
033-43090	232	Whitehall Borough	PA	6,508,989.51	44,002.21	7.62500	7.34400	7.750	September 2034	480	444	36	September 1994	October 1999	October 2004	25	85	1
043-35337	221(d)4	Pickerington	OH	1,404,372.33	9,081.42	7.25000	6.89400	7.000	May 2035	480	452	28	May 1995	May 2005	May 2005	92	92	2
171-35206	221(d)4	Issaquah	WA	7,619,549.33	50,202.90	7.40000	7.09400	7.750	December 2034	480	447	33	December 1994	July 1999	July 2004	22	82	1

Project or Pool Number	FHA Program (1)	City	State	Issue Date	Scheduled Monthly Principal & Interest	Mortgage Interest Rate	Pass-Through Rate	FHA Debt Service Rate	Maturity Date	Original Term to Maturity (mos.)	Remaining Term to Maturity (mos.)	Mortgage Loan Age (mos.)	Mortgage Loan Issue Date	Lockout End Date (2)	Prepayment Penalty End Date (2)	Remaining Lockout Term	Remaining Prepayment Penalty Term	Lockout/Prepayment Penalty Code (5)
123-35214	221(d)4	Tucson	AZ	\$ 1,706,072.41	\$ 12,338.89	8.2500%	7.8400%	7.750%	September 2034	480	444	36	September 1994	March 1999	March 2004	18	78	1
014-43109	232	Buffalo	NY	2,271,777.38	16,688.15	8.5000%	7.5940%	6.500	January 2037	480	472	8	September 1997	October 2001	October 2006	49	109	1
023-43168	232	Peabody	MA	8,427,413.03	59,236.89	8.0000%	7.7190%	7.750	December 2034	477	447	30	March 1999	July 2004	July 2004	22	82	1
033-43089	232	Verona	PA	6,061,109.95	45,468.99	8.6250%	8.3690%	8.000	March 2034	480	443	37	August 1994	August 2004	August 2004	83	83	2
063-32229	221(d)4	Jacksonville	FL	1,434,385.89	10,643.80	8.5000%	7.4690%	7.750	March 2034	480	438	42	March 1994	October 2004	October 2004	85	85	2
083-43087	232	Shelbyville	KY	4,181,973.29	32,439.61	9.0000%	8.5940%	7.750	September 2035	480	456	24	September 1995	June 2000	June 2005	33	93	3
083-43087	232(f)	Grove City	KY	1,679,581.12	11,943.50	7.7500%	7.4690%	7.750	August 2028	420	371	18	August 1993	July 1998	July 2001	10	46	1
023-43156	232	Whitinsville	GA	5,895,541.43	41,373.76	8.0000%	7.7190%	7.750	May 2035	470	452	34	March 1996	January 2005	January 2005	28	88	1
061-35437	221(d)4	Gainesville	TX	4,627,280.21	32,628.07	8.0000%	7.6940%	7.750	November 2034	480	446	34	November 1994	January 2004	January 2004	21	81	1
073-35494	221(d)4	South Bloomington	IN	9,475,985.81	68,908.56	8.3750%	7.9800%	7.000	August 2028	377	371	6	March 1997	February 2002	February 2002	53	113	1
126-35227	221(d)4	Troutdale	OR	7,535,533.79	55,032.02	8.3750%	7.9690%	7.000	January 2035	480	448	32	January 1996	July 2004	July 2004	22	82	1
043-35335	221(d)4	Westerville	TX	2,328,165.73	15,514.68	7.5000%	7.2190%	7.000	November 2034	480	446	34	November 1994	March 2004	March 2004	22	82	2
115-11073	223(f)	Austin	TX	1,744,067.78	12,036.24	7.5000%	7.1940%	6.625	April 2029	420	379	41	April 1994	January 2004	January 2004	76	76	2
023-15012	223(f)	Wilmington	OH	1,167,282.06	8,457.43	8.2500%	7.8440%	6.250	November 2033	439	434	162	March 1984	—	May 2006	0	104	5
046-35560(3)	221(d)4	Cincinnati	OH	4,090,395.30	34,043.18	9.0000%	8.8540%	12.875	January 2024	478	316	170	November 1981	—	August 2004	0	83	5
014-35002(3)	221(d)4	Buffalo	NY	2,466,475.19	30,235.04	8.9000%	8.7340%	9.875	November 2011	360	314	166	November 1983	—	March 2006	0	102	5
046-35590(3)	221(d)4	Dayton	OH	1,574,021.86	15,531.70	8.9000%	8.7340%	12.750	November 2029	480	386	94	November 1989	—	March 2006	0	8	5
042-35432(3)	221(d)4	Toledo	OH	837,284.81	7,800.88(4)	10.2500%	9.9940%	9.275	August 2023	480	311	169	August 1983	—	March 2006	0	102	5
046-35555(3)	221(d)4	Moraine	OH	1,482,854.68	13,737.19	10.3471%	10.0911%	12.750	August 2023	480	311	169	August 1983	—	March 2006	0	102	5
453071	223(f)	Coon Rapids	MN	4,276,743.27	n/a	7.3750%	7.1250%	n/a	August 2027	361	359	2	July 1997	July 2002	July 2007	58	118	1
356530	223(f)	Lexington	KY	1,513,194.79	n/a	7.5000%	7.2500%	n/a	September 2023	357	312	45	December 1993	November 1998	November 2003	14	74	1
414385	223(f)	Bethany	OK	3,916,298.07	n/a	7.5000%	7.2500%	n/a	January 2024	324	316	8	January 1997	September 1999	September 2004	24	84	1
356531	223(f)	Lexington	KY	1,911,909.36	n/a	7.5000%	7.2500%	n/a	September 2023	357	312	45	December 1993	November 1998	November 2003	14	74	1
453070	223(f)	New Hope	MN	3,140,546.24	n/a	7.7500%	7.5000%	n/a	July 2027	361	358	3	June 1997	June 2007	June 2007	117	117	2
351003	223(f)	Scriba	NY	1,215,569.26	n/a	7.7500%	7.5000%	n/a	April 2029	420	379	50	July 1993	June 2003	June 2003	9	69	1
391953	223(f)	Chicago	IL	3,815,569.35	n/a	7.7500%	7.5000%	n/a	July 2028	420	370	41	April 1994	June 2003	June 2003	19	79	3
421053	223(f)	Baltimore	MD	6,960,760.31	n/a	7.7500%	7.5000%	n/a	April 2029	420	379	41	April 1994	June 2003	June 2003	19	79	3
421040	223(f)	Tucson	AZ	993,179.23	n/a	7.8750%	7.5000%	n/a	July 2032	421	418	3	June 1997	July 2002	July 2007	118	118	1
450956	223(f)	Virginia Beach	VA	2,301,354.33	n/a	7.8000%	7.5000%	n/a	August 2032	421	419	2	July 1997	July 2002	July 2007	58	118	1
451630	223(f)	Santa Ana	CA	6,428,607.28	n/a	7.8125%	7.5625%	n/a	July 2032	421	418	3	June 1997	August 2007	August 2007	119	119	2
442573	223(f)	Charlottesville	VA	3,685,720.76	n/a	7.8250%	7.5750%	n/a	August 2032	421	419	2	June 1997	August 2007	August 2007	119	119	2
442572	223(f)	Charlottesville	VA	3,147,367.23	n/a	7.8250%	7.5750%	n/a	August 2032	421	419	2	June 1997	August 2007	August 2007	119	119	2
453069	221(d)4	Howard Lake	MN	771,107.84	n/a	8.0000%	7.6900%	n/a	June 2027	361	358	3	June 1997	July 2007	July 2007	118	118	2
421046	222/223(f)	Kingman	AZ	1,858,121.76	n/a	8.0000%	7.6250%	n/a	June 2027	360	357	3	June 1997	June 2007	June 2007	117	117	2
421056	223(f)	Dallas	TX	2,090,954.33	n/a	8.0000%	7.6250%	n/a	September 2028	421	372	49	August 1993	August 2003	August 2003	11	71	10
361017	223(f)	Cincinnati	OH	3,295,919.75	n/a	8.0000%	7.6250%	n/a	July 2030	397	384	3	July 1997	July 2002	July 2007	58	118	1
421055	223(f)	Chicago	IL	5,534,784.25	n/a	8.0000%	7.6250%	n/a	September 2027	421	380	3	August 1997	August 2007	August 2007	119	119	2
442590	223(f)	Oklahoma City	OK	1,073,300.00	n/a	8.0000%	7.7500%	n/a	July 2027	361	358	3	June 1997	August 2002	August 2002	59	119	1
451632	223(f)	Boulder	CO	978,680.50	n/a	8.0000%	7.7500%	n/a	August 2027	420	417	3	June 1997	June 2002	June 2007	57	117	1
420532	232/223(f)	Durham	NC	1,273,372.00	n/a	8.1250%	7.8750%	n/a	August 2027	361	359	2	July 1997	July 2002	July 2007	58	118	1
442580	232/223(f)	Lancaster	CA	1,613,943.56	n/a	8.1250%	7.8750%	n/a	August 2027	361	359	2	July 1997	July 2002	July 2007	58	118	1
442579	232/223(f)	Lancaster	CA	3,859,667.64	n/a	8.1250%	7.8750%	n/a	August 2032	421	419	2	July 1997	July 2002	July 2007	58	118	1
442581	232/223(f)	Lancaster	CA	5,096,663.89	n/a	8.1250%	7.8750%	n/a	August 2027	361	359	2	July 1997	July 2002	July 2007	58	118	1
420533	223(f)	Groton	CT	19,345,372.62	n/a	8.2500%	7.9500%	n/a	July 2032	420	418	2	July 1997	June 2007	June 2007	118	118	2
453098	223(f)	La Habra	CA	5,536,815.23	n/a	8.5000%	8.0000%	n/a	July 2032	421	418	2	June 1997	June 2007	June 2007	117	117	2
409815	223(f)	Copley Township	OH	1,974,316.98	n/a	8.2500%	8.0000%	n/a	October 2029	412	385	27	June 1995	September 1999	September 1999	24	24	2
427474	223(f)	Concord	NH	2,973,276.42	n/a	8.2500%	8.0000%	n/a	May 2031	420	404	16	May 1996	May 2001	May 2006	44	104	1
418443	223(f)	St. Louis	MO	2,715,021.56	n/a	8.5000%	8.2500%	n/a	June 2027	360	357	3	June 1997	June 2007	June 2007	117	117	2
429454	223(f)	Anchorage	AK	894,476.65	n/a	8.5000%	8.2500%	n/a	June 2027	360	357	3	June 1997	June 2002	June 2007	56	116	1
421054	223(f)	Aurora	CO	1,206,066.65	n/a	8.5000%	8.2500%	n/a	June 2032	421	418	3	June 1997	July 2002	July 2007	58	118	1
406114	232/223(f)	Milwaukee	WI	117,671.11	n/a	9.0000%	8.7500%	n/a	April 2024	348	319	29	April 1995	March 2000	March 2005	30	90	1
453072	231	Missoula	MT	4,428,588.20	n/a	8.2500%	7.8750%	n/a	June 2032	418	417	1	August 1997	May 2007	May 2007	116	116	2
421061	223(f)	Yuba City	TX	2,248,730.79	n/a	8.2500%	8.0000%	n/a	July 2030	396	394	2	July 1997	June 2002	June 2007	57	117	1
436937	223(f)	Cherry Hill	NC	18,712,024.27	n/a	8.1250%	7.5000%	n/a	August 2032	421	419	2	May 1994	August 2007	August 2007	59	119	2
254202	223(f)	St. Louis	MO	551,235.92	n/a	8.1250%	7.8750%	n/a	July 2032	350	310	40	July 1994	April 2004	April 2004	79	79	2
406863	223(f)	Arlington Heights	IL	463,488.07	n/a	7.5000%	7.2500%	n/a	March 2036	421	394	27	March 1996	February 2001	February 2006	33	93	1
413998	221(f)	Escondido	CA	2,367,996.30	n/a	7.6250%	7.2500%	n/a	March 2036	480	462	18	March 1996	February 2001	February 2006	41	101	1
414210	232	Waldorf	MD	3,434,028.74	n/a	7.8750%	7.6250%	n/a	April 2035	472	451	21	December 1995	April 2000	April 2005	31	91	1

Project or Pool Number	FHA Program (1)	City	State	Issue Date Balance	Scheduled Monthly Principal & Interest	Mortgage Interest Rate	Pass- Through Rate	FHA Debtenture Rate	Maturity Date	Original Term to Maturity (mos.)	Remaining Term to Maturity (mos.)	Mortgage Loan Age (mos.)	Mortgage Loan Issue Date	Lockout End Date (2)	Prepayment Penalty End Date (2)	Remaining Lockout Term	Remaining Prepayment Penalty Term	Lockout / Prepayment Penalty Code (5)
361033	223 (f)	Tucson	AZ	\$ 1,122,112.57	n/a	7.25000%	7.00000%	n/a	April 2029	420	379	41	April 1994	April 1999	April 2004	19	79	11
372745	232/223 (f)	Houston	TX	1,097,337.63	n/a	8.50000	8.25000	n/a	April 2031	420	403	17	April 1996	March 2001	March 2006	42	102	1
451638	223 (f)	Houston	TX	3,220,000.00	n/a	7.50000	7.25000	n/a	September 2032	421	420	1	August 1997	September 2002	September 2007	60	120	1
430581	232/223 (f)	Wilbraham	MA	7,257,024.66	n/a	7.50000	7.12500	n/a	August 2032	420	419	1	August 1997	—	July 2002	0	58	12
430553	223 (f)	Reno	NV	2,596,111.83	n/a	7.87500	7.37500	n/a	January 2032	420	412	8	January 1997	January 2002	January 2007	52	112	1
413201	221 (d)4	Savannah	GA	10,556,574.98	n/a	7.75000	7.50000	n/a	July 2037	479	478	1	August 1997	February 2007	February 2007	113	113	2
416250	221 (d)4	Allen	TX	13,491,634.00	n/a	7.87500	7.50000	n/a	July 2037	478	478	0	September 1997	July 2002	July 2007	58	118	1
451639	223 (f)	Costa Mesa	CA	25,883,900.00	n/a	7.25000	7.00000	n/a	September 2032	420	420	0	September 1997	October 2007	October 2007	121	121	2
378369	223 (f)	Elkton	MD	2,046,253.67	n/a	7.25000	6.95000	n/a	February 2029	421	377	44	January 1994	February 1999	February 2004	17	77	1
451647	223 (f)	Anchorage	AK	7,990,000.00	n/a	8.00000	7.75000	n/a	October 2022	301	301	0	September 1997	November 2002	November 2007	62	122	1
450967	223 (a)7	Hagerstown	MD	3,000,000.00	n/a	7.25000	7.00000	n/a	October 2032	421	421	0	September 1997	September 2002	September 2007	60	120	1
450966	223 (f)	Williamsburg	VA	1,050,000.00	n/a	7.50000	7.12500	n/a	October 2032	421	421	0	September 1997	September 2002	September 2007	60	120	1
Total/Weighted Average:				\$ 498,736,772		8.14509%	7.85444%			426	401	25				48	93	

- (1) Certain of the units included in the Mortgaged Properties may receive project-based Section 8 rent subsidies from HUD.
- (2) Calculated based on mostly publicly available information. Lockout End Dates and Prepayment Penalty End Date may be earlier in certain cases. As described herein, the FHA may override any lockout and/or prepayment penalty provision when the related Mortgage Loan is in default if the FHA determines that it is in the best interest of the federal government to permit a refinancing or partial prepayment without restrictions or penalties.
- (3) The following Mortgaged Properties each contain HAP Contract/Section 8 rent subsidies:

Loan Number	Section 8 Contract End Date	Remaining Section-8 Term
046-35560	May 2003	68
014-38002	June 2011	165
046-35550	December 2002	63
042-35432	June 2009	141
046-35555	November 2002	62

- (4) The Scheduled Monthly P&I for this Mortgaged Property adjusts to \$7,645.86 in 12/2001 and to \$7,092.16 in 12/2004.

(5) *Lockout/Prepayment Penalty Codes:*

- (1) Lockout through the lockout end date; thereafter prepayment penalty of 5% of the prepaid amount until the twelfth mortgage loan payment date beyond the lockout end date disclosed above, declining thereafter by 1% annually.
- (2) Lockout through the lockout end date; thereafter no prepayment penalty is imposed.
- (3) Lockout through the lockout end date; thereafter prepayment penalty of 3% of the prepaid amount until the twelfth mortgage loan payment date beyond the lockout end date disclosed above, declining thereafter by 1% annually.
- (4) Prepayment penalty of 5% of the prepaid amount until the seventy-first mortgage loan payment date beyond the Issue Date specified above, declining thereafter by 1% annually.
- (5) Prepayment penalty of 3% of the prepaid amount, declining thereafter by .125% every twelfth mortgage loan payment date until the penalty decreases to 0% after the prepayment penalty end date.
- (6) Prepayment penalty of 5% of the prepaid amount until the twelfth mortgage loan payment date beyond the Issue Date specified above, declining thereafter by 1% annually.
- (7) Prepayment penalty of 5% of the prepaid amount until the January 1999 mortgage loan payment date, declining to 3% commencing in February 1999, declining thereafter by 1% annually.
- (8) Prepayment penalty of 5% of the prepaid amount until the sixtieth mortgage loan payment date beyond the Issue Date specified above, declining thereafter by 1% annually.
- (9) Prepayment penalty of 10% of the prepaid amount until the twelfth mortgage loan payment date beyond the Issue Date specified above, declining thereafter by 1% annually.
- (10) Lockout through the lockout end date; thereafter a prepayment penalty of 3% of the prepaid amount until the August 1999 mortgage loan payment date, declining to 2% commencing in September 1999, to 1% commencing in September 2000 through the prepayment penalty end date specified above.
- (11) Lockout through the lockout end date; thereafter a prepayment penalty of 5% of the prepaid amount until the April 2000 mortgage loan payment date, declining to 3% commencing in May 2000, to 1% commencing in May 2003 through the prepayment penalty end date specified above.
- (12) Prepayment penalty of 5% of the prepaid amount until the eleventh mortgage loan payment date beyond the Issue Date specified above, declining thereafter by 1% annually.

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NOTE:

The information with respect to the Mortgage Loans set forth on this Exhibit A has been collected and summarized by Donaldson, Lufkin & Jenrette Securities Corporation and provided to Fannie Mae. Fannie Mae has made no independent verification of such information and, therefore, does not warrant its truth or accuracy and shall not be responsible therefor.

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

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**\$493,098,000
(Approximate)**



FannieMae

**Guaranteed REMIC
Pass-Through Certificates**

**Fannie Mae Multifamily
REMIC Trust 1997-M7**

PROSPECTUS SUPPLEMENT

**Donaldson, Lufkin & Jenrette
Securities Corporation**

September 8, 1997