

\$491,026,618



FannieMae

Guaranteed Grantor Trust Pass-Through Certificates Fannie Mae Grantor Trust 1997-T1

The Guaranteed Grantor Trust Pass-Through Certificates offered hereby (the "Certificates") will be issued and guaranteed as to timely distribution of principal and interest by the Federal National Mortgage Association ("Fannie Mae") and will represent interests in Fannie Mae Grantor Trust 1997-T1 (the "Trust"). The assets of the Trust will consist of eight groups of Fannie Mae Guaranteed Mortgage Pass-Through Certificates (each, an "MBS Group" and, together, the "MBS"), each of which represents a beneficial ownership interest in a pool (each, a "Pool") of first lien, single-family residential mortgage loans (the "Mortgage Loans") having the characteristics described herein. Each Class will receive all of the distributions on the related MBS Group, provided that on each Redemption Date specified below, the distribution to be made on the applicable Class of Certificates will be equal to the entire outstanding principal balance thereof plus interest accrued thereon during the immediately preceding Interest Accrual Period. See "Description of the Certificates—Redemption" herein.

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

See "Risk Factors" beginning on page 8 for a discussion of certain risks that should be considered in connection with an investment in the Certificates.

(Cover continued on next page)

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

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

Class	Original Principal Balance	Principal Type(1)	Interest Rate	Interest Type(1)	CUSIP Number	Redemption Date
A	\$33,148,342	PT/LIQ	(2)	WAC	31359QHA5	January 25, 2002
B	41,371,305	PT/LIQ	(2)	WAC	31359QHB3	April 25, 2002
C	70,594,290	PT/LIQ	(2)	WAC	31359QHC1	June 25, 1999
D	49,124,654	PT/LIQ	(2)	WAC	31359QHD9	October 25, 2000
E	78,115,265	PT/LIQ	(2)	WAC	31359QHE7	September 27, 1999
G	57,190,908	PT/LIQ	(2)	WAC	31359QHF4	January 25, 2000
H	65,660,250	PT/LIQ	(2)	WAC	31359QHG2	September 25, 2001
J	95,821,604	PT/LIQ	(2)	WAC	31359QHH0	May 25, 2001

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

(2) Each Class will bear interest at a rate per annum equal to the Weighted Average Pass-Through Rate (as defined herein) for the related MBS Group. During the initial Interest Accrual Period, the A, B, C, D, E, G, H and J Classes are expected to bear interest at per annum rates equal to approximately 6.875%, 6.623%, 6.506%, 6.819%, 6.653%, 6.882%, 7.136% and 7.224%, respectively. See "Description of the Certificates—Distributions of Interest" herein.

The Certificates will be offered from time to time in negotiated transactions, at varying prices to be determined at the time of sale.

It is expected that the Certificates will be available through the book-entry system of the Federal Reserve Banks on or about July 30, 1997 (the "Settlement Date").

The date of this Prospectus is July 23, 1997.

(Cover continued from previous page)

The yield to investors in each Class will be sensitive to, among other things, fluctuations in the related Weighted Average Pass-Through Rate for the related MBS Group and the rate of principal distributions on the related MBS Group prior to the applicable Redemption Date, which in turn will depend upon the rate of principal payments of the related Mortgage Loans and the actual characteristics of such Mortgage Loans. The yield to investors in each Class will also depend upon the applicable Redemption Date and the purchase price paid for such Class. Accordingly, investors should consider the following risks:

- The Mortgage Loans generally may be prepaid at any time without penalty, and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time. In particular, the Mortgage Loans underlying each MBS Group initially will bear interest at fixed rates; however, beginning in various months from and after the month of the related Redemption Date, such Mortgage Loans will bear interest at variable rates as described herein. Investors should consider the effect that this feature could have on the rate of refinancings (and, thus, prepayments) of such Mortgage Loans prior to the related Redemption Date under various interest rate scenarios.
- Slight variations in Mortgage Loan characteristics could affect the weighted average lives and yields of the Classes.
- In the case of any Certificates of a Class purchased at a discount to their principal amounts, a slower than anticipated rate of principal payments prior to the applicable Redemption Date is likely to result in a lower than anticipated yield.
- In the case of any Certificates of a Class purchased at a premium to their principal amounts, a faster than anticipated rate of principal payments prior to the applicable Redemption Date is likely to result in a lower than anticipated yield.

See “Risk Factors” beginning on page 8.

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

- The rate of principal distributions of the Classes prior to the applicable Redemption Date is uncertain and investors may be unable to reinvest the distributions thereon at yields equaling the yields on the Classes. See “Risk Factors—Suitability and Reinvestment Considerations” herein.
- The existence of the Redemption Dates will inhibit the ability of the related Classes to sell at significant premiums in the market.
- 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 the Certificates. Investors should consult their legal advisors to determine whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment. See “Legal Investment Considerations” herein.
- To Fannie Mae’s knowledge, there is no intent to make a market for the Certificates. There can be no assurance that such a secondary market will develop or, if developed, that it will continue. Thus, investors may not be able to sell their Certificates readily or at prices that will enable them to realize their anticipated yield. No investor should purchase Certificates unless such investor understands and is able to bear the risk that the value of the Certificates will fluctuate over time and that the Certificates may not be readily salable.

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

No REMIC election will be made with respect to the Trust. See “Certain Federal Income Tax Consequences” herein.

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

- Fannie Mae’s Prospectus for Guaranteed Mortgage Pass-Through Certificates dated January 1, 1997 (the “MBS Prospectus”); and
- Fannie Mae’s Information Statement dated March 31, 1997 and any supplements thereto (collectively, the “Information Statement”).

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

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Reference Sheet	4	<i>Group 5 Principal Distribution Amount</i>	14
Risk Factors	8	<i>Group 6 Principal Distribution Amount</i>	14
Market and Liquidity Considerations	8	<i>Group 7 Principal Distribution Amount</i>	14
Suitability and Reinvestment Considerations	8	<i>Group 8 Principal Distribution Amount</i>	14
Yield and Redemption Considerations	8	Redemption	14
Prepayment Considerations	9	Certain Definitions and Abbreviations	15
Description of the Certificates	9	Structuring Assumptions	15
General	9	<i>Pricing Assumptions</i>	15
<i>Structure</i>	9	<i>Prepayment Assumptions</i>	15
<i>Fannie Mae Guaranty</i>	9	Weighted Average Lives	15
<i>Characteristics of Certificates</i>	10	Decrement Tables	17
<i>Authorized Denominations</i>	10	The Trust Agreement	18
<i>Distribution Dates</i>	10	Reports to Certificateholders	18
<i>Record Date</i>	10	Certain Matters Regarding Fannie Mae	18
<i>Trust Factors</i>	10	Events of Default	18
<i>Redemption</i>	10	Rights Upon Event of Default	19
<i>Optional Termination</i>	10	Amendment	19
<i>Liquid Assets</i>	10	Termination	19
The MBS Groups and the Related Mortgage Loans	10	Certain Federal Income Tax Consequences	20
Distributions of Interest	12	General	20
<i>Category of Classes</i>	12	Taxation of the Certificates	20
<i>General</i>	12	Special Tax Attributes	21
<i>Interest Accrual Period</i>	13	Sales of the Certificates	21
Distributions of Principal	13	Information Reporting	21
<i>Categories of Classes</i>	13	Recharacterization as Debt	21
<i>Principal Distribution Amount</i>	13	Legal Investment Considerations ...	22
<i>Group 1 Principal Distribution Amount</i>	14	Legal Opinion	22
<i>Group 2 Principal Distribution Amount</i>	14	ERISA Considerations	23
<i>Group 3 Principal Distribution Amount</i>	14	Plan of Distribution	23
<i>Group 4 Principal Distribution Amount</i>	14	Legal Matters	23

REFERENCE SHEET

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

General

Description

The Certificates represent indirect interests in certain Mortgage Loans. The Certificates are guaranteed by Fannie Mae but are not guaranteed by, and are not a debt or obligation of, the United States. See “Description of the Certificates—General—*Fannie Mae Guaranty*” herein.

Investment Objective

Each individual investor should determine, in consultation with his or her investment advisor, whether or not the Certificates satisfy his or her specified investment objectives, particularly in light of the applicable Redemption Date set forth on the cover hereof. See “Risk Factors—Yield and Redemption Considerations” herein.

Liquidity

If any Certificate is sold prior to its maturity, an investor may receive sales proceeds (less applicable transaction costs) that are less than the amount originally invested. To Fannie Mae’s knowledge, there is no intent to make a market for the purchase and sale of the Certificates. There is no assurance that such a secondary market will develop or, if it develops, that it will continue. See “Risk Factors—Market and Liquidity Considerations” herein.

Federal Income Taxes

Interest on the Certificates will be includible in income by an investor in accordance with such investor’s method of accounting. Relevant federal income tax information for the preceding calendar year will be mailed to investors, as required by the Internal Revenue Service (“IRS”). Investors should be aware, however, that such information need not be furnished before April 15 of any calendar year following a calendar year in which income accrues on a Certificate. See “Certain Federal Income Tax Consequences” herein.

Maturity

Unlike many other fixed income securities, the Certificates do not have fixed principal redemption schedules or fixed principal distribution dates (except that the outstanding principal balance of the Certificates of any Class will be paid in full on the applicable Redemption Date). Subject to the effect of the redemption of the Certificates of any Class on the applicable Redemption Date, the timing of principal distributions may vary considerably based upon a number of factors, including changes in prevailing interest rates. If prevailing interest rates decrease, principal distributions on the Certificates may accelerate, and any reinvestment of such distributions might be at such lower prevailing interest rates. Conversely, if prevailing interest rates increase, principal distributions on the Certificates may slow down, and investors might not be able to reinvest their principal at such higher prevailing interest rates. In such case, the market value of any such Certificates is likely to have declined. See “Risk Factors” herein.

Mortgage Loan Characteristics (as of July 1, 1997)*Group 1 Mortgage Loans (Pool No. 393260)*

<u>Approximate Principal Balance</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Approximate Weighted Average Calculated Loan Age (in months)</u>	<u>Initial Weighted Average Pass-Through Rate</u>	<u>Approximate Weighted Average Coupon</u>
\$33,148,342	354	6	6.875%	7.75%

Group 2 Mortgage Loans (Pool No. 393301)

<u>Approximate Principal Balance</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Approximate Weighted Average Calculated Loan Age (in months)</u>	<u>Initial Weighted Average Pass-Through Rate</u>	<u>Approximate Weighted Average Coupon</u>
\$41,371,305	356	4	6.623%	7.498%

Group 3 Mortgage Loans (Pool No. 393302)

<u>Approximate Principal Balance</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Approximate Weighted Average Calculated Loan Age (in months)</u>	<u>Initial Weighted Average Pass-Through Rate</u>	<u>Approximate Weighted Average Coupon</u>
\$70,594,290	340	20	6.506%	7.381%

Group 4 Mortgage Loans (Pool No. 393303)

<u>Approximate Principal Balance</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Approximate Weighted Average Calculated Loan Age (in months)</u>	<u>Initial Weighted Average Pass-Through Rate</u>	<u>Approximate Weighted Average Coupon</u>
\$49,124,654	340	20	6.819%	7.694%

Group 5 Mortgage Loans (Pool No. 393304)

<u>Approximate Principal Balance</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Approximate Weighted Average Calculated Loan Age (in months)</u>	<u>Initial Weighted Average Pass-Through Rate</u>	<u>Approximate Weighted Average Coupon</u>
\$78,115,265	344	16	6.653%	7.528%

Group 6 Mortgage Loans (Pool No. 393305)

<u>Approximate Principal Balance</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Approximate Weighted Average Calculated Loan Age (in months)</u>	<u>Initial Weighted Average Pass-Through Rate</u>	<u>Approximate Weighted Average Coupon</u>
\$57,190,908	344	16	6.882%	7.757%

Group 7 Mortgage Loans (Pool No. 393306)

<u>Approximate Principal Balance</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Approximate Weighted Average Calculated Loan Age (in months)</u>	<u>Initial Weighted Average Pass-Through Rate</u>	<u>Approximate Weighted Average Coupon</u>
\$65,660,250	350	10	7.136%	8.011%

Group 8 Mortgage Loans (Pool No. 393307)

<u>Approximate Principal Balance</u>	<u>Approximate Weighted Average Remaining Term to Maturity (in months)</u>	<u>Approximate Weighted Average Calculated Loan Age (in months)</u>	<u>Initial Weighted Average Pass-Through Rate</u>	<u>Approximate Weighted Average Coupon</u>
\$95,821,604	346	14	7.224%	8.099%

The actual remaining terms to maturity, calculated or weighted average loan ages and interest rates of most of the Mortgage Loans may differ from the weighted averages shown above. See “Description of the Certificates—Structuring Assumptions—*Pricing Assumptions*” herein.

Interest Rates

The Classes will bear interest at the applicable per annum interest rates described herein. See “Description of the Certificates—Distributions of Interest” herein.

Distributions of Principal

Group 1 Principal Distribution Amount

To the A Class, to zero.

Group 2 Principal Distribution Amount

To the B Class, to zero.

Group 3 Principal Distribution Amount

To the C Class, to zero.

Group 4 Principal Distribution Amount

To the D Class, to zero.

Group 5 Principal Distribution Amount

To the E Class, to zero.

Group 6 Principal Distribution Amount

To the G Class, to zero.

Group 7 Principal Distribution Amount

To the H Class, to zero.

Group 8 Principal Distribution Amount

To the J Class, to zero.

Redemption

The Certificates of each Class will be redeemed by Fannie Mae on the applicable Redemption Date set forth on the cover.

The price payable by Fannie Mae for each Class upon redemption will be equal to its outstanding principal balance plus interest accrued thereon at the applicable per annum interest rate during the immediately preceding Interest Accrual Period, calculated as set forth herein under “Description of the Certificates—Distributions of Interest.” See “Description of the Certificates—Redemption” herein.

Weighted Average Lives (years) *

<u>Class</u>	<u>CPR Prepayment Assumption</u>				
	<u>0%</u>	<u>6%</u>	<u>12%</u>	<u>18%</u>	<u>24%</u>
A	4.4	3.8	3.4	2.9	2.6
B	4.6	4.0	3.5	3.0	2.6
C	1.9	1.8	1.7	1.6	1.5
D	3.2	2.9	2.6	2.4	2.1
E	2.1	2.0	1.9	1.7	1.6
G	2.5	2.3	2.1	2.0	1.8
H	4.1	3.6	3.2	2.8	2.5
J	3.8	3.3	3.0	2.6	2.3

* Determined as specified under “Weighted Average Lives” herein and subject to the assumptions and qualifications in that section.

RISK FACTORS

Market and Liquidity Considerations

The Certificates will not have an established trading market when issued. Further, there can be no assurance that a secondary market for the Certificates will develop or, if developed, that it will continue. Consequently, investors may not be able to sell their Certificates readily or at prices that will enable them to realize an anticipated yield. No investor should purchase Certificates unless such investor understands and is able to bear the risk that the Certificates may not be readily saleable, that the value of Certificates may fluctuate over time, and that such fluctuations may be significant and could result in losses to such investor.

Suitability and Reinvestment Considerations

Because the Mortgage Loans may be prepaid at any time, it is not possible to predict the rate at which distributions of principal of the Certificates will be received. Accordingly, the Certificates generally would not be an appropriate investment for an investor requiring a particular distribution of principal on a specified date or an otherwise predictable stream of principal distributions. In addition, since prevailing interest rates are subject to fluctuation, there can be no assurance that investors in the Certificates will be able to reinvest the distributions thereon at yields equalling or exceeding the yields on 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 risk in light of other investments that may be available to such investors.

Yield and Redemption Considerations

The effective yield to holders of each Class will depend upon fluctuations in the Weighted Average Pass-Through Rate for the related MBS Group, the purchase price of the related Certificates, the rate of principal payments, including prepayments, on the related Mortgage Loans and the actual characteristics of the related Mortgage Loans. Generally, if the actual rate of payments on the related Mortgage Loans prior to the applicable Redemption Date is slower than the rate anticipated by an investor who purchased a Certificate at a discount, the actual yield to such investor will be lower than such investor's anticipated yield. If the actual rate of payment on the related Mortgage Loans prior to the applicable Redemption Date is faster than the rate anticipated by an investor who purchased a Certificate at a premium, the actual yield to such investor will also be lower than such investor's anticipated yield. An investor should purchase Certificates only after performing an analysis of such Certificates based upon the investor's own assumptions as to future rates of prepayment and the effect of the redemption thereof on the applicable Redemption Date.

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

The effective yield on the Certificates will be reduced below the yield otherwise produced because principal and interest payable on a Distribution Date will not be distributed 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 value of the Certificates will be lower than would have been the case if there were no such delay. Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase a Certificate.

The effective yield to holders of each Class will also be affected by the redemption feature described herein under “Description of the Certificates—Redemption.” There will be no reimbursement to investors for any premium paid by investors or for any loss in an investor’s yield arising from such investor’s receipt of early payments of principal (including early payments received as a result of the redemption of the related Class). Further, the existence of the redemption feature affecting each Class will inhibit the ability of any Class to sell at a significant premium in the market.

Prepayment Considerations

Subject to the effect of the scheduled redemption, the rate of distributions of principal of the Certificates of any Class will be related directly to the rate of payments of principal of the related Mortgage Loans, which may be in the form of scheduled amortization or prepayments (for this purpose, the term “prepayment” includes prepayments and liquidations resulting from default, casualty or condemnation and payments made pursuant to any guaranty of payment by Fannie Mae, or option to repurchase of Fannie Mae). In general, when the level of prevailing interest rates declines sufficiently relative to the interest rate on fixed-rate mortgage loans, the rate of prepayment is likely to increase, although the prepayment rate is influenced by a number of other factors as well, including general economic conditions and homeowner mobility. In particular, the Mortgage Loans underlying each MBS Group initially will bear interest at fixed rates; however, beginning in various months from and after the month of the related Redemption Date, such Mortgage Loans will bear interest at variable rates as described herein. Investors should consider the effect that this feature may have on the rate of refinancings (and, thus, prepayments) of such Mortgage Loans prior to the related Redemption Date. See “Maturity and Prepayment Assumptions” in the MBS Prospectus.

Certain of the Mortgage Loans backing the MBS generally provide by their terms that, in the event of the transfer or prospective transfer of title to the underlying mortgaged property, the full unpaid principal balance of the Mortgage Loan is due and payable at the option of the holder; however, Fannie Mae does not intend to exercise such right of acceleration.

For a discussion of certain additional considerations, see “Certain Federal Income Tax Consequences” and “ERISA Considerations” herein.

DESCRIPTION OF THE CERTIFICATES

The following summaries describing certain provisions of the Certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the remaining provisions of this Prospectus, the additional Disclosure Documents and the provisions of the Trust Agreement (defined below). Capitalized terms used and not otherwise defined in this Prospectus have the meanings assigned to such terms in the applicable Disclosure Document or the Trust Agreement (as the context may require).

General

Structure. The Certificates will be issued and guaranteed by the Federal National Mortgage Association (“Fannie Mae”), a corporation organized and existing under the laws of the United States, under the authority of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.). The Trust will be created pursuant to a trust agreement dated as of July 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. The assets of the Trust will consist primarily of the MBS. A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement.

Fannie Mae Guaranty. Fannie Mae guarantees to each holder of an MBS the timely payment of scheduled installments of principal of and interest on the underlying Mortgage Loans, whether or not received, together with the full principal balance of any foreclosed Mortgage Loan, whether or not

such balance is actually recovered. In addition, Fannie Mae will be obligated to distribute on a timely basis to the Certificateholders required installments of principal and interest and to distribute the principal balance of each Certificate in full no later than the applicable Redemption Date. The guaranties of Fannie Mae are not backed by the full faith and credit of the United States. See “Description of Certificates—The Corporation’s Guaranty” in the MBS Prospectus.

Characteristics of Certificates. The Certificates will be issued and maintained and may be transferred by Holders only on the book-entry system of the Federal Reserve Banks. Such entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities for whose accounts such Certificates have been deposited are herein referred to as “Holders” or “Certificateholders.” Such Certificates may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Beneficial owners ordinarily will hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of a Certificate, and each other financial intermediary in the chain to the beneficial owner, will have the responsibility of establishing and maintaining accounts for their respective customers. The rights of the beneficial owner of such a Certificate with respect to Fannie Mae and the Federal Reserve Banks may be exercised only through the Holder of such Certificate. Fannie Mae and the Federal Reserve Banks will have no direct obligation to a beneficial owner of a Certificate that is not also the Holder of the Certificate. The Federal Reserve Banks will act only upon the instructions of the Holder in recording transfers of a Certificate. Fannie Mae’s fiscal agent for the Certificates is the Federal Reserve Bank of New York. The Federal Reserve Banks will make distributions on the Certificates on behalf of Fannie Mae on the applicable Distribution Dates by crediting Holders’ accounts at the Federal Reserve Banks.

Authorized Denominations. The Certificates will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof.

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), commencing in the month following the Settlement Date (each, a “Distribution Date”).

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

Trust Factors. As soon as practicable following the eleventh calendar day of each month, Fannie Mae will publish or otherwise make available for each Class the factor (carried to eight decimal places) which, when multiplied by the original principal balance of a Certificate of such Class, will equal the remaining principal balance of such Certificate after giving effect to the distribution of principal to be made on the following Distribution Date.

Redemption. A redemption of each Class will be effected as described herein under “—Redemption.”

Optional Termination. Consistent with its policy described under “Description of Certificates—Termination” in the MBS Prospectus, Fannie Mae will agree not to effect indirectly an early termination of the Trust through the exercise of its right to repurchase the Mortgage Loans underlying any MBS unless only one Mortgage Loan remains in the related Pool or the principal balance of such Pool at the time of repurchase is less than one percent of the original principal balance thereof.

Liquid Assets. The Certificates are intended to qualify as “liquid assets” for purposes of the liquidity requirements applicable to federal savings associations, federal savings banks and state chartered associations whose deposits are insured by the Federal Deposit Insurance Corporation.

The MBS Groups and the Related Mortgage Loans

The MBS Groups will have the aggregate unpaid principal balances and Pass-Through Rates set forth below and the general characteristics described in the MBS Prospectus. The MBS will provide that principal and interest on the underlying Mortgage Loans will be passed through monthly,

commencing in the month following the month of the initial issuance thereof. The Mortgage Loans will be conventional Level Payment Mortgage Loans secured by first mortgages or deeds of trust on one- to four-family (“single-family”) residential properties and having original maturities of up to 30 years. The Mortgage Loans underlying each MBS Group initially will bear interest at fixed rates; however, beginning in various months from and after the month of the related Redemption Date, such Mortgage Loans will bear interest at rates that vary in response to the weekly average yield on United States Treasury Securities adjusted to a constant maturity of one year as published by the Board of Governors of the Federal Reserve System in the Federal Reserve Statistical Release: Selected Interest Rates No. H.15(519). See “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus. The characteristics of the MBS Groups and the related Mortgage Loans as of July 1, 1997 (the “Issue Date”) are expected to be as follows:

Group 1 MBS (Pool No. 393260)	
Aggregate Unpaid Principal Balance	\$33,148,342
Initial Weighted Average Pass-Through Rate	6.875%
Group 1 Mortgage Loans	
Range of Loan Rates (per annum percentages)	7.000% to 8.375%
Approximate WAC ⁽¹⁾	7.75%
Range of Remaining Terms to Maturity	241 months to 359 months
Approximate WAM ⁽²⁾	354 months
Approximate CAGE ⁽³⁾	6 months
Weighted Average Original Term to Maturity	360 months
Group 2 MBS (Pool No. 393301)	
Aggregate Unpaid Principal Balance	\$41,371,305
Initial Weighted Average Pass-Through Rate	6.623%
Group 2 Mortgage Loans	
Range of Loan Rates (per annum percentages)	7.000% to 8.375%
Approximate WAC ⁽¹⁾	7.498%
Range of Remaining Terms to Maturity	241 months to 359 months
Approximate WAM ⁽²⁾	356 months
Approximate CAGE ⁽³⁾	4 months
Weighted Average Original Term to Maturity	360 months
Group 3 MBS (Pool No. 393302)	
Aggregate Unpaid Principal Balance	\$70,594,290
Initial Weighted Average Pass-Through Rate	6.506%
Group 3 Mortgage Loans	
Range of Loan Rates (per annum percentages)	7.000% to 8.625%
Approximate WAC ⁽¹⁾	7.381%
Range of Remaining Terms to Maturity	241 months to 359 months
Approximate WAM ⁽²⁾	340 months
Approximate CAGE ⁽³⁾	20 months
Weighted Average Original Term to Maturity	360 months
Group 4 MBS (Pool No. 393303)	
Aggregate Unpaid Principal Balance	\$49,124,654
Initial Weighted Average Pass-Through Rate	6.819%
Group 4 Mortgage Loans	
Range of Loan Rates (per annum percentages)	7.000% to 8.250%
Approximate WAC ⁽¹⁾	7.694%
Range of Remaining Terms to Maturity	241 months to 359 months
Approximate WAM ⁽²⁾	340 months
Approximate CAGE ⁽³⁾	20 months
Weighted Average Original Term to Maturity	360 months
Group 5 MBS (Pool No. 393304)	
Aggregate Unpaid Principal Balance	\$78,115,265
Initial Weighted Average Pass-Through Rate	6.653%

Group 5 Mortgage Loans

Range of Loan Rates (per annum percentages)	7.000% to 8.750%
Approximate WAC ⁽¹⁾	7.528%
Range of Remaining Terms to Maturity	241 months to 359 months
Approximate WAM ⁽²⁾	344 months
Approximate CAGE ⁽³⁾	16 months
Weighted Average Original Term to Maturity	360 months

Group 6 MBS (Pool No. 393305)

Aggregate Unpaid Principal Balance	\$57,190,908
Initial Weighted Average Pass-Through Rate	6.882%

Group 6 Mortgage Loans

Range of Loan Rates (per annum percentages)	7.000% to 8.875%
Approximate WAC ⁽¹⁾	7.757%
Range of Remaining Terms to Maturity	241 months to 359 months
Approximate WAM ⁽²⁾	344 months
Approximate CAGE ⁽³⁾	16 months
Weighted Average Original Term to Maturity	360 months

Group 7 MBS (Pool No. 393306)

Aggregate Unpaid Principal Balance	\$65,660,250
Initial Weighted Average Pass-Through Rate	7.136%

Group 7 Mortgage Loans

Range of Loan Rates (per annum percentages)	7.125% to 8.875%
Approximate WAC ⁽¹⁾	8.011%
Range of Remaining Terms to Maturity	241 months to 359 months
Approximate WAM ⁽²⁾	350 months
Approximate CAGE ⁽³⁾	10 months
Weighted Average Original Term to Maturity	360 months

Group 8 MBS (Pool No. 393307)

Aggregate Unpaid Principal Balance	\$95,821,604
Initial Weighted Average Pass-Through Rate	7.224%

Group 8 Mortgage Loans

Range of Loan Rates (per annum percentages)	7.000% to 8.875%
Approximate WAC ⁽¹⁾	8.099%
Range of Remaining Terms to Maturity	241 months to 359 months
Approximate WAM ⁽²⁾	346 months
Approximate CAGE ⁽³⁾	14 months
Weighted Average Original Term to Maturity	360 months

(1) "WAC" is defined as the weighted average coupon of the Mortgage Loans in each Pool.

(2) "WAM" is defined as the weighted average remaining term to maturity (in months) of the Mortgage Loans in each Pool. "Adjusted WAM" is defined as the WAM of the Mortgage Loans in each Pool at the issue date of the related MBS, less the number of months elapsed from such issue date through the Issue Date.

(3) "CAGE" is defined as the weighted average calculated loan age of the Mortgage Loans in each Pool. The CAGE of such Mortgage Loans is determined by subtracting the original WAM for a Pool from the original term to maturity (in months) of such Mortgage Loans, and adding thereto the number of months elapsed since the issue date of the related MBS.

Following the issuance of the Certificates, other data specific to the Certificates are available in electronic form by calling Fannie Mae at 1-800-752-6440 or 202-752-6000.

Distributions of Interest*Category of Classes*

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

<u>Interest Type*</u>	<u>Classes</u>
Weighted Average Coupon	A, B, C, D, E, G, H and J

* See "—Certain Definitions and Abbreviations" herein.

General. Each Class will bear interest for each Interest Accrual Period at a rate per annum equal to the weighted average of the interest rates on the Mortgage Loans underlying the related MBS

Group, weighted on the basis of the respective unpaid principal amounts of such Mortgage Loans, less 0.875% (as to each MBS Group, the “Weighted Average Pass-Through Rate”). Interest on the Classes will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be distributable monthly on each Distribution Date, commencing in the month after the Settlement Date. Interest to be distributed on each Certificate on a Distribution Date will consist of one month’s interest on the outstanding principal balance of such Certificate immediately prior to such Distribution Date.

The Classes are expected to bear interest during the initial Interest Accrual Period at the approximate initial interest rates set forth below:

<u>Class</u>	<u>Approximate Initial Interest Rate</u>
A	6.875%
B	6.623%
C	6.506%
D	6.819%
E	6.653%
G	6.882%
H	7.136%
J	7.224%

Interest Accrual Period. Interest to be distributed on a Distribution Date will accrue on the Classes during the calendar month preceding the month in which the Distribution Date occurs (an “Interest Accrual Period”). See “Risk Factors—Yield and Redemption Considerations” herein.

Distributions of Principal

Categories of Classes

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

<u>Principal Type*</u>	<u>Classes</u>
Pass-Through	A, B, C, D, E, G, H and J
Liquid Asset	A, B, C, D, E, G, H and J

* See “—Certain Definitions and Abbreviations” herein.

Principal Distribution Amount

Principal will be distributed monthly on the Classes in an amount (the “Principal Distribution Amount”) equal to the sum of (i) the aggregate distributions of principal concurrently made on the Group 1 MBS (the “Group 1 Principal Distribution Amount”), (ii) the aggregate distributions of principal concurrently made on the Group 2 MBS (the “Group 2 Principal Distribution Amount”), (iii) the aggregate distributions of principal concurrently made on the Group 3 MBS (the “Group 3 Principal Distribution Amount”), (iv) the aggregate distributions of principal concurrently made on the Group 4 MBS (the “Group 4 Principal Distribution Amount”), (v) the aggregate distributions of principal concurrently made on the Group 5 MBS (the “Group 5 Principal Distribution Amount”), (vi) the aggregate distributions of principal concurrently made on the Group 6 MBS (the “Group 6 Principal Distribution Amount”), (vii) the aggregate distributions of principal concurrently made on the Group 7 MBS (the “Group 7 Principal Distribution Amount”) and (viii) the aggregate distributions of principal concurrently made on the Group 8 MBS (the “Group 8 Principal Distribution Amount”).

Group 1 Principal Distribution Amount

On each Distribution Date, the Group 1 Principal Distribution Amount will be distributed as principal of the A Class, until the principal balance thereof is reduced to zero.

Group 2 Principal Distribution Amount

On each Distribution Date, the Group 2 Principal Distribution Amount will be distributed as principal of the B Class, until the principal balance thereof is reduced to zero.

Group 3 Principal Distribution Amount

On each Distribution Date, the Group 3 Principal Distribution Amount will be distributed as principal of the C Class, until the principal balance thereof is reduced to zero.

Group 4 Principal Distribution Amount

On each Distribution Date, the Group 4 Principal Distribution Amount will be distributed as principal of the D Class, until the principal balance thereof is reduced to zero.

Group 5 Principal Distribution Amount

On each Distribution Date, the Group 5 Principal Distribution Amount will be distributed as principal of the E Class, until the principal balance thereof is reduced to zero.

Group 6 Principal Distribution Amount

On each Distribution Date, the Group 6 Principal Distribution Amount will be distributed as principal of the G Class, until the principal balance thereof is reduced to zero.

Group 7 Principal Distribution Amount

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

Group 8 Principal Distribution Amount

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

Pass-Through
Classes

Redemption

The Certificates of each Class will be redeemed by the Trustee, in whole but not in part, on the applicable Redemption Date set forth on the cover. The price distributable with respect to each Class upon redemption (the “Redemption Price”) will be equal to the outstanding principal balance thereof plus interest accrued thereon at the applicable per annum interest rate during the immediately preceding Interest Accrual Period, calculated as set forth above under “—Distributions of Interest.” In order to effect such redemption, the Trustee will apply the proceeds arising from a sale of the related MBS Group and, if necessary, certain additional amounts received pursuant to an agreement entered into between the Trust and an unaffiliated counterparty on the Settlement Date. As described herein under “Description of the Certificates—General—*Fannie Mae Guaranty*,” Fannie Mae will be obligated to distribute the principal balance of each Certificate in full no later than the applicable Redemption Date.

The Trust Factor for the month of the Redemption Date for the related Class will be zero.

Distribution of the Redemption Price on the Redemption Date will be in lieu of any distribution of principal and interest that would otherwise be made on such date.

Certain Definitions and Abbreviations

The following chart identifies and generally defines the categories specified on the cover page of the Prospectus.

<u>Abbreviation</u>	<u>Category</u>	<u>Definition</u>
PRINCIPAL TYPE		
PT	Pass-Through	A Class that is designed to receive principal payments based on actual or scheduled payments on the underlying mortgage loans or actual or scheduled distributions on the underlying securities.
LIQ	Liquid Asset	A Class that is intended to qualify as “liquid assets” for purposes of the liquidity requirements applicable to certain depository institutions.
INTEREST TYPE		
WAC	Weighted Average Coupon	A Class whose coupon represents blended interest rates that may change from period to period.

Structuring Assumptions

Pricing Assumptions. Unless otherwise specified, the information in the tables in this Prospectus has been prepared on the basis of the Mortgage Loan characteristics set forth herein under “The MBS Groups and the Related Mortgage Loans” and the following assumptions (collectively, the “Pricing Assumptions”):

- the Mortgage Loans prepay at the constant CPR levels specified in the related table;
- the closing date for the sale of the Certificates is the Settlement Date; and
- the first Distribution Date for the Certificates occurs in the month following the Settlement Date.

Prepayment Assumptions. Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this Prospectus is the “Constant Prepayment Rate” or “CPR” model. The CPR model represents an assumed *constant* rate of prepayment each month, expressed as a per annum percentage of the then outstanding principal balance of the pool of mortgage loans. *It is highly unlikely that prepayments will occur at any CPR rate or at any other constant rate.*

Weighted Average Lives

There can be no assurance that the Mortgage Loans will have the characteristics assumed herein or will prepay at any of the rates assumed herein or at any other particular rate, that the pre-tax yields on the Classes will correspond to any of the pre-tax yields shown herein or that the aggregate purchase prices of the Classes will be as assumed. Furthermore, because some of the Mortgage Loans will likely have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the principal distributions on the Classes are likely to differ from those assumed, even if all Mortgage Loans prepay at the indicated constant levels of CPR. In addition, it is not likely that the Mortgage Loans will prepay at a constant CPR level until maturity or that all of such Mortgage Loans will prepay at the same level.

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).

In general, the weighted average lives of the Classes will be shortened if the level of prepayments of principal of the related Mortgage Loans increases. However, such weighted average lives will depend upon a variety of other factors, including the timing of changes in such rate of principal payments prior to the applicable Redemption Dates. See “Risk Factors” herein.

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

Decrement Tables

The following tables indicate the percentages of original principal balances of the Classes that would be outstanding after each of the dates shown at various constant CPR levels and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions, except that with respect to the information set forth for each such Class under 0% CPR it has been assumed that the Mortgage Loans have an original term to maturity of 360 months and that such Mortgage Loans have the remaining terms to maturity and bear interest at the per annum rates specified below:

Mortgage Loans Underlying the MBS Groups specified below	Remaining Terms to Maturity	Interest Rates	Related Classes
Group 1	359 months	8.375%	A
Group 2	359 months	8.375%	B
Group 3	359 months	8.625%	C
Group 4	359 months	8.250%	D
Group 5	359 months	8.750%	E
Group 6	359 months	8.875%	G
Group 7	359 months	8.875%	H
Group 8	359 months	8.875%	J

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

Percent of Original Principal Balances Outstanding

Date	A Class					B Class					C Class					D Class				
	CPR Prepayment Assumption					CPR Prepayment Assumption					CPR Prepayment Assumption					CPR Prepayment Assumption				
	0%	6%	12%	18%	24%	0%	6%	12%	18%	24%	0%	6%	12%	18%	24%	0%	6%	12%	18%	24%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 1998	99	93	87	81	75	99	93	87	81	75	99	93	87	81	75	99	93	87	81	75
July 1999	98	87	76	66	57	98	87	76	66	57	0	0	0	0	0	98	86	76	66	57
July 2000	97	81	66	53	43	97	81	66	53	43	0	0	0	0	0	97	80	66	53	42
July 2001	96	75	57	43	32	96	75	57	43	32	0	0	0	0	0	0	0	0	0	0
July 2002	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)*	4.4	3.8	3.4	2.9	2.6	4.6	4.0	3.5	3.0	2.6	1.9	1.8	1.7	1.6	1.5	3.2	2.9	2.6	2.4	2.1

Date	E Class					G Class					H Class					J Class				
	CPR Prepayment Assumption					CPR Prepayment Assumption					CPR Prepayment Assumption					CPR Prepayment Assumption				
	0%	6%	12%	18%	24%	0%	6%	12%	18%	24%	0%	6%	12%	18%	24%	0%	6%	12%	18%	24%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
July 1998	99	93	87	81	75	99	93	87	81	75	99	93	87	81	75	99	93	87	81	75
July 1999	98	86	76	66	57	99	87	76	66	57	99	87	76	66	57	99	87	76	66	57
July 2000	0	0	0	0	0	0	0	0	0	0	98	81	66	54	43	98	81	66	54	43
July 2001	0	0	0	0	0	0	0	0	0	0	97	75	58	43	32	0	0	0	0	0
July 2002	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)*	2.1	2.0	1.9	1.7	1.6	2.5	2.3	2.1	2.0	1.8	4.1	3.6	3.2	2.8	2.5	3.8	3.3	3.0	2.6	2.3

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

THE TRUST AGREEMENT

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

Reports to Certificateholders

As soon as practicable following the eleventh calendar day of each month, Fannie Mae will publish or otherwise make available the Trust Factor (carried to eight decimal places) for each Class after giving effect to the distribution of principal, if any, to be made on the following Distribution Date. Fannie Mae also will furnish to each person who was a Certificateholder at any time during a calendar year such statements and information as shall be required to be furnished pursuant to the Code (as defined below).

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

Certain Matters Regarding Fannie Mae

The Trust Agreement provides that Fannie Mae may not resign from its obligations and duties thereunder, except upon determination that those duties are no longer permissible under applicable law. No such resignation will become effective until a successor has assumed Fannie Mae's obligations and duties under the Trust Agreement; provided, however, that no successor will succeed to Fannie Mae's guaranty obligations described above. Fannie Mae will continue to be responsible under its guaranty notwithstanding any termination of its other duties and responsibilities under the Trust Agreement.

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

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

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

Events of Default

Events of Default under the Trust Agreement will consist of (i) any failure by Fannie Mae to distribute to Holders of Certificates of any Class any required distribution that continues unremedied for 15 days after the giving of written notice of such failure to Fannie Mae by the Holders of Certificates of each affected Class representing principal balances aggregating not less than five percent of the aggregate principal balances of all Certificates of such Class; (ii) any failure by Fannie Mae duly to observe or perform in any material respect any other of its covenants or agreements in the Trust Agreement, which failure continues unremedied for 60 days after the giving of written notice of

such failure to Fannie Mae by the Holders of Certificates of any affected Class representing principal balances aggregating not less than 25 percent of the aggregate principal balances of all of the Certificates of such Class; and (iii) certain events of insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings and certain actions by or against Fannie Mae indicating its insolvency, reorganization or inability to pay its obligations.

Rights Upon Event of Default

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

Amendment

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

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

Termination

The Trust Agreement will terminate upon the distribution to Certificateholders of all required distributions on the Certificates. The Trust Agreement will terminate also upon repurchase by Fannie Mae, at its option, of the Mortgage Loans underlying the MBS, provided that Fannie Mae will not exercise such option unless only one Mortgage Loan remains in the related Pool or the principal balance of such Pool at the time of repurchase is less than one percent of the principal balance thereof as of the Issue Date. The exercise of such repurchase option will effect retirement of the Certificates.

In no event, however, will the Trust continue beyond the expiration of 21 years from the death of the last survivor of the persons named in the Trust Agreement. Fannie Mae will give written notice of termination of the Trust Agreement as it relates to each affected Certificateholder, and the final distribution will be made to the person entitled thereto.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

The following is a general discussion of the anticipated material federal income tax consequences to beneficial owners of the purchase, ownership and disposition of the Certificates. The discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. The discussion does not purport to deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the Certificates.

The Certificates, evidencing interests in the Trust, will be issued under a book-entry system to Holders acting on behalf of beneficial owners (“Owners”). Fannie Mae has been advised by its special tax counsel, Dewey Ballantine, that, assuming compliance with the Trust Agreement, the arrangement pursuant to which the Trust will be administered by Fannie Mae and the Certificates will be issued should be classified as a grantor trust under subpart E, Part I of subchapter J of the Internal Revenue Code of 1986, as amended (the “Code”), and not as an association taxable as a corporation. Accordingly, each Owner of a Certificate should be treated for federal income tax purposes as the owner of an undivided interest in the related MBS Group.

In general, whether instruments such as the Certificates constitute an ownership interest in the assets of the Trust or as indebtedness for federal income tax purposes is a question of fact, the resolution of which is based primarily upon the economic substance of the transaction. The IRS and the courts have set forth various factors to be taken into account in determining, for federal income tax purposes, whether an instrument constitutes an ownership interest or indebtedness and whether a transfer of property is a sale because the transferor has relinquished substantial incidents of ownership in the property or whether such transfer is a borrowing secured by the property. On the basis of its analysis of such factors as applied to the facts of the contemplated transaction, special tax counsel has concluded, as stated above, that the Certificates should constitute an ownership interest in the related MBS Group.

Consistent with the form and the economic substance of the transaction, the parties and all successors and assigns thereof, including, upon acquisition of the Certificates, the Certificateholders, express their mutual intent that the Certificates represent an ownership interest in the related MBS Group for all applicable tax purposes, and further, covenant and agree to treat the Certificates as an ownership interest in the related MBS Group for applicable tax purposes in all tax filings, reports and returns and otherwise. Accordingly, except where indicated to the contrary, the following discussion assumes that the Certificates represent an ownership interest in the related MBS Group for federal income tax purposes.

Taxation of the Certificates

Each Owner will be required to report on its federal income tax return its pro rata share of the entire income from the related MBS Group, including gross interest income from the Mortgage Loans underlying the related MBS Group, in accordance with its method of accounting.

Each Owner also will be entitled to deduct, consistent with its method of accounting, its pro rata share of reasonable fees paid or incurred by the related MBS Group as provided in section 162 or 212 of the Code. If an Owner is an individual, estate or trust, the deduction for such Owner’s share of such fees will be allowed only to the extent that all of such Owner’s miscellaneous itemized deductions, including such Owner’s share of such fees, exceeds 2% of such Owner’s adjusted gross income. In addition, in the case of an Owner who is an individual, certain otherwise allowable itemized deductions will be reduced by an amount equal to 3% of such Owner’s adjusted gross income in excess of a statutorily defined threshold, but not by more than 80% of such itemized deductions.

For additional information regarding the taxation of the Certificates, including (i) the treatment of Owners that purchase a Certificate either at a discount or at a premium, (ii) the treatment of distributions to, or on behalf of, an Owner that is not a U.S. Person and (iii) the imposition of a “backup withholding tax” on any distributions of interest and principal, as well as proceeds from the sale of Certificates, see “Certain Federal Income Tax Consequences” in the MBS Prospectus.

Special Tax Attributes

The IRS ruled in Revenue Ruling 84-10 that the MBS have certain tax attributes. See “Certain Federal Income Tax Consequences” in the MBS Prospectus. The Small Business Job Protection Act of 1996 repeals the bad debt reserve method of accounting for domestic building and loan associations and any other thrift institution for tax years beginning after December 31, 1995. As a result, section 593(d) of the Code is no longer applicable to treat the MBS as “qualifying real property loans.” No specific legal authority exists regarding whether the character of the Certificates for federal income tax purposes will be the same as that of the MBS.

Sales of the Certificates

A sale or other disposition of a Certificate constitutes a sale or other disposition of a pro rata portion of the related MBS Group. A seller will recognize gain or loss equal to the difference between the amount realized from the sale and its adjusted basis in the related MBS Group. The adjusted basis generally will equal the cost of the interest in the related MBS Group to the seller, increased by any discount included in the seller’s gross income and reduced by distributions of principal previously received by the seller and by any premium that has reduced the seller’s interest income with respect to the related MBS Group.

Generally, any gain or loss recognized by a seller will be capital gain or loss, provided the Certificate is held as a “capital asset” (generally, property held for investment) within the meaning of section 1221 of the Code. Gain recognized by a seller that acquired an interest in the related MBS Group at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period the seller held the interest in the related MBS Group, reduced by any market discount previously includible in the seller’s income.

Information Reporting

Fannie Mae will furnish or make available, within a reasonable time after the end of each calendar year, to each Holder of a Certificate at any time during such year, such information as is required by Treasury regulations and such other information as Fannie Mae deems necessary or desirable to assist Holders in preparing their federal income tax returns, or to enable Holders to make such information available to Owners or other financial intermediaries for which such Holders hold Certificates as nominees.

Recharacterization as Debt

As stated above, whether instruments such as the Certificates constitute an ownership interest in the assets of the Trust or as indebtedness for federal income tax purposes is a question of fact, the resolution of which is based primarily upon the economic substance of the transaction. Accordingly, potential investors should recognize that there is some uncertainty as to the correct characterization of the Certificates. Because the Certificates are subject to a mandatory redemption, it is possible that the IRS could assert that, for federal income tax purposes, the contemplated transaction constitutes a financing of the MBS through the issuance of debt obligations to the Certificateholders. Because special tax counsel is of the opinion that the Certificates should be treated for federal income tax consequences as ownership interests in the related MBS Group, Fannie Mae will provide information reports, as described above, consistent with that treatment and not with respect to other characterizations.

If the Certificates were to be characterized as debt, interest on the Certificates would be taxable as ordinary income for federal income tax purposes in accordance with the Owner's method of accounting. Interest received on the Certificates also may constitute "investment income" for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. If characterized as debt, the Certificates may be issued with original issue discount. Investors should consult their own tax advisors in determining the tax consequences to them of a possible recharacterization of the Certificates as debt.

If the Certificates were to be characterized as debt, the special tax attributes as ascribed to the MBS will not apply to the Certificates. See "—Special Tax Attributes" herein and "Certain Federal Income Tax Consequences" in the MBS Prospectus.

LEGAL INVESTMENT CONSIDERATIONS

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

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

LEGAL OPINION

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

ERISA CONSIDERATIONS

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

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

PLAN OF DISTRIBUTION

The seller of the Mortgage Loans (the “Seller”) intends 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 Seller may effect such transactions to or through dealers, who may be deemed to have received underwriting compensation.

LEGAL MATTERS

Certain legal matters will be passed upon for the Seller by Foster Pepper & Sheffelman PLLC.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

No dealer, salesman or other person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this Prospectus and the additional Disclosure Documents and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus 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 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.

\$491,026,618



FannieMae

**Guaranteed Grantor Trust
Pass-Through Certificates**

Fannie Mae Grantor Trust 1997-T1

PROSPECTUS

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	3
Reference Sheet	4
Risk Factors	8
Description of the Certificates	9
The Trust Agreement	18
Certain Federal Income Tax Consequences	20
Legal Investment Considerations	22
Legal Opinion	22
ERISA Considerations	23
Plan of Distribution	23
Legal Matters	23

July 23, 1997
