

**\$211,741,338 (Approximate)**



**Guaranteed REMIC Pass-Through Certificates  
 Fannie Mae Multifamily REMIC Trust 2006-M3**

**Carefully consider the risk factors starting on page S-8 of this prospectus supplement and on page 11 of the Multifamily REMIC Prospectus. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.**

You should read the Multifamily REMIC Prospectus as well as this prospectus supplement.

The certificates, together with interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than Fannie Mae.

The certificates are exempt from registration under the Securities Act of 1933 and are "exempted securities" under the Securities Exchange Act of 1934.

**The Certificates**

We, the Federal National Mortgage Association (Fannie Mae), will issue the classes of certificates listed in the chart on this page.

**Payments to Certificateholders**

We will make monthly payments on the certificates. You, the investor, will receive

- interest accrued on the balance of your certificate, and
- principal to the extent available for payment on your class.

We may pay principal at rates that vary from time to time. We may not pay principal to certain classes for long periods of time.

**The Fannie Mae Guaranty**

We will guarantee that required payments of principal and interest on the certificates are available for distribution to investors on time. **We will not guarantee that prepayment premiums or yield maintenance charges will be available for distribution to investors.**

**The Trust and its Assets**

The trust will own Fannie Mae MBS.

The mortgage loans underlying the Fannie Mae MBS are first lien, multifamily, fixed-rate loans. In addition, the mortgage loans are either fully amortizing or provide for balloon payments at maturity.

Class	Original Class Balance (1)	Principal Type	Interest Rate	Interest Type	CUSIP Number	Final Distribution Date
A .....	\$ 21,676,000	SEQ	4.435%	FIX	31396L6W5	August 2011
B .....	133,198,000	SEQ	5.095	FIX	31396L6X3	August 2016
C .....	56,867,338	SEQ	5.192 (2)	FIX / AFC	31396L6Y1	November 2036
IO .....	211,741,338 (3)	NTL	(4)	WAC / IO	31396L6Z8	November 2036
R .....	0	NPR	0	NPR	31396L7A2	November 2036
RL .....	0	NPR	0	NPR	31396L7B0	November 2036

- (1) Subject to a permitted variance of plus or minus 5%.
- (2) This class will bear interest at an annual rate equal to the *lesser* of (i) the applicable rate listed above and (ii) the weighted average MBS pass-through rate.
- (3) Notional balance. This class is an interest only class.
- (4) Variable interest rate. During the initial interest accrual period, the IO Class will bear interest at the annual rate of approximately 0.91461%.

The dealer will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be December 29, 2006.



## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
<b>AVAILABLE INFORMATION</b> .....	S- 3	<i>Principal Distribution Amount</i> .....	S-16
<b>INCORPORATION BY REFERENCE</b> .....	S- 3	STRUCTURING ASSUMPTIONS .....	S-16
<b>RECENT DEVELOPMENTS</b> .....	S- 4	<i>Pricing Assumptions</i> .....	S-16
<b>REFERENCE SHEET</b> .....	S- 6	<i>Prepayment Assumptions</i> .....	S-16
<b>ADDITIONAL RISK FACTORS</b> ...	S- 8	YIELD TABLE .....	S-16
<b>DESCRIPTION OF THE CERTIFICATES</b> .....	S-10	<i>General</i> .....	S-16
GENERAL .....	S-10	<i>The Interest Only Class</i> .....	S-17
<i>Structure</i> .....	S-10	WEIGHTED AVERAGE LIVES OF THE CERTIFICATES .....	S-17
<i>Fannie Mae Guaranty</i> .....	S-11	DECREMENT TABLES .....	S-18
<i>Characteristics of Certificates</i> .....	S-11	CHARACTERISTICS OF THE R AND RL CLASSES .....	S-20
<i>Authorized Denominations</i> .....	S-12	<b>CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES</b> .....	S-21
<i>Distribution Date</i> .....	S-12	U.S. TREASURY CIRCULAR 230 NOTICE .....	S-21
<i>Record Date</i> .....	S-12	REMIC ELECTIONS AND SPECIAL TAX ATTRIBUTES .....	S-21
<i>Class Factors</i> .....	S-12	TAXATION OF BENEFICIAL OWNERS OF REGULAR CERTIFICATES .....	S-22
<i>No Optional Termination</i> .....	S-12	TAXATION OF BENEFICIAL OWNERS OF RESIDUAL CERTIFICATES .....	S-22
THE MBS .....	S-12	TAX RETURN DISCLOSURE REQUIREMENTS .....	S-23
FINAL DATA STATEMENT .....	S-13	<b>PLAN OF DISTRIBUTION</b> .....	S-23
DISTRIBUTIONS OF INTEREST .....	S-13	<b>LEGAL MATTERS</b> .....	S-23
<i>Categories of Classes</i> .....	S-13	<b>EXHIBIT A</b> .....	A- 1
<i>General</i> .....	S-13		
<i>Interest Accrual Period</i> .....	S-13		
<i>Notional Class</i> .....	S-13		
<i>The C Class</i> .....	S-14		
<i>The IO Class</i> .....	S-14		
<i>Allocation of Certain Prepayment Premiums</i> .....	S-14		
DISTRIBUTIONS OF PRINCIPAL .....	S-15		
<i>Categories of Classes</i> .....	S-15		

## AVAILABLE INFORMATION

You should purchase the certificates only if you have read and understood this prospectus supplement and the following documents (the “Disclosure Documents”):

- our Prospectus for Guaranteed Multifamily REMIC Pass-Through Certificates dated January 1, 1999 (the “Multifamily REMIC Prospectus”);
- our Prospectus for Fannie Mae Guaranteed Mortgage Pass-Through Certificates (MultiFamily Residential Mortgage Loans) dated November 1, 2004 (the “MBS Prospectus”); and
- any information incorporated by reference in this prospectus supplement as discussed below under the heading “Incorporation by Reference.”

You can obtain copies of the Disclosure Documents by writing or calling us at:

Fannie Mae  
MBS Helpline  
3900 Wisconsin Avenue, N.W., Area 2H-3S  
Washington, D.C. 20016  
(telephone 1-800-237-8627).

In addition, the Disclosure Documents, together with the class factors, are available on our corporate Web site at [www.fanniemae.com](http://www.fanniemae.com).

You can also obtain the Disclosure Documents by writing or calling the dealer at:

Deutsche Bank Securities Inc.  
Syndicate Operations  
Prospectus Department  
60 Wall Street  
New York, New York 10005  
(telephone 212-469-5000).

## INCORPORATION BY REFERENCE

In this prospectus supplement, we are incorporating by reference the MBS Prospectus described above. In addition, we are incorporating by reference the documents listed below. This means that we are disclosing information to you by referring you to these documents. These documents are considered part of this prospectus supplement, so you should read this prospectus supplement, and any applicable supplements or amendments, together with these documents.

You should rely only on the information provided or incorporated by reference in this prospectus supplement, the Multifamily REMIC Prospectus and the MBS Prospectus and any applicable supplements or amendments.

We incorporate by reference the following documents we have filed, or may file, with the Securities and Exchange Commission (“SEC”):

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (“2004 10-K”), which includes consolidated financial statements for 2004 and a restatement of previously issued financial information for 2002, 2003, and the first two quarters of 2004;
- all other reports we have filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 since the end of the fiscal year covered by the 2004 10-K until the date of this prospectus supplement, excluding any information “furnished” to the SEC on Form 8-K; and
- all proxy statements that we file with the SEC and all documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934

subsequent to the date of this prospectus supplement and prior to the completion of the offering of the certificates, excluding any information we “furnish” to the SEC on Form 8-K.

Any information incorporated by reference in this prospectus supplement is deemed to be modified or superseded for purposes of this prospectus supplement to the extent information contained or incorporated by reference in this prospectus supplement modifies or supersedes such information. In such case, the information will constitute a part of this prospectus supplement only as so modified or superseded.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can obtain copies of the periodic reports we file with the SEC without charge by calling or writing our Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, NW, Washington, DC 20016, telephone: (202) 752-7115. The periodic and current reports that we file with the SEC are also available on our Web site. Information appearing on our Web site is not incorporated in this prospectus supplement except as specifically stated in this prospectus supplement.

In addition, you may read our SEC filings and other information about Fannie Mae at the offices of the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Exchange. Our SEC filings are also available at the SEC’s Web site at [www.sec.gov](http://www.sec.gov). We are providing the address of the SEC’s Web site solely for the information of prospective investors. Information appearing on the SEC’s Web site is not incorporated in this prospectus supplement except as specifically stated in this prospectus supplement.

## **RECENT DEVELOPMENTS**

Our safety and soundness regulator, the Office of Federal Housing Enterprise Oversight (“OFHEO”), announced in July 2003 that it was conducting a special examination of our accounting policies and practices, and in September 2004 issued a preliminary report of its findings to date. OFHEO subsequently identified additional accounting and internal control issues in February 2005, and issued its Report of the Special Examination of Fannie Mae (the “OFHEO Report”) on May 23, 2006.

On December 22, 2004, we reported that the Audit Committee of our Board of Directors (the “Board”) had determined that our previously filed interim and audited financial statements and the independent auditor’s reports thereon for the period from January 2001 through the second quarter of 2004 should no longer be relied upon because such financial statements were prepared using accounting principles that did not comply with U.S. generally accepted accounting principles (“GAAP”). We subsequently initiated an extensive restatement and re-audit of our financial statements with our new independent auditor, Deloitte & Touche LLP.

On December 6, 2006, we filed our 2004 10-K, which includes consolidated financial statements for 2004 and a restatement of previously issued financial information for 2002, 2003, and the first two quarters of 2004. Restatement adjustments relating to periods prior to January 1, 2002 are presented in our 2004 10-K as adjustments to retained earnings as of December 31, 2001.

Our Board and management initiated numerous internal and external reviews of our accounting processes and controls, our financial reporting processes, and our application of GAAP, including an external investigation conducted by the law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP (“Paul Weiss”), under the direction of former U.S. Senator Warren Rudman. On February 23, 2006, the Paul Weiss report to the Special Committee of the Board was publicly released, and included numerous findings about Fannie Mae’s accounting policies, practices and systems, compensation practices, corporate governance, and internal controls. On February 24, 2006, we filed a Form 8-K with the U.S. Securities and Exchange Commission (the “SEC”) that includes the Paul Weiss report.

The OFHEO Report presents OFHEO’s findings about Fannie Mae’s corporate culture, executive compensation programs, accounting policies and internal controls, internal and external auditors,

senior management, and the Board. In conjunction with the release of the OFHEO Report, Fannie Mae entered into settlement agreements with both OFHEO and the SEC on May 23, 2006. The settlement agreements require Fannie Mae to pay civil penalties totaling \$400 million. In addition, the settlement agreement with OFHEO requires Fannie Mae to undertake certain remedial actions within a specified time frame to address the recommendations contained in the OFHEO Report, including an undertaking by Fannie Mae not to increase its “mortgage portfolio” assets except as permitted by a plan to be submitted by Fannie Mae for approval by OFHEO. The settlement agreements constitute comprehensive settlements between Fannie Mae and both OFHEO and the SEC relating to the activities of Fannie Mae during the time period in question. Please refer to our Form 8-K filed with the SEC on May 30, 2006 for further information about the OFHEO Report and the settlement agreements. A complete copy of the OFHEO Report is available on OFHEO’s website at [www.ofheo.gov](http://www.ofheo.gov).

On July 20, 2006, the Federal Reserve Board implemented revisions to its payment systems risk policy requiring all government sponsored enterprises, including Fannie Mae, to fully fund their accounts with the Federal Reserve Banks before making payments to debt and mortgage-backed securities investors. Fannie Mae complied with this policy by entering into various funding agreements with market participants. In connection with this policy change, Fannie Mae also entered into a new fiscal agency agreement with the Federal Reserve Bank of New York. In addition, Fannie Mae, as trustee for its mortgage-backed securities, invests collections on mortgage loans underlying our mortgage-backed securities in highly rated financial instruments, which may include Fannie Mae’s senior debt securities or other debt securities if certain rating requirements are satisfied.

On August 24, 2006, we announced that we had been advised by the United States Attorney’s Office for the District of Columbia that it was discontinuing its investigation of Fannie Mae’s accounting policies and practices, and did not plan to file charges against Fannie Mae. Please refer to our Form 8-K filed with the SEC on August 24, 2006 for further information.

We filed our 2004 10-K with the SEC on December 6, 2006. We have not filed Quarterly Reports on Form 10-Q for the first, second and third quarters of 2005 or the first, second and third quarters of 2006, nor have we filed our Annual Report on Form 10-K for the year ended December 31, 2005. See “Additional Risk Factors—*There is a lack of current financial information about Fannie Mae available in the market*” in this prospectus supplement.

Forms 8-K that we file with the SEC prior to the completion of the offering of the certificates are incorporated by reference in this prospectus supplement. This means that we are disclosing information to you by referring you to those documents. You should refer to “Incorporation by Reference” above for further details on the information that we incorporate by reference in this prospectus supplement and where to find it.

## REFERENCE SHEET

This reference sheet is not a summary of the transaction and does not contain complete information about the certificates. You should purchase the certificates only after reading this prospectus supplement and each of the additional disclosure documents listed on page S-3.

### Certain Characteristics of the Mortgage Loans Underlying the MBS (as of December 1, 2006)

Exhibit A contains certain information about the individual MBS and related mortgage loans as of December 1, 2006. To learn more about the MBS and the related mortgage loans, you should obtain the final data statement from us as described on page S-13.

### Prepayment Premiums

The mortgage loans provide for the payment of prepayment premiums in the form of yield maintenance charges. If any yield maintenance charges are included in the distributions received on the MBS with respect to any distribution date, we will allocate these yield maintenance charges among the classes of certificates as described in this prospectus supplement.

### Class Factors

The class factors are numbers that, when multiplied by the initial principal balance of a certificate, can be used to calculate the current principal balance of that certificate (after taking into account payments in the same month). We publish the class factors on or shortly after the 11th day of each month.

### Settlement Date

We expect to issue the certificates on December 29, 2006.

### Distribution Dates

We will make payments on the classes of certificates on the 25th day of each calendar month, or on the next business day if the 25th day is not a business day.

### Book-Entry and Physical Certificates

We issue book-entry certificates through the U.S. Federal Reserve Banks, which will electronically track ownership of the certificates and payments on them. We will issue physical certificates in registered, certificated form.

We will issue the classes of certificates in the following forms:

<u>Fed Book-Entry</u>	<u>Physical</u>
All classes other than the R and RL Classes	R and RL Classes

### Interest Rates

The certificates will bear interest at the applicable annual interest rates specified on the cover and described in this prospectus supplement.

**Notional Class**

The IO Class will not receive any principal. Its notional principal balance is the balance used to calculate accrued interest. The notional principal balance of the IO Class will equal the percentage of the outstanding balance specified below immediately before the related distribution date:

Class

IO ..... 100% of the *sum* of the A, B and C Classes

**Distributions of Principal**

*Principal Distribution Amount*

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

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

<u>Classes</u>	<u>CPR Prepayment Assumption</u>				
	<u>0%</u>	<u>25%</u>	<u>50%</u>	<u>75%</u>	<u>100%</u>
A .....	3.8	3.5	3.2	3.0	2.6
B .....	8.9	8.8	8.7	8.6	8.3
C .....	13.7	11.9	11.4	11.2	10.8
IO.....	9.7	9.1	8.9	8.7	8.4

\* Determined as specified under “Description of the Certificates—Weighted Average Lives of the Certificates” in this prospectus supplement assuming no prepayment during any applicable Call Protection Term. See “Additional Risk Factors” and “Description of the Certificates—Distributions of Interest—Allocation of Certain Prepayment Premiums” in this prospectus supplement.



## ADDITIONAL RISK FACTORS

*The rate of principal payments on the certificates will be affected by the rate of principal payments on the underlying mortgage loans.* The rate at which you receive principal payments on the certificates will be sensitive to the rate of principal payments on the mortgage loans underlying the MBS, including prepayments.

The mortgage loans provide for the payment of prepayment premiums. Most of the mortgage loans have prepayment premiums that are in the form of yield maintenance charges. Subject to any applicable yield maintenance charges or other prepayment premiums, the mortgage loans may be prepaid at any time. Therefore, the rate of principal payments on the mortgage loans is likely to vary over time. It is highly unlikely that the mortgage loans will prepay

- at the prepayment rates we assumed, or
- at a constant prepayment rate until maturity.

*Yields may be lower than expected due to unexpected rate of principal payments.* The actual yield on your certificates probably will be lower than you expect:

- if you buy your certificates at a premium and principal payments are faster than you expect, or
- if you buy your certificates at a discount and principal payments are slower than you expect.

Furthermore, in the case of interest only certificates and certificates purchased at a premium, you could lose money on your investment if prepayments occur at a rapid rate.

*Many of the mortgage loans underlying the MBS provide for interest only payments for various periods.* As further described in this prospectus supplement under “Description of the Certificates—The MBS,” the scheduled monthly payments on approximately \$22,430,000 principal balance of the mortgage loans underlying the MBS represent accrued interest only until maturity. As a result, borrowers may be more likely to refinance these mortgage loans on or before maturity.

The scheduled monthly payments on approximately \$99,985,700 principal balance of the mortgage loans underlying the MBS represent accrued interest only for one, two or three years following origination, and thereafter the scheduled monthly payments will increase to amounts sufficient to pay current interest and to amortize each of these mortgage loans on the basis of a 30-year schedule with a balloon payment due at maturity. As a result, borrowers may be more likely to refinance these mortgage loans on or before the date on which the scheduled monthly payments increase. In addition, absent a refinancing some borrowers may find it increasingly difficult to remain current in their scheduled monthly payments following the increase in monthly payment amounts.

*Hurricanes in the Gulf Coast region may present risk of increased mortgage loan prepayments.* In August and September 2005, Hurricane Katrina and Hurricane Rita resulted in catastrophic damage to the Gulf Coast of the United States, including portions of coastal and inland Alabama, Florida, Louisiana, Mississippi and Texas. Hundreds of thousands of people were displaced and interruptions in the regional economy remain significant. A prolonged economic downturn in the Gulf Coast region could lead to increased borrower defaults on mortgage loans in the affected areas, in turn resulting in early payments of principal of the certificates backed by those mortgage loans. Additionally, casualty losses on mortgaged properties with hurricane or flood damage may result in early payment of principal of the related certificates.

*Defaults may increase the risk of prepayment.* Multifamily lending is generally viewed as exposing the lender to a greater risk of loss than single family lending. Mortgage loan defaults may result in distributions of the full principal balance of the related MBS, thereby affecting prepayment rates.

*Yield maintenance charges and other prepayment premiums may reduce the prepayment rate of the related mortgage loans.* The mortgage loans generally provide for the payment of prepayment premiums in connection with voluntary prepayments occurring on or before the applicable Last Day of Call Protection Term specified in Exhibit A of this prospectus supplement.



ment. In most cases, this includes a yield maintenance charge. We will allocate to certificateholders any yield maintenance charges that are actually received with respect to the MBS. The mortgage loans providing for yield maintenance charges also impose an additional prepayment premium in connection with prepayments occurring after the applicable last day of call protection term generally until 90 days before maturity of the related mortgage loan. These prepayment premiums generally will equal 1% of the outstanding principal balance of the mortgage loan. These prepayment premiums will **not** be allocated to certificateholders.

We will **not** pass through to certificateholders any prepayment premiums other than yield maintenance charges that are actually received by us.

In general, mortgage loans with prepayment premiums (including yield maintenance charges) may be less likely to prepay than mortgage loans without such premiums.

*Allocation of yield maintenance charges to certain classes may not offset the adverse effect on yields of the corresponding prepayments.* If any yield maintenance charges are included in the payments received on the MBS with respect to any distribution date, we will include these amounts in the payments to be made on certain classes, including the IO Class, on that distribution date. We do not, however, guarantee that any yield maintenance charges will in fact be collected from mortgagors, or paid to holders of the MBS or the related certificateholders. Accordingly, holders of the applicable classes will receive yield maintenance charges only to the extent we receive them. Moreover, even if we pay the yield maintenance charges to the holders of these classes, the additional amounts may not offset the reductions in yield caused by the related prepayments. We will not pass through to certificateholders any additional prepayment premiums received as a result of a prepayment after the applicable Last Day of Call Protection Term specified in Exhibit A. Moreover, we will not pass through to certificateholders any prepayment premiums other than yield maintenance charges.

**You must make your own decisions about the various applicable assumptions, including prepayment assumptions, when**

## **deciding whether to purchase the certificates.**

*Delay classes have lower yields and market values.* Since the classes do not receive interest immediately following each interest accrual period, they have lower yields and lower market values than they would if there were no such delay.

*Reinvestment of certificate payments may not achieve same yields as certificates.* The rate of principal payments of the certificates is uncertain. You may be unable to reinvest the payments on the certificates at the same yields provided by the certificates.

*Unpredictable timing of last payment affects yields on certificates.* The actual final payment of your class is likely to occur earlier, and could occur much earlier, than the final distribution date listed on the cover page. If you assumed the actual final payment will occur on the final distribution date specified, your yield could be lower than you expect.

*Some investors may be unable to buy certain classes.* Investors whose investment activities are subject to legal investment laws and regulations, or to review by regulatory authorities, may be unable to buy certain certificates. You should get legal advice to determine whether you may purchase the certificates.

*Uncertain market for the certificates could make them difficult to sell and cause their values to fluctuate.* We cannot be sure that a market for resale of the certificates will develop. Further, if a market develops, it may not continue or be sufficiently liquid to allow you to sell your certificates. Even if you are able to sell your certificates, the sale price may not be comparable to similar investments that have a developed market. Moreover, you may not be able to sell small or large amounts of certificates at prices comparable to those available to other investors. You should purchase certificates only if you understand and can tolerate the risk that the value of your certificates will vary over time and that your certificates may not be easily sold.

*There is a lack of current financial information about Fannie Mae available in the market.* We have announced that previously filed interim and audited financial statements for the periods from January 2001 through the second

quarter of 2004 should no longer be relied upon because they were prepared applying accounting practices that did not comply with GAAP. On December 6, 2006, we filed our 2004-10K, which includes consolidated financial statements for 2004 and a restatement of previously issued financial information for 2002, 2003 and the first two quarters of 2004.

At this time, it is not known when we will be releasing additional audited financial information for subsequent periods. You should be aware that because financial information about Fannie Mae may not be available to the public for a substantial period of time, you will be unable to ascertain the accurate financial status of Fannie Mae for the foreseeable future.

*There are numerous potential legislative and regulatory developments and proposals currently pending that may affect Fannie Mae.* The U.S. Congress is currently considering various bills in the House of Representatives and Senate addressing our business and regulatory environment. The draft bills address various issues, including our regulatory structure, capital standards, potential receivership, scope of business activities, affordable housing goals, portfolio composition, and expanded oversight of our officers and directors. We cannot predict whether any legislation will be approved by Congress and signed into law by the President and,

if so, the final form and effective date of such legislation. We also cannot predict the effect, if any, that any potential legislation or regulatory developments would have on our credit ratings or business.

*Terrorist activities and related military and political actions by the U.S. government could cause reductions in investor confidence and substantial market volatility in real estate and securities markets.* It is impossible to predict the extent to which terrorist activities may occur or, if they do occur, the extent of the effect on the certificates. Moreover, it is uncertain what effects any past or future terrorist activities or any related military or political actions on the part of the United States government and others will have on the United States and world financial markets, local, regional and national economies, real estate markets across the United States, or particular business sectors, including those affecting the performance of mortgage loan borrowers. Among other things, reduced investor confidence could result in substantial volatility in securities markets and a decline in real estate-related investments. In addition, defaults on the mortgage loans could increase, causing early payments of principal to you and, regardless of the performance of the underlying mortgage loans, the liquidity and market value of the certificates may be impaired.

## DESCRIPTION OF THE CERTIFICATES

The material under this heading summarizes certain features of the Certificates. You will find additional information about the Certificates in the other sections of this prospectus supplement, as well as in the additional Disclosure Documents and the Trust Agreement. If we use a capitalized term in this prospectus supplement without defining it, you will find the definition of such term in the applicable Disclosure Document or in the Trust Agreement.

### General

*Structure.* We will create the Fannie Mae Multifamily REMIC Trust specified on the cover (the “Trust”) and a separate trust (the “Lower Tier REMIC”) pursuant to a trust agreement dated as of September 1, 2006 and a supplement thereto dated as of December 1, 2006 (the “Issue Date”). The trust agreement and related supplement together are referred to as the “Trust Agreement.” We will execute the Trust Agreement in our corporate capacity and as trustee (the “Trustee”). We will issue the Guaranteed REMIC Pass-Through Certificates (the “Certificates” or “Classes”) pursuant to the Trust Agreement.

The Trust and the Lower Tier REMIC each will constitute a “real estate mortgage investment conduit” (“REMIC”) under the Internal Revenue Code of 1986, as amended (the “Code”).

- The Certificates (except the R and RL Classes) will be “regular interests” in the Trust.
- The R Class will be the “residual interest” in the Trust.
- The interests in the Lower Tier REMIC other than the RL Class (the “Lower Tier Regular Interests”) will be the “regular interests” in the Lower Tier REMIC.
- The RL Class will be the “residual interest” in the Lower Tier REMIC.

The assets of the Trust will consist of the Lower Tier Regular Interests. The assets of the Lower Tier REMIC will consist of certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the “MBS”).

Each MBS represents a beneficial ownership interest in one or more first lien, multifamily mortgage loans (the “Mortgage Loans”) having the characteristics described herein and in the Multifamily REMIC Prospectus and the MBS Prospectus.

*Fannie Mae Guaranty.* We guarantee that the following amounts will be available for distribution to Certificateholders:

- required installments of principal and interest on the Certificates on time, and
- the principal balance of each Class of Certificates no later than its Final Distribution Date, whether or not we have received sufficient payments on the MBS.

In addition, we guarantee that the following amounts will be available for distribution to each holder of an MBS:

- scheduled installments of principal and interest on the underlying Mortgage Loans on time, whether or not the related borrowers pay us, and
- the full principal balance of any foreclosed Mortgage Loan, whether or not we recover it.

Our guarantees are not backed by the full faith and credit of the United States. See “Description of the Certificates—Fannie Mae’s Guaranty” in the Multifamily REMIC Prospectus and “Description of Certificates—Fannie Mae Guaranty” in the MBS Prospectus.

**We will not guarantee that any prepayment premiums or yield maintenance charges will be collected or available for distribution to Certificateholders.** Accordingly, Certificateholders entitled to receive yield maintenance charges will receive them only to the extent actually received in respect of the MBS.

*Characteristics of Certificates.* We will issue the Certificates (except the R and RL Classes) in book-entry form on the book-entry system of the U.S. Federal Reserve Banks. Entities whose names appear on the book-entry records of a Federal Reserve Bank as having had Certificates deposited in their accounts are “Holders” or “Certificateholders.” A Holder is not necessarily the beneficial owner of a Certificate. Beneficial owners ordinarily will hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See “Description of the Certificates—Denominations and Form” in the Multifamily REMIC Prospectus.

We will issue the R and RL Certificates in fully registered, certificated form. The “Holder” or “Certificateholder” of the R or RL Certificate is its registered owner. The R or RL Certificate can be transferred at the corporate trust office of the Transfer Agent, or at the office of the Transfer Agent in New York, New York. U.S. Bank National Association in Boston, Massachusetts (“US Bank”) will be the initial Transfer Agent. We may impose a service charge for any registration of transfer of the R or RL Certificate and may require payment to cover any tax or other governmental charge. See also “Characteristics of the R and RL Classes”.

The Holder of the R Class will receive the proceeds of any remaining assets of the Trust, and the Holder of the RL Class will receive the proceeds of any remaining assets of the Lower Tier REMIC, in each case only by presenting and surrendering the related Certificate at the office of the Paying Agent. US Bank will be the initial Paying Agent.

*Authorized Denominations.* We will issue the Certificates in the following denominations:

<u>Classes</u>	<u>Denominations</u>
The Interest Only Class	\$100,000 minimum plus whole dollar increments
All other Classes (except the R and RL Classes)	\$1,000 minimum plus whole dollar increments

We will issue the R and RL Classes as single Certificates with no principal balances.

*Distribution Date.* We will make monthly payments on the 25th day of each month (or, if the 25th is not a business day, on the first business day after the 25th). We refer to such date as the “Distribution Date.” We will make the first payments to Certificateholders the month after we issue the Certificates.

*Record Date.* On each Distribution Date, we will make each monthly payment on the Certificates to Holders of record on the last day of the preceding month.

*Class Factors.* On or shortly after the eleventh calendar day of each month, we will publish a factor (carried to eight decimal places) for each Class of Certificates. When the factor is multiplied by the original principal balance (or notional principal balance) of a Certificate of that Class, the product will equal the current principal balance (or notional principal balance) of that Certificate after taking into account payments on the Distribution Date in the same month.

*No Optional Termination.* We will not effect an early termination of the Lower Tier REMIC or the Trust. Further, we will not repurchase the Mortgage Loans underlying any MBS in a “clean up call.” See “Description of the Certificates—Termination” in the MBS Prospectus.

## **The MBS**

The following table contains certain information about the MBS. The MBS will have the aggregate unpaid principal balance and weighted average Pass-Through Rate shown below and the general characteristics described in the MBS Prospectus. The MBS provide that principal and interest on the related Mortgage Loans are passed through monthly. The Mortgage Loans underlying the MBS are conventional, fixed-rate mortgage loans secured by first mortgages or deeds of trust on multifamily residential properties, each either fully amortizing or providing for a balloon payment at maturity.

In addition, in the case of approximately \$22,430,000 of the Mortgage Loans (by principal balance at the Issue Date), the scheduled monthly payments represent accrued interest only until maturity.

Furthermore, in the case of approximately \$99,985,700 of the Mortgage Loans (by principal balance at the Issue Date), the scheduled monthly payments represent accrued interest only for one, two or three years following origination. Beginning with the first monthly payment following the expiration of the applicable interest only period, the scheduled monthly payments will increase to an amount sufficient to pay accrued interest and to amortize the Mortgage Loans on the basis of a 30-year schedule with a balloon payment due at maturity.

See “Multifamily Mortgage Loan Pools” and “Yield Considerations” in the MBS Prospectus.

We expect the characteristics of the MBS and the related Mortgage Loans as of the Issue Date to be as follows:

Aggregate Unpaid Principal Balance .....	\$211,741,338
Weighted Average MBS Pass-Through Rate .....	5.82133%
WAC (annual percentage) .....	6.32740%
Weighted Average Remaining Term to Maturity.....	133 months
Weighted Average Certificate Age .....	7 months

Exhibit A contains certain information about the individual MBS and related mortgage loans as of the Issue Date, including information about prepayment premiums or yield maintenance charges applicable to the mortgage loans.

### Final Data Statement

After issuing the Certificates, we will prepare a Final Data Statement containing certain information, including the current unpaid principal balances of the Mortgage Loans underlying the MBS as of the Issue Date. You may obtain the Final Data Statement by telephoning us at 1-800-237-8627. In addition, the Final Data Statement is available on our corporate Web site at [www.fanniemae.com](http://www.fanniemae.com).

### Distributions of Interest

#### *Categories of Classes*

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

<u>Interest Type*</u>	<u>Classes</u>
Fixed Rate	A, B and C
Available Funds	C
Weighted Average Coupon	IO
Interest Only	IO
No Payment Residual	R and RL

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

*General.* We will pay interest on the interest-bearing Certificates at the applicable annual interest rates shown on the cover or described in this prospectus supplement. We calculate interest based on a 360-day year consisting of twelve 30-day months. We pay interest monthly on each Distribution Date, beginning in the month after the Settlement Date specified in the Reference Sheet.

Interest to be paid on each Certificate on a Distribution Date will consist of one month’s interest on the outstanding balance of that Certificate immediately prior to that Distribution Date.

*Interest Accrual Period.* Interest to be paid on each Distribution Date will accrue on the interest-bearing Certificates during the one-month period set forth below (the “Interest Accrual Period”).

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

See “Additional Risk Factors” in this prospectus supplement.

*Notional Class.* The Notional Class will not have a principal balance. During each Interest Accrual Period, the Notional Class will bear interest on its notional principal balance at its applicable interest rate. The notional principal balance of the Notional Class will be calculated as specified under “Reference Sheet—Notional Class.”



We use the notional principal balance of a Notional Class to determine interest payments on that Class. Although a Notional Class will not have a principal balance and will not be entitled to any principal payments, we will publish a class factor for that Class. References in this prospectus supplement to the principal balances of the Certificates generally will refer also to the notional principal balance of the Notional Class.

*The C Class.* The C Class will bear interest during each Interest Accrual Period at an annual rate equal to the *lesser* of

- the applicable rate listed on the cover of this prospectus supplement
- and*
- the weighted average MBS Pass-Through Rate.

For purposes of calculating the weighted average MBS Pass-Through Rate, interest accruing on the Mortgage Loans on an actual/360 basis will be converted to a 30/360 equivalent rate.

During the initial Interest Accrual Period, the C Class will bear interest at the annual rate of 5.192%.

Our determination of the interest rate for the C Class for each Interest Accrual Period will be final and binding in the absence of manifest error. You may obtain each such interest rate by telephoning us at 1-800-237-8627.

*The IO Class.* The IO Class will bear interest during each Interest Accrual Period at an annual rate equal to the *excess*, if any, of

- the weighted average MBS Pass-Through Rate
- over*
- the weighted average of the interest rates of the A, B and C Classes, weighted on the basis of their principal balances (after giving effect to all payments on those Classes during that Interest Accrual Period).

For purposes of calculating the weighted average MBS Pass-Through Rate, interest accruing on the Mortgage Loans on an actual/360 basis will be converted to a 30/360 equivalent rate.

During the initial Interest Accrual Period, the IO Class will bear interest at the annual rate specified on the cover.

Our determination of the interest rate for the IO Class for each Interest Accrual Period will be final and binding in the absence of manifest error. You may obtain each such interest rate by telephoning us at 1-800-237-8627.

#### *Allocation of Certain Prepayment Premiums*

All of the Mortgage Loans provide for the payment of certain prepayment premiums in the form of yield maintenance charges. See “Information About Prospectus Supplements” in the MBS Prospectus. The Mortgage Loans having yield maintenance charges may also provide for the payment of additional prepayment premiums (generally equal to 1% of the outstanding principal balance of the related Mortgage Loan) in connection with prepayments received after the applicable last day of Call Protection Term specified in Exhibit A. We will **not** include these additional prepayment premiums in payments to Certificateholders.



On each Distribution Date, we will pay any yield maintenance charges that are included in the MBS distributions on that date to the A, B, C and IO Classes in the following proportions:

(A) in the case of each of the A, B and C Classes, the *product* of

- the applicable Class Principal Payment Percentage  
*multiplied by*
- the applicable Sequential Class Allocation Percentage; and

(B) in the case of the IO Class, 100% *minus* the sum of the products described in clause (A).

The “Class Principal Payment Percentage” for each of the A, B and C Classes on any Distribution Date is the percentage equivalent of a fraction

- the numerator of which is the aggregate amount of the principal payable to the Holders of that Class on that date, and
- the denominator of which is the Principal Distribution Amount for that date.

The “Sequential Class Allocation Percentage” for each of the A, B and C Classes and any Distribution Date is the percentage equivalent of a fraction

- the numerator of which is the *excess*, if any, of
  - the interest rate of such Class  
*over*
  - the Discount Rate (described below) for the Mortgage Loan as to which a prepayment premium has been received and included in the MBS distributions on that date, and
- the denominator of which is the *excess*, if any, of
  - the Mortgage Interest Rate (described below) of the applicable Mortgage Loan  
*over*
  - the applicable Discount Rate;

*provided, however*, that if the denominator is equal to zero, the Sequential Class Allocation Percentage will be equal to 0%.

The “Discount Rate” for any Mortgage Loan is the rate specified in the related mortgage note as a yield rate or discount rate for purposes of calculating the yield maintenance premium.

The “Mortgage Interest Rate” for any Mortgage Loan is the rate specified in the related mortgage note as the rate per annum at which interest will accrue on its outstanding principal balance. See Exhibit A.

## Distributions of Principal

### *Categories of Classes*

For the purpose of principal payments, the Classes fall into the following categories:

<u>Principal Type*</u>	<u>Classes</u>
Sequential Pay	A, B and C
Notional	IO
No Payment Residual	R and RL

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

### *Principal Distribution Amount*

On the Distribution Date in each month, we will pay principal on the Certificates in an aggregate amount (the “Principal Distribution Amount”) equal to the sum of the principal then paid on the MBS.

On each Distribution Date, we will pay the Principal Distribution Amount, sequentially, as principal of the A, B and C Classes, in that order, until their principal balances are reduced to zero. } Sequential Pay Classes

### **Structuring Assumptions**

*Pricing Assumptions.* Except where otherwise noted, the information in the tables in this prospectus supplement has been prepared based on the actual characteristics of the MBS (as described in Exhibit A) and the following assumptions (such characteristics and assumptions, collectively, the “Pricing Assumptions”):

- we pay all payments (including prepayments) on the Mortgage Loans on the Distribution Date relating to the month in which we receive them;
- the Mortgage Loans underlying the MBS prepay at the percentages of CPR specified in the related tables, provided that no prepayments occur during the related call protection periods;
- payments on the Certificates are always received on the 25th of the month, whether or not a business day;
- no yield maintenance charges are received on the MBS; and
- the settlement date for the sale of the Certificates is December 29, 2006.

*Prepayment Assumptions.* Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used here is the “Constant Prepayment Rate” or “CPR” model. The CPR model represents an assumed constant rate of prepayment each month, expressed as an annual percentage of the then outstanding principal balance of the pool of mortgage loans.

It is highly unlikely that prepayments will occur at any particular level of CPR, or at any other *constant* rate.

### **Yield Table**

*General.* The table below illustrates the sensitivity of the pre-tax corporate bond equivalent yield to maturity of the IO Class to various constant percentages of CPR. We calculated the yields set forth in the table by

- determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the IO Class, would cause the discounted present values 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.

These calculations do not take into account variations in the interest rates at which you could reinvest distributions on the Certificates. Accordingly, these calculations do not illustrate the return on any investment in the Certificates when such reinvestment rates are taken into account.

We cannot assure you that

- the pre-tax yield on the IO Class will correspond to any of the pre-tax yields shown here, or
- the aggregate purchase price of the IO Class will be as assumed.

Moreover, it is unlikely that

- the Mortgage Loans will prepay at a constant percentage of CPR until maturity or at any other constant rate, or
- all of such Mortgage Loans will prepay at the same rate.

***The Interest Only Class. As indicated in the table below, the yield to investors in the IO Class will be highly sensitive to the rate of principal payments (including prepayments) of the Mortgage Loans. Subject to certain restrictions, the Mortgage Loans may be prepaid prior to their stated maturities.***

The information shown in the yield table has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase price of the IO Class (expressed as a percentage of original principal balance) is as follows:

<u>Class</u>	<u>Price*</u>
IO .....	5.35%

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

### Sensitivity of the IO Class to Prepayments\*

	<u>CPR Prepayment Assumption</u>				
	<u>5%</u>	<u>25%</u>	<u>50%</u>	<u>75%</u>	<u>100%</u>
Pre-Tax Yields to Maturity .....	6.9%	6.3%	5.8%	5.4%	4.5%

\* Assumes no prepayment during any applicable Call Protection Term. See “Additional Risk Factors” and “Description of the Certificates—Distributions of Interest—Allocation of Certain Prepayment Premiums” in this prospectus supplement.

A portion of any yield maintenance charge actually received may be allocated to the IO 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.

In addition, you will not be allocated any prepayment premiums other than yield maintenance charges.

### Weighted Average Lives of the Certificates

The weighted average life of a Certificate is determined by

- (a) multiplying the amount of the reduction, if any, of the principal balance of such Certificate from one Distribution Date to the next Distribution Date by the number of years from the Settlement Date to the second such Distribution Date,
- (b) summing the results, and
- (c) dividing the sum by the aggregate amount of the reductions in principal balance of such Certificate referred to in clause (a).

For a description of the factors which may influence the weighted average life of a Certificate, see “Description of the Certificates—Weighted Average Lives and Final Distribution Dates” in the Multifamily REMIC Prospectus.

In general, the weighted average lives of the Certificates will be shortened if the level of prepayments of principal of the Mortgage Loans increases. However, the weighted average lives will depend upon a variety of other factors, including

- the timing of changes in such rate of principal payments, and
- the priority sequence of payments of principal of the Certificates.

See “Distributions of Principal” in this prospectus supplement.

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

### **Decrement Tables**

The following tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each date 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 that the underlying Mortgage Loans will prepay at any *constant* CPR level. We do not represent 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					B Class				
	CPR Prepayment Assumption					CPR Prepayment Assumption				
	0%	25%	50%	75%	100%	0%	25%	50%	75%	100%
Initial Percent	100	100	100	100	100	100	100	100	100	100
December 2007	95	95	95	95	95	100	100	100	100	100
December 2008	87	87	87	87	87	100	100	100	100	100
December 2009	77	71	63	52	9	100	100	100	100	100
December 2010	65	44	25	8	0	100	100	100	100	100
December 2011	0	0	0	0	0	98	98	98	98	98
December 2012	0	0	0	0	0	96	95	95	95	94
December 2013	0	0	0	0	0	90	89	87	85	81
December 2014	0	0	0	0	0	78	74	70	67	64
December 2015	0	0	0	0	0	72	67	64	62	62
December 2016	0	0	0	0	0	0	0	0	0	0
December 2017	0	0	0	0	0	0	0	0	0	0
December 2018	0	0	0	0	0	0	0	0	0	0
December 2019	0	0	0	0	0	0	0	0	0	0
December 2020	0	0	0	0	0	0	0	0	0	0
December 2021	0	0	0	0	0	0	0	0	0	0
December 2022	0	0	0	0	0	0	0	0	0	0
December 2023	0	0	0	0	0	0	0	0	0	0
December 2024	0	0	0	0	0	0	0	0	0	0
December 2025	0	0	0	0	0	0	0	0	0	0
December 2026	0	0	0	0	0	0	0	0	0	0
December 2027	0	0	0	0	0	0	0	0	0	0
December 2028	0	0	0	0	0	0	0	0	0	0
December 2029	0	0	0	0	0	0	0	0	0	0
December 2030	0	0	0	0	0	0	0	0	0	0
December 2031	0	0	0	0	0	0	0	0	0	0
December 2032	0	0	0	0	0	0	0	0	0	0
December 2033	0	0	0	0	0	0	0	0	0	0
December 2034	0	0	0	0	0	0	0	0	0	0
December 2035	0	0	0	0	0	0	0	0	0	0
December 2036	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	3.8	3.5	3.2	3.0	2.6	8.9	8.8	8.7	8.6	8.3

  

Date	C Class					IO† Class				
	CPR Prepayment Assumption					CPR Prepayment Assumption				
	0%	25%	50%	75%	100%	0%	25%	50%	75%	100%
Initial Percent	100	100	100	100	100	100	100	100	100	100
December 2007	100	100	100	100	100	99	99	99	99	99
December 2008	100	100	100	100	100	99	99	99	99	99
December 2009	100	100	100	100	100	98	97	96	95	91
December 2010	100	100	100	100	100	96	94	92	91	90
December 2011	100	100	100	100	100	88	88	88	88	88
December 2012	100	100	100	100	100	87	87	87	87	86
December 2013	100	100	100	100	100	84	83	82	80	78
December 2014	100	100	100	100	100	76	73	71	69	67
December 2015	100	100	100	100	100	72	69	67	66	66
December 2016	36	34	33	33	33	10	9	9	9	9
December 2017	35	33	32	32	32	9	9	9	9	9
December 2018	34	30	28	26	24	9	8	8	7	7
December 2019	33	28	25	24	24	9	7	7	6	6
December 2020	31	26	24	23	23	8	7	6	6	6
December 2021	30	22	17	13	0	8	6	5	4	0
December 2022	28	16	8	3	0	8	4	2	1	0
December 2023	27	11	4	1	0	7	3	1	*	0
December 2024	23	7	2	*	0	6	2	*	*	0
December 2025	21	5	1	*	0	6	1	*	*	0
December 2026	19	3	*	*	0	5	1	*	*	0
December 2027	17	2	*	*	0	5	1	*	*	0
December 2028	15	2	*	*	0	4	*	*	*	0
December 2029	13	1	*	*	0	4	*	*	*	0
December 2030	11	1	*	*	0	3	*	*	*	0
December 2031	9	*	*	*	0	3	*	*	0	0
December 2032	7	*	*	0	0	2	*	*	0	0
December 2033	5	*	*	0	0	1	*	*	0	0
December 2034	3	*	*	0	0	1	*	*	0	0
December 2035	1	*	*	0	0	*	*	*	0	0
December 2036	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	13.7	11.9	11.4	11.2	10.8	9.7	9.1	8.9	8.7	8.4

\* 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” above.

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

†† Assumes no prepayment during any applicable Call Protection Term. See “Additional Risk Factors” and “Description of the Certificates—Distributions of Interest—Allocation of Certain Prepayment Premiums” in this prospectus supplement.

## Characteristics of the R and RL Classes

The R and RL Classes will not have principal balances and will not bear interest. If any assets of the Trust remain after the principal balances of all Classes are reduced to zero, we will pay the Holder of the R Class the proceeds from those assets. If any assets of the Lower Tier REMIC remain after the principal balances of the Lower Tier Regular Interests are reduced to zero, we will pay the proceeds of those assets to the Holder of the RL Class. Fannie Mae does not expect that any material assets will remain in either case.

A Residual Certificate will be subject to certain transfer restrictions. We will not permit transfer of record or beneficial ownership of a Residual Certificate to a “disqualified organization.” In addition, we will not permit transfer of record or beneficial ownership of a Residual Certificate to any person that is not a “U.S. Person” or a foreign person subject to United States income taxation on a net basis on income derived from that Certificate. Any transferee of a Residual Certificate must execute and deliver an affidavit and an Internal Revenue Service Form W-9 (or, if applicable, a Form W-8ECI) on which the transferee provides its taxpayer identification number. See “Description of Certificates—Special Characteristics of Residual Certificates” and “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Residual Certificates*” in the Multifamily REMIC Prospectus. The affidavit must also state that the transferee is a “U.S. Person” or a foreign person subject to United States income taxation on a net basis on income derived from that Certificate and that, if the transferee is a partnership for U.S. federal income tax purposes, each person or entity that holds an interest (directly, or indirectly through a pass-through entity) in the partnership is a “U.S. Person” or a foreign person subject to United States income taxation on a net basis on income derived from that Certificate. In addition, the transferee must receive an affidavit containing these same representations from any new transferee. Transferors of a Residual Certificate should consult with their own tax advisors for further information regarding such transfers.

Treasury Department regulations (the “Regulations”) provide that a transfer of a “noneconomic residual interest” will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. The R and RL Classes will constitute noneconomic residual interests under the Regulations. Having a significant purpose to impede the assessment or collection of tax means that the transferor of a Residual Certificate knew or should have known that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the REMIC trust (that is, the transferor had “improper knowledge”).

As discussed under the caption “Special Characteristics of Residual Certificates” in the Multifamily REMIC Prospectus, the Regulations presume that a transferor does not have improper knowledge if two conditions are met. The Treasury Department has amended the Regulations to provide additional requirements that a transferor must satisfy to avail itself of the safe harbor regarding the presumed lack of improper knowledge. For transfers occurring on or after August 19, 2002, a transferor of a Residual Certificate is presumed not to have improper knowledge if, in addition to meeting the two conditions discussed in the Multifamily REMIC Prospectus, both (i) the transferee represents that it will not cause income from the Residual Certificate to be attributed to a foreign permanent establishment or fixed base of the transferee or another taxpayer and (ii) the transfer satisfies either the “asset test” or the “formula test.” The representation described in (i) will be included in the affidavit discussed above. See “Description of Certificates—Special Characteristics of Residual Certificates” and “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Residual Certificates*” in the Multifamily REMIC Prospectus.

A transfer satisfies the asset test if (i) the transferee’s gross assets exceed \$100 million and its net assets exceed \$10 million (in each case, at the time of the transfer and at the close of each of the transferee’s two fiscal years preceding the year of transfer), (ii) the transferee is an “eligible corporation” and the transferee agrees in writing that any subsequent transfer of the Residual Certificate will be to an eligible corporation and will comply with the safe harbor and satisfy the asset test, and (iii) the facts and circumstances known to the transferor do not reasonably indicate that the



taxes associated with the Residual Certificate will not be paid. A transfer satisfies the formula test if the present value of the anticipated tax liabilities associated with holding the Residual Certificate is less than or equal to the present value of the sum of (i) any consideration given to the transferee to acquire the Residual Certificate, (ii) expected future distributions on the Residual Certificate, and (iii) anticipated tax savings associated with holding the Residual Certificate as the related REMIC trust generates losses. The Regulations contain additional details regarding their application and you should consult your own tax adviser regarding the application of the Regulations to a transfer of a Residual Certificate.

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, we will be obligated to provide to these Holders (i) information necessary to enable them to prepare their federal income tax returns and (ii) any reports regarding the R or RL Class that may be required under the Code.

### **CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES**

The Certificates and payments on the Certificates are not generally exempt from taxation. Therefore, you should consider the tax consequences of holding a Certificate before you acquire one. The following tax discussion supplements the discussion under the caption “Certain Federal Income Tax Consequences” in the Multifamily REMIC Prospectus. When read together, the two discussions describe the current federal income tax treatment of beneficial owners of Certificates. These two tax discussions do not purport to deal with all federal tax consequences applicable to all categories of beneficial owners, some of which may be subject to special rules. In addition, these discussions may not apply to your particular circumstances for one of the reasons explained in the Multifamily REMIC Prospectus. You should consult your own tax advisors regarding the federal income tax consequences of holding and disposing of Certificates as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

#### **U.S. Treasury Circular 230 Notice**

The tax discussions contained in the Multifamily REMIC Prospectus (including the sections entitled “Certain Federal Income Tax Consequences” and “ERISA Considerations”) and this prospectus supplement were not intended or written to be used, and cannot be used, for the purpose of avoiding United States federal tax penalties. These discussions were written to support the promotion or marketing of the transactions or matters addressed in this prospectus supplement. You should seek advice based on your particular circumstances from an independent tax advisor.

#### **REMIC Elections and Special Tax Attributes**

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

Because the Lower Tier REMIC and the Trust will qualify as REMICs, the Certificates generally will be treated as “regular or residual interests in a REMIC” for domestic building and loan associations, as “real estate assets” for real estate investment trusts, and, except for the R and RL Classes, as “qualified mortgages” for other REMICs. See “Certain Federal Income Tax Consequences—*REMIC Election and Special Tax Attributes*” in the Multifamily REMIC Prospectus.

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

The Notional Class will be issued with original issue discount (“OID”), and certain other Classes of Certificates may be issued with OID. If a Class is issued with OID, a beneficial owner of a Certificate of that Class generally must recognize some taxable income in advance of the receipt of the cash attributable to that income. See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Regular Certificates*—Treatment of Original Issue Discount” in the Multifamily REMIC Prospectus. In addition, certain Classes of Certificates may be treated as having been issued at a premium. See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Regular Certificates*—Regular Certificates Purchased at a Premium” in the Multifamily REMIC Prospectus.

The Prepayment Assumption that will be used in determining the rate of accrual of OID will be applied on a pool-by-pool basis. See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Regular Certificates*—Treatment of Original Issue Discount—*Daily Portions of Original Issue Discount*” in the Multifamily REMIC Prospectus. The Prepayment Assumption that will be used for each pool will be 0% CPR until the Last Day of Call Protection Term for each such pool and 100% CPR thereafter. The Last Day of Call Protection Term dates are provided on Exhibit A. Because the Last Day of Call Protection Term for each pool is not the same, during the period beginning on the earliest Last Day of Call Protection Term of the pools and ending on the latest Last Day of Call Protection Term of the pools, the effective Prepayment Assumption will increase, from 0% CPR to 100% CPR, as each pool reaches its Last Day of Call Protection Term. No representation is made as to whether the Mortgage Loans underlying the MBS will prepay at the rate reflected in the Prepayment Assumption or any other rate. See “Description of the Certificates—Weighted Average Lives of the Certificates” in this prospectus supplement and “Description of the Certificates—Weighted Average Lives and Final Distribution Dates” in the Multifamily REMIC Prospectus.

## **Taxation of Beneficial Owners of Residual Certificates**

Effective generally for Residual Certificates first held on or after August 1, 2006, Temporary Regulations issued by the Treasury Department have modified the general rule that the taxable income of the Trust (or the Lower Tier REMIC) is not includible in the income of a foreign person (or, if excess inclusions, subject to withholding tax) until paid or distributed. See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Residual Certificates*—Treatment of Excess Inclusions” and “—*Foreign Investors*—Residual Certificates” in the Multifamily REMIC Prospectus. Under the Temporary Regulations, the amount of taxable income allocable to a foreign partner in a domestic partnership that is the beneficial owner of a Residual Certificate must be taken into account by the foreign partner on the last day of the partnership’s taxable year, except to the extent that some or all of that amount is required to be taken into account at an earlier time as a result of a distribution to the foreign partner or a disposition of the foreign partner’s indirect interest in the Residual Certificate. Similar rules apply to excess inclusions allocable to a foreign person that holds an interest in a real estate investment trust, regulated investment company, common trust fund or certain cooperatives.

For purposes of determining the portion of the taxable income of the Trust (or the Lower Tier REMIC) that generally will not be treated as excess inclusions, the rate to be used is 5.77% (which is 120% of the “federal long-term rate”). See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Residual Certificates*—Treatment of Excess Inclusions” and “—*Foreign Investors*—Residual Certificates” in the Multifamily REMIC Prospectus.

The Treasury Department has issued Regulations providing that, to clearly reflect income, an inducement fee paid to a transferee of a noneconomic residual interest in a REMIC must be included in income over a period that is reasonably related to the period during which the applicable REMIC is expected to generate taxable income or net loss allocable to the transferee. The Regulations set forth two safe harbor methods under which a taxpayer’s accounting for the inducement fee will be

considered to clearly reflect income for these purposes. In addition, under the Regulations an inducement fee shall be treated as income from sources within the United States. You should consult your own tax advisor regarding the application of the Regulations to the transfer of a Residual Certificate.

### **Tax Return Disclosure Requirements**

The Treasury Department Regulations that are directed at “tax shelters” could be read to apply to transactions generally not considered to be tax shelters. These Regulations require that taxpayers that participate in a “reportable transaction” disclose such transaction on their tax returns by attaching IRS Form 8886 and retain information related to the transaction. A transaction may be a “reportable transaction” based upon any of several indicia, one or more of which may be present with respect to the Certificates. You should consult your own tax advisor concerning any possible disclosure obligation with respect to your investment in the Certificates.

### **PLAN OF DISTRIBUTION**

We are obligated to deliver the Certificates to Deutsche Bank Securities Inc. (the “Dealer”) in exchange for the MBS. 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 these transactions to or through other dealers.

### **LEGAL MATTERS**

Sidley Austin LLP will provide legal representation for Fannie Mae. McKee Nelson LLP will provide legal representation for the Dealer.

The MBS and the Mortgage Loans  
As of December 1, 2006

Pool Number	City	State	Approximate Principal Balance	MBS Pass-Thru Rate (%)	Mortgage Interest Rate (%)	MBS Issue Date	Maturity Date	Original Amortization Term (mos.)	Remaining Term to Maturity or Balloon (mos.)	Loan Age (mos.)	Last Day of Call Protection Term	Remaining Call Protection Term (mos.) +	Scheduled Monthly Principal and Interest (1)	Day Count	Remaining IO Period (mos.)
873865	Colorado Springs	CO	\$20,838,200.00	5.820	6.170	8/1/2006	8/1/2016	360	116	4	1/31/2016	110	\$127,222.13	Actual/360	20
873899(2)	Plano	TX	13,500,000.00	5.800	6.500	8/1/2006	10/1/2014	0	94	4	3/31/2014	88	73,125.00	30/360	94
873864	Colorado Springs	CO	12,447,500.00	5.820	6.170	8/1/2006	8/1/2016	360	116	4	1/31/2016	110	75,994.92	Actual/360	20
873858(3)	O'Fallon	MO	11,700,000.00	5.695	6.145	8/1/2006	7/1/2016	360	115	5	12/31/2015	109	71,241.83	Actual/360	19
873699††	Athens	GA	6,165,000.00	5.600	6.440	5/1/2006	5/1/2016	360	113	7	4/30/2013	77	38,724.05	Actual/360	6
873699††	Atlanta	GA	5,235,000.00	5.600	6.440	5/1/2006	5/1/2016	360	113	7	4/30/2013	77	32,882.46	Actual/360	6
873918(3)	Houston	TX	10,750,000.00	5.820	6.170	9/1/2006	8/1/2016	360	116	4	1/31/2016	110	65,631.29	Actual/360	20
873747	Winooski	VT	8,749,870.45	5.865	6.315	6/1/2006	6/1/2016	360	114	6	11/30/2015	108	54,555.68	30/360	0
873874(2)	Round Rock	TX	7,855,000.00	5.840	6.190	8/1/2006	8/1/2011	0	56	4	7/31/2009	32	51,526.09	Actual/360	56
873910(4)	Houston	TX	7,280,000.00	5.710	6.060	8/1/2006	9/1/2016	360	117	3	2/29/2016	111	43,928.50	Actual/360	21
873948	South Portland	ME	6,182,462.87	5.710	6.310	9/1/2006	9/1/2016	360	117	3	2/29/2016	111	38,416.74	30/360	0
873954(3)	San Antonio	TX	6,050,000.00	5.750	6.300	9/1/2006	8/1/2016	360	116	4	1/31/2016	110	37,447.85	Actual/360	32
873994	Plano	TX	5,829,975.54	6.050	6.455	9/1/2006	9/1/2016	360	117	3	2/29/2016	111	36,771.57	Actual/360	0
873933(3)	San Antonio	TX	5,820,000.00	5.850	6.250	9/1/2006	8/1/2011	360	56	4	7/31/2009	32	35,834.74	Actual/360	20
873787	York	PA	5,579,690.59	5.650	6.060	8/1/2006	8/1/2016	360	116	4	1/31/2016	110	33,791.15	Actual/360	0
873818(3)	Romulus	MI	5,475,539.10	6.270	6.640	8/1/2006	7/1/2036	360	355	5	6/30/2021	175	35,271.67	30/360	0
385634(4)	Silver Spring	MD	5,208,252.43	5.800	6.270	12/1/2002	1/1/2033	360	313	47	12/31/2017	133	33,698.47	Actual/360	0
873953	Houston	TX	5,000,000.00	5.730	6.080	9/1/2006	9/1/2016	360	117	3	2/29/2016	111	30,235.18	Actual/360	21
874007	NYC—Kings County	NY	4,092,452.76	5.420	5.970	10/1/2006	10/1/2016	360	118	2	3/31/2016	112	24,502.55	Actual/360	0
873868	Tacoma	WA	3,587,689.55	5.830	6.320	8/1/2006	8/1/2016	360	116	4	1/31/2016	110	20,543.22	Actual/360	0
874020	Davison	MI	3,383,939.09	5.750	6.100	10/1/2006	10/1/2016	360	118	2	3/31/2016	112	20,543.22	Actual/360	0
873728(3)	Pontiac	MI	2,984,221.76	6.360	6.730	7/1/2006	6/1/2036	360	354	6	5/31/2021	174	19,418.08	30/360	0
873772	Chamblee	GA	2,838,569.59	5.960	6.510	7/1/2006	7/1/2016	360	115	5	12/31/2015	109	18,032.68	Actual/360	0
873973	Lawrenceville	GA	2,700,000.00	5.860	6.360	9/1/2006	9/1/2016	360	117	3	2/29/2016	111	16,818.01	Actual/360	33
873941	Pittsburgh	PA	2,669,336.39	5.710	6.300	9/1/2006	9/1/2016	300	117	3	2/29/2016	111	17,620.06	Actual/360	0
873847(3)	Houston	TX	2,590,403.47	5.950	6.850	8/1/2006	1/1/2015	360	97	5	6/30/2014	91	17,036.74	Actual/360	0
873979	Mishawaka	IN	2,523,843.45	5.770	7.110	10/1/2006	1/1/2013	300	73	2	6/30/2012	67	18,059.44	30/360	0
873929	Lawrence	MA	2,330,000.00	5.980	6.330	8/1/2006	8/1/2016	360	116	4	1/31/2016	110	14,467.66	Actual/360	20
873870	Chambersburg	PA	2,322,373.44	5.860	6.510	8/1/2006	8/1/2013	360	80	4	1/31/2013	74	14,742.51	Actual/360	0
380199	Hooksett	NH	2,280,103.58	6.535	7.435	4/1/1998	4/1/2016	360	112	104	3/31/2013	76	17,786.08	Actual/360	0
873971(3)	Tulsa	OK	2,193,986.32	5.620	6.170	10/1/2006	9/1/2016	360	117	3	2/29/2016	111	13,431.52	Actual/360	0
873714	Thornton	CO	2,188,429.30	6.320	6.730	6/1/2006	6/1/2036	360	354	6	5/31/2021	174	14,239.92	30/360	0
874116	Abilene	TX	2,143,164.03	5.880	6.780	11/1/2006	11/1/2024	360	215	1	10/31/2021	179	13,955.23	30/360	0
387224	Port St. Lucie	FL	2,125,044.35	4.860	5.900	1/1/2005	1/1/2015	300	97	23	6/30/2014	91	14,040.45	Actual/360	0
873946	Detroit	MI	1,994,474.38	5.770	6.120	9/1/2006	9/1/2016	360	117	3	2/29/2016	111	12,145.74	Actual/360	0
873565(3)	Grand Forks	ND	1,984,685.12	5.750	6.300	5/1/2006	4/1/2036	360	352	8	3/31/2021	172	12,379.46	30/360	0
873928	Waltham	MA	1,870,000.00	5.980	6.330	8/1/2006	8/1/2016	360	116	4	1/31/2016	110	11,611.38	Actual/360	20
873927	Lawrence	MA	1,800,000.00	5.980	6.330	8/1/2006	8/1/2016	360	116	4	1/31/2016	110	11,176.73	Actual/360	20
873711(3)	Chicago	IL	1,674,801.83	5.850	6.750	9/1/2006	8/1/2016	360	116	4	1/31/2016	110	10,896.45	Actual/360	0
873709(3)	Chicago	IL	1,642,900.84	5.850	6.750	9/1/2006	8/1/2016	360	116	4	1/31/2016	110	10,688.90	Actual/360	0
874131	West Covina	CA	1,498,606.67	5.950	6.360	11/1/2006	11/1/2036	360	359	1	10/31/2021	179	9,343.34	30/360	0
381373(3)	Stanton	CA	1,199,730.79	6.330	7.500	3/1/1999	2/1/2029	360	266	94	1/28/2014	86	9,264.59	30/360	0
873825	Springfield	MA	1,166,085.88	5.760	6.320	7/1/2006	7/1/2016	360	115	5	12/31/2015	109	7,263.44	Actual/360	0

Pool Number	City	State	Approximate Principal Balance	MBS Issuance Rate (%)	Mortgage Interest Rate (%)	MBS Issue Date	Maturity Date	Original Amortization Term (mos.)	Remaining Term for Balloon (mos.)	Loan Age (mos.)	Last Day of Call Protection Term†	Remaining Pre-call Protection (mos.) †	Scheduled Monthly Principal and Interest (1)	Day Count	Remaining IO Period (mos.)
873710(3)	Chicago	IL	\$ 1,116,534.56	5.850	6.750	9/1/2006	8/1/2016	360	116	4	1/31/2016	110	\$ 7,264.30	Actual/360	0
381250	Harrison	NY	1,100,311.71	6.330	6.980	1/1/1999	1/1/2029	360	265	95	12/31/2013	85	8,153.43	30/360	0
873875(2)	Round Rock	TX	1,075,000.00	5.840	6.190	8/1/2006	8/1/2011	0	56	4	7/31/2009	32	7,051.63	Actual/360	56
874019	Roseville	MI	998,158.77	6.150	6.420	10/1/2006	10/1/2036	360	358	2	9/30/2021	178	6,268.16	30/360	0

† The Mortgage Loans can prepay at any time, without payment of prepayment premiums in the form of yield maintenance charges, after the applicable “Last Day of Call Protection Term” shown in the column under that heading. However, see also “Description of the Certificates—Distributions of Interest—Allocation of Certain Prepayment Premiums” in this prospectus supplement.

†† In this case, two Mortgage Loans with generally similar payment terms back a single MBS.

- (1) The scheduled monthly principal and interest payments shown in this table are calculated scheduled monthly principal and interest payments.
- (2) These Mortgage Loans provide for interest only payments until maturity.
- (3) The first payment date of the related Mortgage Loan is the Issue Date of the related MBS.
- (4) The first monthly payment on this MBS consisted of interest only.

No one is authorized to give information or to make representations in connection with the Certificates other than the information and representations contained in this Prospectus Supplement and the additional Disclosure Documents. You must not rely on any unauthorized information or representation. This Prospectus Supplement and the additional Disclosure Documents do not constitute an offer or solicitation with regard to the Certificates if it is illegal to make such an offer or solicitation to you under state law. By delivering this Prospectus Supplement and the additional Disclosure Documents at any time, no one implies that the information contained herein or therein is correct after the date hereof or thereof.

The Securities and Exchange Commission has not approved or disapproved the Certificates or determined if this Prospectus Supplement is truthful and complete. Any representation to the contrary is a criminal offense.

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## TABLE OF CONTENTS

	Page
Table of Contents .....	S- 2
Available Information .....	S- 3
Incorporated by Reference .....	S- 3
Recent Developments.....	S- 4
Reference Sheet .....	S- 6
Additional Risk Factors .....	S- 8
Description of the Certificates .....	S-10
Certain Additional Federal Income Tax Consequences .....	S-21
Plan of Distribution .....	S-23
Legal Matters .....	S-23
Exhibit A.....	A- 1

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**\$211,741,338**  
**( Approximate )**



**Guaranteed**  
**REMIC Pass-Through Certificates**  
**Fannie Mae Multifamily**  
**REMIC Trust 2006-M3**

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## PROSPECTUS SUPPLEMENT

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 **Deutsche Bank Securities**

November 20, 2006

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