

\$271,883,365



**Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 1996-37**

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "Certificates") will represent beneficial ownership interests in Fannie Mae REMIC Trust 1996-37 (the "Trust"). The assets of the Trust will consist of (i) certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the "Trust MBS") and (ii) the REMIC Certificate specified herein (the "Underlying REMIC Certificate") evidencing a beneficial ownership interest in the related Fannie Mae REMIC Trust (the "Underlying REMIC Trust") as further described in Exhibit A hereto. The assets of the Underlying REMIC Trust evidence direct beneficial ownership interests in certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (together with the Trust MBS, the "MBS"). Each MBS represents a beneficial interest in a pool (each, a "Pool") of first lien, single-family, fixed-rate residential mortgage loans (the "Mortgage Loans") having the characteristics described herein. The Certificates will be issued and guaranteed as to timely distribution of principal and interest by Fannie Mae.

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

See "Additional Risk Factors" on page S-6 hereof and "Risk Factors" beginning on page 8 of the REMIC Prospectus attached hereto for a discussion of certain risks that should be considered in connection with an investment in the Certificates.

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

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

| Class | Original Principal Balance | Principal Type(1) | Interest Rate | Interest Type(1) | CUSIP Number | Final Distribution Date |
|-------|----------------------------|-------------------|---------------|------------------|--------------|-------------------------|
| A | \$99,833,100 | SEQ | 7.0% | FIX | 31359KSV0 | January 2021 |
| PA | 20,300,000 | PAC | 7.0 | FIX | 31359KSW8 | August 2017 |
| AB | 20,476,900 | SUP | 7.0 | FIX | 31359KSX6 | January 2021 |
| B | 48,800,000 | SEQ | 7.0 | FIX | 31359KSY4 | December 2023 |
| C | 8,290,000 | AD/SEQ/LIQ | 7.0 | FIX | 31359KSZ1 | July 2001 |
| D | 14,150,000 | AD/SEQ | 7.0 | FIX | 31359KTA5 | April 2007 |
| E | 17,650,000 | AD/SEQ | 7.0 | FIX | 31359KTB3 | March 2012 |
| Z | 20,500,000 | SEQ | 7.0 | Z | 31359KTE7 | August 2026 |
| H | 21,883,365 | SC/PT | (2) | PO | 31359KTC1 | August 2023 |
| S | (3) | NTL | (4) | INV/IO | 31359KTD9 | August 2023 |
| R | 0 | NPR | 0 | NPR | 31359KTF4 | August 2026 |

- See "Description of the Certificates-Class Definitions and Abbreviations" in the REMIC Prospectus and "Description of the Certificates—Distributions of Interest" and "—Distributions of Principal" herein.
- This Class will be a Principal Only Class and will bear no interest.
- The S Class will be a Notional Class, will not have a principal balance and will bear interest on its notional principal balance (initially, \$21,883,365). The notional principal balance of the S Class will be calculated based upon the principal balance of the H Class. See "Description of the Certificates—Distributions of Interest—Notional Class" herein.
- The S Class will bear interest based on "LIBOR" as described under "Description of the Certificates—Distributions of Interest" herein and "Description of the Certificates—Indices Applicable to Floating Rate and Inverse Floating Rate Classes" in the REMIC Prospectus.

The Certificates will be offered by Smith Barney Inc. (the "Dealer") from time to time in negotiated transactions, at varying prices to be determined at the time of sale.

The Certificates will be offered by the Dealer, subject to issuance by Fannie Mae and to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by the Dealer, and subject to approval of certain legal matters by counsel. It is expected that the Certificates, except for the R Class, will be available through the book-entry system of the Federal Reserve Banks on or about August 30, 1996 (the "Settlement Date"). It is expected that the R Class in registered, certificated form will be available for delivery at the offices of the Dealer, New York, New York, on or about the Settlement Date.

Smith Barney Inc.

(Cover continued from previous page)

The yield to investors in the Group 1 Classes (as described herein) will be sensitive in varying degrees to, among other things, the rate of principal distributions on the Trust MBS, which in turn will be determined by the rate of principal payments of the related Mortgage Loans and the characteristics of such Mortgage Loans. The yields to investors in the Group 2 Classes (as described herein) will be sensitive to, among other things, the rate of distributions on the Underlying REMIC Certificate, which in turn will be sensitive to the rate of principal payments of the related Mortgage Loans, the characteristics of the Mortgage Loans included in the related Pools and the priority sequence affecting principal distributions on the Underlying REMIC Certificate. The yield to investors in each Class will also be sensitive to the purchase price paid for such Class and, in the case of the Inverse Floating Rate Class, fluctuations in the level of the Index (as defined herein). Accordingly, investors should consider the following risks:

- The Mortgage Loans generally may be prepaid at any time without penalty, and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time.
- Slight variations in Mortgage Loan characteristics could substantially affect the weighted average lives and yields of some or all of the Classes.
- In the case of any Certificates purchased at a discount to their principal amounts (including the Principal Only Class), a slower than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of any Certificates purchased at a premium to their principal amounts, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of the Interest Only Class, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield and, in certain cases, an actual loss on the investment.
- The yield on the Inverse Floating Rate Class will be sensitive to the level of the Index. See “Description of the Certificates—Distributions of Interest—Inverse Floating Rate Class” herein.

See “Risk Factors—Yield Considerations” in the REMIC Prospectus and “Additional Risk Factors—Additional Yield and Prepayment Considerations” herein.

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

- The Underlying REMIC Certificate is subordinate in priority of principal distribution to certain other classes of certificates evidencing beneficial ownership interests in the Underlying REMIC Trust and, accordingly, there is no assurance that principal distributions will be made on the Underlying REMIC Certificate on any particular Distribution Date. In addition, the Underlying REMIC Certificate has a Principal Balance Schedule and, as a result, may receive principal distributions at a rate faster or slower than would otherwise have been the case. Further, prepayments on the related Mortgage Loans may have occurred at a rate faster or slower than that initially assumed. This Prospectus Supplement contains no information as to whether the Underlying REMIC Certificate has adhered to its Principal Balance Schedule, whether any related Support classes remain outstanding or whether the Underlying REMIC Certificate otherwise has performed as originally anticipated. Such information may be obtained by performing an analysis of current Fannie Mae principal factors in the context of applicable information contained in the Underlying Prospectus Supplement (as defined below), which may be obtained from Fannie Mae as described below.
- The actual final payment of any Class will likely occur earlier, and could occur much earlier, than the Final Distribution Date for such Class specified on the cover page. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus.
- The rate of principal distributions of the Certificates is uncertain and investors may be unable to reinvest the distributions thereon at yields equaling the yields on the Certificates. See “Risk Factors—Suitability and Reinvestment Considerations” in the REMIC Prospectus.
- Investors whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities may be subject to restrictions on investment in certain Classes of the Certificates. Investors should consult their legal advisors to determine whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment. See “Legal Investment Considerations” in the REMIC Prospectus.
- The Dealer intends to make a market for the Certificates but is not obligated to do so. There can be no assurance that such a secondary market will develop or, if developed, that it will continue. Thus, investors may not be able to sell their Certificates readily or at prices that will enable them to realize their anticipated yield. No investor should purchase Certificates unless such investor understands and is able to bear the risk that the value of the Certificates will fluctuate over time and that the Certificates may not be readily salable.

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

An election will be made to treat the Trust as a “real estate mortgage investment conduit” (“REMIC”) pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). The R Class will be subject to transfer restrictions. See “Description of the Certificates—Characteristics of the R Class” and “Certain Additional Federal Income Tax Consequences” herein, and “Description of the Certificates—Additional Characteristics of Residual Certificates” and “Certain Federal Income Tax Consequences” in the REMIC Prospectus.

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

- Fannie Mae’s Prospectus for Guaranteed REMIC Pass-Through Certificates dated June 14, 1996 (the “REMIC Prospectus”), which is attached to this Prospectus Supplement;
- Fannie Mae’s Prospectus for Guaranteed Mortgage Pass-Through Certificates dated January 15, 1996 (the “MBS Prospectus”);
- Fannie Mae’s Information Statement dated February 22, 1996 and any supplements thereto (collectively, the “Information Statement”); and
- The Underlying Prospectus Supplement.

The MBS Prospectus and the Information Statement are incorporated herein by reference and together with the Underlying Prospectus Supplement, may be obtained from Fannie Mae by writing or calling its MBS Helpline at 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 (telephone 1-800-BEST-MBS or 202-752-6547). Such documents, other than the Underlying Prospectus Supplement, may also be obtained from Smith Barney Inc. by writing or calling its Prospectus Department at Brooklyn Army Terminal, 140 58th Street, 8th Floor, Brooklyn, New York 11220 (telephone 718-921-8466).

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REFERENCE SHEET

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

**Assumed Characteristics of the Mortgage Loans Underlying the Trust MBS
(as of August 1, 1996)**

| <u>Approximate Principal Balance</u> | <u>Approximate Weighted Average Remaining Term to Maturity (in months)</u> | <u>Approximate Calculated Loan Age (in months)</u> | <u>Approximate Weighted Average Coupon</u> |
|--|--|--|--|
| \$ 6,920,000 | 303 | 56 | 7.455% |
| \$ 22,928,000 | 336 | 22 | 7.610% |
| \$220,152,000 | 350 | 10 | 7.699% |

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

Characteristics of the Underlying REMIC Certificate

The table contained in Exhibit A hereto sets forth information with respect to the Underlying REMIC Certificate, including certain information regarding the underlying Mortgage Loans. Certain additional information as to the Underlying REMIC Certificate may be obtained by performing an analysis of current Fannie Mae principal factors of the Underlying REMIC Certificate in the context of applicable information contained in the Underlying Prospectus Supplement, which may be obtained from Fannie Mae as described herein.

See “Description of the Certificates—The Underlying REMIC Certificate” herein.

Interest Rates

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

The Inverse Floating Rate Class will bear interest during the initial Interest Accrual Period at an initial interest rate determined as described below, and will bear interest during each Interest Accrual Period thereafter, subject to the applicable maximum and minimum interest rates, at the rate determined as described below:

| <u>Class</u> | <u>Assumed Initial Interest Rate</u> | <u>Maximum Interest Rate</u> | <u>Minimum Interest Rate</u> | <u>Formula for Calculation of Interest Rate</u> |
|--------------|--|--------------------------------------|--------------------------------------|---|
| S | 5.33333% (1) | 5.33333% | 0.00% | 42.66666% – (5.33333 × LIBOR) |

(1) The initial interest rate listed above is an assumed rate. The actual initial interest rate for the S Class will be calculated on the basis of the applicable formula for the calculation of such interest rate on the August 22, 1996 Index Determination Date.

See “Description of the Certificates—Distributions of Interest—Inverse Floating Rate Class” herein.

Notional Class

The notional principal balance of the Notional Class will be equal to the indicated percentage of the outstanding principal balance of the Class specified below immediately prior to the related Distribution Date:

| <u>Class</u> | <u>Percentage of Principal Balance of Specified Class</u> |
|--------------|---|
| S | 100% of H Class |

See “Description of the Certificates—Distributions of Interest—Notional Class” and “—Yield Tables—*The Inverse Floating Rate Class*” herein.

Distributions of Principal

Group 1 Principal Distribution Amount

Group 1 Accrual Amount

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

Group 1 Cash Flow Distribution Amount

First, 71% of such amount to the A Class to zero, and

29% of such amount in the following order:

- (i) to the PA Class to its Planned Balance,
- (ii) to the AB Class to zero, and
- (iii) to the PA Class to zero; and

then, to the B, C, D, E and Z Classes, in that order, to zero.

Group 2 Principal Distribution Amount

To the H Class, to zero.

Weighted Average Lives (years) *

| <u>Class</u> | <u>PSA Prepayment Assumption</u> | | | | |
|---------------|----------------------------------|-------------|-------------|-------------|-------------|
| | <u>0%</u> | <u>80%</u> | <u>140%</u> | <u>225%</u> | <u>500%</u> |
| A | 16.5 | 6.0 | 4.0 | 2.7 | 1.4 |
| PA | 11.5 | 3.0 | 3.0 | 3.0 | 1.9 |
| AB | 21.6 | 9.1 | 5.0 | 2.5 | 1.0 |
| B | 25.9 | 15.7 | 10.9 | 7.4 | 3.5 |
| C | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |
| D | 7.9 | 7.9 | 7.9 | 7.8 | 4.7 |
| E | 13.2 | 13.2 | 13.0 | 10.4 | 5.6 |
| Z | 28.7 | 23.7 | 20.1 | 16.2 | 8.8 |
| | | | | | |
| <u>Class</u> | <u>PSA Prepayment Assumption</u> | | | | |
| | <u>0%</u> | <u>100%</u> | <u>145%</u> | <u>200%</u> | <u>500%</u> |
| H and S | 15.6 | 11.6 | 6.7 | 3.1 | 0.7 |

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

ADDITIONAL RISK FACTORS

Additional Yield and Prepayment Considerations

The rate of distributions of principal of the Group 1 Classes will be sensitive in varying degrees to the rate of principal distributions on the Trust MBS, which in turn will reflect the rate of amortization (including prepayments) of the related Mortgage Loans. There can be no assurance that the Mortgage Loans underlying the Trust MBS will have the characteristics assumed herein. Because the rate of principal distributions on the Group 1 Classes will be related to the rate of amortization of the Mortgage Loans underlying the Trust MBS, which are likely to include Mortgage Loans with remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the rate of principal distributions on the Group 1 Classes is likely to differ from the rate anticipated by an investor, even if such Mortgage Loans prepay at the indicated constant percentages of PSA. In addition, it is highly unlikely that the Mortgage Loans underlying the Trust MBS will prepay at a constant PSA rate until maturity or that all Mortgage Loans will prepay at the same rate.

The rate of distributions of principal of the Group 2 Classes will be directly related to the rate of principal distributions on the Underlying REMIC Certificate, which in turn will be sensitive to the amortization (including prepayments) of the related Mortgage Loans and the priority sequence affecting principal distributions on the Underlying REMIC Certificate. As described in the Underlying Prospectus Supplement, the Underlying REMIC Certificate is subordinate in priority of principal distributions to certain other classes of certificates evidencing beneficial ownership interests in the Underlying REMIC Trust and, accordingly, distributions of principal of the related Mortgage Loans may for extended periods be applied to the distribution of principal of those classes of certificates having priority over the Underlying REMIC Certificate. In addition, the Underlying REMIC Certificate has a Principal Balance Schedule and, as a result, may receive distributions of principal during certain periods at a rate faster or slower than would otherwise have been the case. Further, prepayments on the related Mortgage Loans may have occurred at a rate faster or slower than that initially assumed. This Prospectus Supplement contains no information as to whether the Underlying REMIC Certificate has adhered to its Principal Balance Schedule, whether any related Support classes remain outstanding or whether the Underlying REMIC Certificate otherwise has performed as originally anticipated. Such information as to the Underlying REMIC Certificate may be obtained by performing an analysis of current Fannie Mae principal factors of the Underlying REMIC Certificate in the context of applicable information contained in the Underlying Prospectus Supplement, which may be obtained from Fannie Mae as described herein.

Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the Certificates.

The effective yield on the Delay Classes (as defined herein) will be reduced below the yield otherwise produced because principal and interest payable on a Distribution Date will not be distributed until the 25th day following the end of the related Interest Accrual Period and will not bear interest during such delay. No interest at all will be paid on any Class after its principal balance has been reduced to zero. As a result of the foregoing, the market value of the Delay Classes will be lower than would have been the case if there were no such delay.

DESCRIPTION OF THE CERTIFICATES

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

General

Structure. The Trust will be created pursuant to a trust agreement dated as of September 1, 1987, as supplemented by an issue supplement thereto, dated as of August 1, 1996 (together, the “Trust Agreement”), executed by the Federal National Mortgage Association (“Fannie Mae”) in its corporate capacity and in its capacity as trustee (the “Trustee”), and the Certificates in the Classes and aggregate original principal balances set forth on the cover hereof will be issued by Fannie Mae pursuant thereto. A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement.

The Certificates (other than the R Class) will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust. The assets of the Trust will consist of the Trust MBS and the Underlying REMIC Certificate (which evidences a beneficial ownership interest in the Underlying REMIC Trust).

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. The guaranty obligations of Fannie Mae with respect to the Underlying REMIC Certificate are described in the Underlying Prospectus Supplement. In addition, Fannie Mae will be obligated to distribute on a timely basis to the Holders of Certificates required installments of principal and interest and to distribute the principal balance of each Class of Certificates in full no later than the applicable Final Distribution Date, whether or not sufficient funds are available in the Trust Account. The guaranties of Fannie Mae are not backed by the full faith and credit of the United States. See “Description of the Certificates—Fannie Mae’s Guaranty” in the REMIC Prospectus, “Description of Certificates—The Corporation’s Guaranty” in the MBS Prospectus and “Description of the Certificates—General—Fannie Mae Guaranty” in the Underlying Prospectus Supplement.

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

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

The distribution to the Holder of the R Certificate of the proceeds of any remaining assets of the Trust will be made only upon presentation and surrender of such Certificate at the office of the Paying Agent. The Paying Agent initially will be State Street.

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

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

“Distributions of Interest—*General*” and “—*Interest Accrual Periods*” and “Distributions of Principal—*Principal Distribution Amount*” herein.

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

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

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.

Voting the Underlying REMIC Certificate. In the event any issue arises under the trust agreement governing the Underlying REMIC Trust that requires the vote of holders of certificates outstanding thereunder, the Trustee will vote the Underlying REMIC Certificate in accordance with instructions received from Holders of Certificates having principal balances aggregating not less than 51% of the aggregate principal balance of the Group 2 Classes. In the absence of such instructions, the Trustee will vote in a manner consistent, in its sole judgment, with the best interests of Certificateholders.

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

The Trust MBS

The Trust MBS underlying the Group 1 Classes will have the aggregate unpaid principal balance and Pass-Through Rate set forth below and the general characteristics described in the MBS Prospectus. The Trust MBS will provide that principal and interest on the underlying Mortgage Loans will be passed through monthly, commencing on the 25th day of the month following the month of the initial issuance of the Trust MBS (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day). The Mortgage Loans underlying the Trust MBS will be conventional Level Payment Mortgage Loans secured by a first mortgage or deed of trust on a one- to four-family (“single-family”) residential property and having an original maturity of up to 30 years, as described under “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus. The characteristics of the Trust MBS and the related Mortgage Loans as of August 1, 1996 (the “Issue Date”) are expected to be as follows:

Trust MBS

| | |
|--|---------------|
| Aggregate Unpaid Principal Balance | \$250,000,000 |
| MBS Pass-Through Rate | 7.00% |

Mortgage Loans Underlying Trust MBS

| | |
|---|--------------------------|
| Range of WACs (per annum percentages) | 7.25% to 9.50% |
| Range of WAMs | 241 months to 360 months |
| Approximate Weighted Average WAM | 347 months |
| Approximate Weighted Average CAGE | 12 months |

The Underlying REMIC Certificate

The Underlying REMIC Certificate underlying the Group 2 Classes represents a beneficial ownership interest in the Underlying REMIC Trust, the assets of which evidence direct beneficial ownership interests in certain MBS having the general characteristics set forth in the MBS Prospectus.

The Underlying REMIC Certificate provides that distributions thereon will be passed through monthly, commencing on the 25th day of the month following the initial issuance thereof (or, in each case, if such 25th day is not a business day, on the first business day next succeeding such 25th day). The general characteristics of the Underlying REMIC Certificate are described in the Underlying Prospectus Supplement. Each MBS underlying a REMIC Certificate evidences beneficial ownership interests in a Pool of conventional Level Payment Mortgage Loans secured by a first-mortgage or deed of trust on a one- to four-family residential property, as described under “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus.

The table contained in Exhibit A hereto sets forth certain information with respect to the Underlying REMIC Certificate, including the numerical designation of the Underlying REMIC Trust, the class designation, the date of issue, the CUSIP number, the interest rate, the interest type, the final distribution date, the principal type, the original principal balance of the entire class, the current principal factor for such class and the principal balance of such class contained in the Trust as of the Issue Date. The table also sets forth the approximate weighted average WAC, approximate weighted average WAM and approximate weighted average CAGE of the Mortgage Loans underlying the related MBS as of the Issue Date, the underlying security type and the related Class Group.

To request further information regarding the Underlying REMIC Certificate, telephone Fannie Mae at 1-800-BEST-MBS or 202-752-6547. Other data specific to the Certificates is available in electronic form by calling Fannie Mae at 1-800-752-6440 or 202-752-6000. It should be noted that there may have been material changes in facts and circumstances since the date the Underlying Prospectus Supplement was prepared, including, but not limited to, changes in prepayment speeds and prevailing interest rates and other economic factors, which may limit the usefulness of the information set forth in such document.

Final Data Statement

Following the issuance of the Certificates, Fannie Mae will prepare a Final Data Statement setting forth, among other information, the current principal balance of the Underlying REMIC Certificate as of the Issue Date and, with respect to the Trust MBS, the Pool number, the current WAC (or original WAC, if the current WAC is not available) and the current WAM (or Adjusted WAM, if the current WAM is not available) of the Mortgage Loans underlying each Trust MBS, along with the weighted average of all the current or original WACs and the weighted average of all the current or Adjusted WAMs, based on the current unpaid principal balances of the Mortgage Loans underlying the Trust MBS as of the Issue Date. The Final Data Statement will not accompany this Prospectus Supplement but will be made available by Fannie Mae. To request the Final Data Statement, telephone Fannie Mae at 1-800-BEST-MBS or 202-752-6547. The contents of the Final Data Statement and other data specific to the Certificates are available in electronic form by calling Fannie Mae at 1-800-752-6440 or 202-752-6000.

Distributions of Interest

Categories of Classes

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

| <u>Interest Type*</u> | <u>Classes</u> |
|-----------------------|---|
| Fixed Rate | All interest-bearing Classes other than the S Class |
| Accrual | Z |
| Inverse Floating Rate | S |
| Interest Only | S |
| Principal Only | H |
| No Payment Residual | R |

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

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

Interest Accrual Periods. Interest to be distributed on a Distribution Date will accrue on the interest-bearing Certificates during the one-month periods set forth below (each, an “Interest Accrual Period”).

| <u>Classes</u> | <u>Interest Accrual Periods</u> |
|--|---|
| S Class (the “No Delay Class”) | One month period beginning on the 25th day of the month preceding the month of the Distribution Date and ending on the 24th day of the month of the Distribution Date |
| All Fixed Rate Classes (collectively, the “Delay Classes”) | Calendar month preceding the month in which the Distribution Date occurs |

See “Additional Risk Factors—Additional Yield and Prepayment Considerations” herein.

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

Notional Class. The S Class will be a Notional Class. The Notional Class will not have a principal balance and will bear interest at the applicable per annum interest rate set forth herein during each Interest Accrual Period on the related notional principal balance. The notional principal balance of the Notional Class will be equal to the indicated percentage of the outstanding principal balance of the Class specified below immediately prior to the related Distribution Date:

| <u>Class</u> | <u>Percentage of Principal Balance of Specified Class</u> |
|--------------|---|
| S | 100% of H Class |

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

Inverse Floating Rate Class. The following Class will bear interest during their initial Interest Accrual Period at the initial interest rate determined as described below, and will bear interest during each Interest Accrual Period thereafter, subject to the applicable maximum and minimum interest rates, at the rates determined as described below:

| <u>Class</u> | <u>Assumed Initial Interest Rate</u> | <u>Maximum Interest Rate</u> | <u>Minimum Interest Rate</u> | <u>Formula for Calculation of Interest Rate</u> |
|--------------|--------------------------------------|------------------------------|------------------------------|---|
| S | 5.33333% (1) | 5.33333% | 0.00% | 42.66666% – (5.333333 × LIBOR) |

(1) The initial interest rate listed above is an assumed rate. The actual initial interest rate for the S Class will be calculated on the basis of the applicable formula for the calculation of such interest rate on the August 22, 1996 Index Determination Date.

The yield with respect to such Class will be affected by changes in the applicable index as set forth in the table above (the “Index”), which changes may not correlate with changes in mortgage interest rates. It is possible that lower mortgage interest rates could occur concurrently with an increase in the level of the Index. Conversely, higher mortgage interest rates could occur concurrently with a decrease in the level of the Index.

The establishment of the Index value by Fannie Mae and Fannie Mae’s determination of the rate of interest for the applicable Class for the related Interest Accrual Period shall (in the absence of manifest error) be final and binding. Each such rate of interest may be obtained by telephoning Fannie Mae at 1-800-BEST-MBS or 202-752-6547.

Calculation of LIBOR

On each Index Determination Date, until the notional principal balance of the S Class has been reduced to zero, Fannie Mae will establish LIBOR for the related Interest Accrual Period in the manner described in the REMIC Prospectus under “Description of the Certificates—Indices Applicable to Floating Rate and Inverse Floating Rate Classes—*LIBOR*.”

If on the initial Index Determination Date, Fannie Mae is unable to determine LIBOR in the manner specified in the REMIC Prospectus, LIBOR for the next succeeding Interest Accrual Period will be equal to LIBOR as determined for such Interest Accrual Period for the Underlying REMIC Certificate.

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> |
|------------------------------------|---------------------|
| Group 1 Classes | |
| Sequential Pay | A, B, C, D, E and Z |
| PAC | PA |
| Support | AB |
| Accretion Directed | C, D and E |
| Liquid Asset | C |
| Group 2 Classes | |
| Structured Collateral/Pass-Through | H |
| Notional | S |
| No Payment Residual | R |

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

Principal Distribution Amount

Principal will be distributed monthly on the Certificates in an amount (the “Principal Distribution Amount”) equal to the sum of (i) the aggregate distributions of principal concurrently made on the Trust MBS (the “Group 1 Cash Flow Distribution Amount”), (ii) any interest accrued and added on such Distribution Date to the principal balance of the Accrual Class (the “Group 1 Accrual Amount” and together with the Group 1 Cash Flow Distribution Amount, the “Group 1 Principal Distribution Amount”), and (iii) the distribution of principal concurrently made on the Class 1993-149-SB REMIC Certificate (the “Group 2 Principal Distribution Amount”). The portion of the class of Underlying REMIC Certificate held by the Trust will be as set forth in Exhibit A.

Group 1 Principal Distribution Amount

Group 1 Accrual Amount

On each Distribution Date, the Group 1 Accrual Amount, if any, will be distributed, sequentially, as principal of the C, D and E Classes, in that order, until the respective principal balances thereof are reduced to zero, and thereafter to the Z Class. } Accretion Directed and Accrual Classes

Group 1 Cash Flow Distribution Amount

On each Distribution Date, the Group 1 Cash Flow Distribution Amount will be distributed as principal of the Classes in the following order of priority:

- first, 71% of such amount to the A Class, until the principal balance thereof is reduced to zero, and } Sequential Pay Class
- 29% of such amount in the following order of priority:
 - (i) to the PA Class, until the principal balance thereof is reduced to its Planned Balance for such Distribution Date, } PAC Class
 - (ii) to the AB Class, until the principal balance thereof is reduced to zero, and } Support Class
 - (iii) to the PA Class, without regard to its Planned Balance and until the principal balance thereof is reduced to zero; and } PAC Class
- then, sequentially, to the B, C, D, E and Z Classes, in that order, until the respective principal balances thereof are reduced to zero. } Sequential Pay Classes

Group 2 Principal Distribution Amount

On each Distribution Date, the Group 2 Principal Distribution Amount will be distributed as principal of the H Class, until the principal balance thereof is reduced to zero. } Structured Collateral/ Pass-Through Class

Structuring Assumptions

Pricing Assumptions. Unless otherwise specified, the information in the tables in this Prospectus Supplement has been prepared on the basis of the actual characteristics of each Pool underlying the Underlying REMIC Certificate, the priority sequence affecting the principal distributions on the Underlying REMIC Certificate and the following assumptions (such characteristics and assumptions, collectively, the “Pricing Assumptions”):

- the Mortgage Loans underlying the Trust MBS have original terms to maturity of 360 months, and the following principal amounts of the Mortgage Loans have the remaining terms to maturity, CAGEs and interest rates, respectively, as specified:

| | | | |
|---------------|------------|-----------|--------|
| \$6,920,000 | 303 months | 56 months | 7.455% |
| \$22,928,000 | 336 months | 22 months | 7.610% |
| \$220,152,000 | 350 months | 10 months | 7.699% |

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

Prepayment Assumptions. Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used herein is the Public Securities Association’s standard prepayment model (“PSA”). To assume a specified rate of PSA is to assume a specified rate of prepayment each month of the then outstanding principal balance of a pool of new mortgage loans computed as described under “Description of the Certificates—Prepayment Models” in the REMIC Prospectus. It is highly unlikely that prepayments will occur at any *constant* PSA rate or at any other *constant* rate.

Structuring Range. The Principal Balance Schedule has been prepared on the basis of the Pricing Assumptions and the assumption that the Mortgage Loans underlying the Trust MBS prepay at a *constant* PSA rate within the Structuring Range set forth below.

| <u>Principal Balance Schedule Reference</u> | <u>Related Class</u> | <u>Structuring Range</u> |
|---|----------------------|--------------------------|
| Planned Balance | PA | Between 80% and 225% |

There is no assurance that the principal balance of the Class listed above will conform on any Distribution Date to the balance specified for such Distribution Date in the Principal Balance Schedule herein, or that distributions of principal on such Class will begin or end on the respective Distribution Dates specified therein. Because any excess of the principal distribution on any Distribution Date over the amount necessary to reduce such Class to its scheduled balance will be distributed, the ability to so reduce such Class will not be enhanced by the averaging of high and low principal payments from month to month. In addition, even if prepayments occur at rates falling within the Structuring Range specified above, principal distributions may be insufficient to reduce such Class to its scheduled balance if such prepayments do not occur at a *constant* PSA rate. Moreover, because of the diverse remaining terms to maturity of the Mortgage Loans underlying the Trust MBS (which may include recently originated Mortgage Loans), the Class specified above may not be reduced to its scheduled balance, even if prepayments occur at a *constant* rate within the Structuring Range specified above.

Initial Effective Range. The Effective Range for a Class is the range of prepayment rates (measured by *constant* PSA rates) that would reduce such Class to its scheduled balance on each Distribution Date. The Initial Effective Range set forth in the table below is based upon the assumed characteristics of the Mortgage Loans specified in the Pricing Assumptions.

| <u>Related Class</u> | <u>Initial Effective Range</u> |
|----------------------|--------------------------------|
| PA | Between 80% and 225% |

The actual Effective Range at any time will be based upon the actual characteristics of the Mortgage Loans underlying the Trust MBS at such time, which are likely to vary (and may vary considerably) from the Pricing Assumptions. The actual Effective Range calculated on the basis of the actual characteristics likely will differ from the Initial Effective Range. As a result, the applicable Class might not be reduced to its scheduled balance even if prepayments were to occur at a *constant* PSA rate within the Initial Effective Range (particularly if such rate were at the lower or higher end of such range). In addition, even if prepayments occur at rates falling within the actual Effective Range, principal distributions may be insufficient to reduce the applicable Class to its scheduled balance if such prepayments do not occur at a *constant* PSA rate. It is highly unlikely that the Mortgage Loans will prepay at any *constant* PSA rate. In general, the actual Effective Range may narrow, widen or shift upward or downward to reflect actual prepayment experience over time. The principal payment stability of the PAC Class will be supported in part by the Support Class. When the Support Class is retired, the PAC Class may no longer have an Effective Range and will be more sensitive to prepayments.

Principal Balance Schedule

| <u>Distribution Date</u> | <u>PA Class Planned Balance</u> | <u>Distribution Date</u> | <u>PA Class Planned Balance</u> |
|------------------------------|---|----------------------------------|---|
| Initial Balance | \$20,300,000.00 | August 1999 | \$ 9,819,263.39 |
| September 1996 | 20,119,874.59 | September 1999 | 9,502,635.72 |
| October 1996 | 19,930,276.26 | October 1999 | 9,187,159.62 |
| November 1996 | 19,731,261.09 | November 1999 | 8,872,830.05 |
| December 1996 | 19,522,889.08 | December 1999 | 8,559,641.99 |
| January 1997 | 19,305,224.13 | January 2000 | 8,247,590.44 |
| February 1997 | 19,078,334.03 | February 2000 | 7,936,670.42 |
| March 1997 | 18,842,290.38 | March 2000 | 7,626,876.98 |
| April 1997 | 18,597,168.61 | April 2000 | 7,318,205.17 |
| May 1997 | 18,343,942.44 | May 2000 | 7,010,650.07 |
| June 1997 | 18,082,682.46 | June 2000 | 6,704,206.77 |
| July 1997 | 17,813,462.62 | July 2000 | 6,398,870.40 |
| August 1997 | 17,536,360.23 | August 2000 | 6,094,636.09 |
| September 1997 | 17,251,455.87 | September 2000 | 5,791,499.00 |
| October 1997 | 16,958,833.38 | October 2000 | 5,489,454.30 |
| November 1997 | 16,658,579.81 | November 2000 | 5,188,497.19 |
| December 1997 | 16,350,785.34 | December 2000 | 4,888,622.88 |
| January 1998 | 16,035,543.27 | January 2001 | 4,589,826.60 |
| February 1998 | 15,712,949.93 | February 2001 | 4,292,103.60 |
| March 1998 | 15,383,104.64 | March 2001 | 3,995,449.15 |
| April 1998 | 15,046,109.66 | April 2001 | 3,699,858.54 |
| May 1998 | 14,710,355.03 | May 2001 | 3,405,327.07 |
| June 1998 | 14,375,835.37 | June 2001 | 3,111,850.07 |
| July 1998 | 14,042,545.31 | July 2001 | 2,819,422.88 |
| August 1998 | 13,710,479.50 | August 2001 | 2,528,040.86 |
| September 1998 | 13,379,632.61 | September 2001 | 2,237,699.39 |
| October 1998 | 13,049,999.34 | October 2001 | 1,948,393.87 |
| November 1998 | 12,721,574.40 | November 2001 | 1,660,119.71 |
| December 1998 | 12,394,352.53 | December 2001 | 1,372,872.35 |
| January 1999 | 12,068,328.49 | January 2002 | 1,086,647.24 |
| February 1999 | 11,743,497.06 | February 2002 | 801,439.85 |
| March 1999 | 11,419,853.03 | March 2002 | 517,245.66 |
| April 1999 | 11,097,391.23 | April 2002 | 234,060.18 |
| May 1999 | 10,776,106.50 | May 2002 and thereafter | 0.00 |
| June 1999 | 10,455,993.69 | | |
| July 1999 | 10,137,047.69 | | |

Yield Tables

General. The tables below indicate the sensitivity of the pre-tax corporate bond equivalent yields to maturity of applicable Classes to various constant percentages of PSA and, where specified, to changes in the Index. The yields set forth in the tables were calculated by determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the applicable Classes, would cause the discounted present value of such assumed streams of cash flows to equal the assumed aggregate purchase prices of such Classes and converting such monthly rates to corporate bond equivalent rates. Such calculations do not take into account variations that may occur in the interest rates at which investors may be able to reinvest funds received by them as distributions on the Certificates and consequently do not purport to reflect the return on any investment in the Certificates when such reinvestment rates are considered. *There can be no assurance that the pre-tax yields on the Certificates will correspond to any of the pre-tax yields shown herein or that the aggregate purchase prices of the Certificates will be as assumed. In addition, there can be no assurance that the Index will correspond to the levels shown herein. 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 Certificates are likely to differ from those assumed, even if all such Mortgage Loans prepay at the indicated constant percentages of PSA. Moreover, it is not likely that the Mortgage Loans will prepay at a constant PSA rate until maturity, that all of such Mortgage Loans will prepay at the same rate or that the level of the Index will remain constant.

The Principal Only Class. The Principal Only Class will not bear interest. As indicated in the table below, a low rate of principal payments (including prepayments) on the Mortgage Loans underlying the Underlying REMIC Trust will have a negative effect on the yield to investors in the Principal Only Class.

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

| <u>Class</u> | <u>Price</u> |
|--------------|--------------|
| H | 67.0% |

**Sensitivity of the Principal Only Class to Prepayments
(Pre-Tax Yields to Maturity)**

| <u>Class</u> | <u>PSA Prepayment Assumption</u> | | | | |
|--------------|----------------------------------|-------------|-------------|-------------|-------------|
| | <u>50%</u> | <u>100%</u> | <u>145%</u> | <u>200%</u> | <u>500%</u> |
| H..... | 2.9% | 3.6% | 6.7% | 15.4% | 79.3% |

The Inverse Floating Rate Class. The yield to investors in the Inverse Floating Rate Class will be very sensitive to the level of the Index and to the rate of principal payments (including prepayments) of the Mortgage Loans underlying the Underlying REMIC Trust. The Mortgage Loans generally can be prepaid at any time. As indicated in the table below, it is possible that, under certain Index and prepayment scenarios, investors in the Inverse Floating Rate Class would not fully recoup their initial investment.

Changes in the Index may not correlate with changes in prevailing mortgage interest rates. It is possible that lower prevailing mortgage interest rates, which might be expected to result in faster prepayments, could occur concurrently with an increased level of the Index.

The information set forth in the following table was prepared on the basis of the Pricing Assumptions and the assumptions that (i) the interest rate applicable to the Inverse Floating Rate Class for the initial Interest Accrual Period is the assumed rate appearing in the table under “Distribution of Interest—Inverse Floating Rate Class” herein and for each Interest Accrual Period subsequent to the initial Interest Accrual Period will be based on the indicated level of the Index and (ii) the aggregate purchase price of the Inverse Floating Rate Class (expressed as a percentage of original principal balance) is as follows:

| <u>Class</u> | <u>Price*</u> |
|--------------|---------------|
| S | 15.5% |

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

**Sensitivity of the Inverse Floating Rate Class to Prepayments and LIBOR
(Pre-Tax Yields to Maturity)**

| LIBOR | PSA Prepayment Assumption | | | | |
|-----------------------------|----------------------------------|-------------|-------------|-------------|-------------|
| | 50% | 100% | 145% | 200% | 500% |
| 7.0000% and below | 34.7% | 34.3% | 24.0% | 2.3% | * |
| 7.4375% | 17.3% | 16.0% | 6.1% | (17.2)% | * |
| 8.0000% and above | * | * | * | * | * |

* The pre-tax yield to maturity will be less than (99.9%).

Weighted Average Lives of the Certificates

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

In general, the weighted average lives of the Certificates will be shortened if the level of prepayments of principal of the related 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, the priority sequence of distributions of principal of the Group 1 Classes and, in the case of the Group 2 Classes, the priority sequence of distributions of principal of the Underlying REMIC Certificate. The weighted average lives of certain Group 1 Classes will also depend on the distribution of principal of the PA Class in accordance with the Principal Balance Schedule herein. In particular, if the amount distributable as principal of the Group 1 Classes on any Distribution Date exceeds the amount required to reduce the principal balance of the PA Class to its scheduled amount as set forth in the Principal Balance Schedule, such excess principal will be distributed on certain remaining Group 1 Classes on such Distribution Date. Conversely, if the principal distributable on any Distribution Date is less than the amount so required to reduce the PA Class to its scheduled amount, no principal will be distributed on certain remaining Group 1 Classes on such Distribution Date. Accordingly, the rate of principal payments on the Mortgage Loans is expected to have a greater effect on the weighted average life of the AB Class than on the weighted average life of the PA Class. See “Distributions of Principal” herein and “Description of the Certificates—Distributions of Principal” in the Underlying Prospectus Supplement.

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

Decrement Tables

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

| <u>Mortgage Loans relating to the Trust MBS and Underlying REMIC Trust specified below</u> | <u>Original Terms to Maturity</u> | <u>Remaining Terms to Maturity</u> | <u>Interest Rates</u> | <u>Related Classes</u> |
|--|-----------------------------------|------------------------------------|-----------------------|------------------------|
| Trust MBS | 360 months | 360 months | 9.5% | Group 1 |
| 1993-149 | 360 months | 324 months | 9.5% | Group 2 |

It is not likely that (i) all of the underlying Mortgage Loans will have the interest rates, CAGEs or remaining terms to maturity assumed or (ii) the underlying Mortgage Loans will prepay at a *constant* PSA level. In addition, the diverse remaining terms to maturity of the Mortgage Loans (which will include recently originated Mortgage Loans) could produce slower or faster principal distributions than indicated in the tables at the specified *constant* PSA levels, even if the distributions of weighted average remaining terms to maturity and the weighted average CAGEs of the Mortgage Loans are identical to the distributions of remaining terms to maturity and CAGEs specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

| Date | A Class | | | | | PA Class | | | | | AB Class | | | | |
|---------------------------------|---------------------------|-----|------|------|------|---------------------------|-----|------|------|------|---------------------------|-----|------|------|------|
| | PSA Prepayment Assumption | | | | | PSA Prepayment Assumption | | | | | PSA Prepayment Assumption | | | | |
| | 0% | 80% | 140% | 225% | 500% | 0% | 80% | 140% | 225% | 500% | 0% | 80% | 140% | 225% | 500% |
| Initial Percent | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| August 1997 | 99 | 93 | 89 | 84 | 67 | 98 | 86 | 86 | 86 | 86 | 100 | 100 | 92 | 82 | 47 |
| August 1998 | 98 | 84 | 75 | 62 | 25 | 95 | 68 | 68 | 68 | 51 | 100 | 100 | 82 | 57 | 0 |
| August 1999 | 96 | 74 | 60 | 42 | 0 | 93 | 48 | 48 | 48 | 0 | 100 | 100 | 72 | 35 | 0 |
| August 2000 | 95 | 65 | 47 | 24 | 0 | 90 | 30 | 30 | 30 | 0 | 100 | 100 | 64 | 19 | 0 |
| August 2001 | 93 | 56 | 35 | 9 | 0 | 87 | 12 | 12 | 12 | 0 | 100 | 100 | 57 | 6 | 0 |
| August 2002 | 92 | 48 | 24 | 0 | 0 | 83 | 0 | 0 | 0 | 0 | 100 | 96 | 48 | 0 | 0 |
| August 2003 | 90 | 40 | 14 | 0 | 0 | 79 | 0 | 0 | 0 | 0 | 100 | 80 | 28 | 0 | 0 |
| August 2004 | 87 | 32 | 5 | 0 | 0 | 75 | 0 | 0 | 0 | 0 | 100 | 64 | 9 | 0 | 0 |
| August 2005 | 85 | 25 | 0 | 0 | 0 | 70 | 0 | 0 | 0 | 0 | 100 | 50 | 0 | 0 | 0 |
| August 2006 | 83 | 18 | 0 | 0 | 0 | 65 | 0 | 0 | 0 | 0 | 100 | 36 | 0 | 0 | 0 |
| August 2007 | 80 | 11 | 0 | 0 | 0 | 59 | 0 | 0 | 0 | 0 | 100 | 22 | 0 | 0 | 0 |
| August 2008 | 77 | 4 | 0 | 0 | 0 | 53 | 0 | 0 | 0 | 0 | 100 | 9 | 0 | 0 | 0 |
| August 2009 | 73 | 0 | 0 | 0 | 0 | 46 | 0 | 0 | 0 | 0 | 100 | 0 | 0 | 0 | 0 |
| August 2010 | 69 | 0 | 0 | 0 | 0 | 39 | 0 | 0 | 0 | 0 | 100 | 0 | 0 | 0 | 0 |
| August 2011 | 65 | 0 | 0 | 0 | 0 | 30 | 0 | 0 | 0 | 0 | 100 | 0 | 0 | 0 | 0 |
| August 2012 | 61 | 0 | 0 | 0 | 0 | 21 | 0 | 0 | 0 | 0 | 100 | 0 | 0 | 0 | 0 |
| August 2013 | 56 | 0 | 0 | 0 | 0 | 11 | 0 | 0 | 0 | 0 | 100 | 0 | 0 | 0 | 0 |
| August 2014 | 50 | 0 | 0 | 0 | 0 | * | 0 | 0 | 0 | 0 | 100 | 0 | 0 | 0 | 0 |
| August 2015 | 44 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 88 | 0 | 0 | 0 | 0 |
| August 2016 | 38 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 75 | 0 | 0 | 0 | 0 |
| August 2017 | 30 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 61 | 0 | 0 | 0 | 0 |
| August 2018 | 22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 45 | 0 | 0 | 0 | 0 |
| August 2019 | 14 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 27 | 0 | 0 | 0 | 0 |
| August 2020 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8 | 0 | 0 | 0 | 0 |
| August 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2025 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2026 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Weighted Average Life (years)** | 16.5 | 6.0 | 4.0 | 2.7 | 1.4 | 11.5 | 3.0 | 3.0 | 3.0 | 1.9 | 21.6 | 9.1 | 5.0 | 2.5 | 1.0 |

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

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

| Date | B Class | | | | | C Class | | | | | D Class | | | | |
|---------------------------------|---------------------------|------|------|------|------|---------------------------|-----|------|------|------|---------------------------|-----|------|------|------|
| | PSA Prepayment Assumption | | | | | PSA Prepayment Assumption | | | | | PSA Prepayment Assumption | | | | |
| | 0% | 80% | 140% | 225% | 500% | 0% | 80% | 140% | 225% | 500% | 0% | 80% | 140% | 225% | 500% |
| Initial Percent | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| August 1997 | 100 | 100 | 100 | 100 | 100 | 82 | 82 | 82 | 82 | 82 | 100 | 100 | 100 | 100 | 100 |
| August 1998 | 100 | 100 | 100 | 100 | 100 | 63 | 63 | 63 | 63 | 63 | 100 | 100 | 100 | 100 | 100 |
| August 1999 | 100 | 100 | 100 | 100 | 81 | 42 | 42 | 42 | 42 | 42 | 100 | 100 | 100 | 100 | 100 |
| August 2000 | 100 | 100 | 100 | 100 | 18 | 20 | 20 | 20 | 20 | 20 | 100 | 100 | 100 | 100 | 100 |
| August 2001 | 100 | 100 | 100 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 98 | 98 | 98 | 98 | 8 |
| August 2002 | 100 | 100 | 100 | 90 | 0 | 0 | 0 | 0 | 0 | 0 | 83 | 83 | 83 | 83 | 0 |
| August 2003 | 100 | 100 | 100 | 58 | 0 | 0 | 0 | 0 | 0 | 0 | 67 | 67 | 67 | 67 | 0 |
| August 2004 | 100 | 100 | 100 | 30 | 0 | 0 | 0 | 0 | 0 | 0 | 50 | 50 | 50 | 50 | 0 |
| August 2005 | 100 | 100 | 89 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 32 | 32 | 32 | 32 | 0 |
| August 2006 | 100 | 100 | 67 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12 | 12 | 12 | 0 | 0 |
| August 2007 | 100 | 100 | 47 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2008 | 100 | 100 | 28 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2009 | 100 | 95 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2010 | 100 | 77 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2011 | 100 | 60 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2012 | 100 | 44 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2013 | 100 | 29 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2014 | 100 | 14 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2015 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2016 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2017 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2018 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2019 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2020 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2021 | 81 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2022 | 47 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2023 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2025 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| August 2026 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Weighted Average Life (years)** | 25.9 | 15.7 | 10.9 | 7.4 | 3.5 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 7.9 | 7.9 | 7.9 | 7.8 | 4.7 |

| Date | E Class | | | | | H and S† Classes | | | | | Z Class | | | | |
|---------------------------------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|---------------------------|------|------|------|------|
| | PSA Prepayment Assumption | | | | | PSA Prepayment Assumption | | | | | PSA Prepayment Assumption | | | | |
| | 0% | 80% | 140% | 225% | 500% | 0% | 100% | 145% | 200% | 500% | 0% | 80% | 140% | 225% | 500% |
| Initial Percent | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| August 1997 | 100 | 100 | 100 | 100 | 100 | 99 | 99 | 89 | 77 | 28 | 107 | 107 | 107 | 107 | 107 |
| August 1998 | 100 | 100 | 100 | 100 | 100 | 97 | 97 | 80 | 58 | 0 | 115 | 115 | 115 | 115 | 115 |
| August 1999 | 100 | 100 | 100 | 100 | 100 | 95 | 95 | 72 | 43 | 0 | 123 | 123 | 123 | 123 | 123 |
| August 2000 | 100 | 100 | 100 | 100 | 100 | 93 | 93 | 65 | 31 | 0 | 132 | 132 | 132 | 132 | 132 |
| August 2001 | 100 | 100 | 100 | 100 | 100 | 92 | 92 | 59 | 22 | 0 | 142 | 142 | 142 | 142 | 142 |
| August 2002 | 100 | 100 | 100 | 100 | 10 | 89 | 89 | 54 | 15 | 0 | 152 | 152 | 152 | 152 | 152 |
| August 2003 | 100 | 100 | 100 | 100 | 0 | 87 | 87 | 50 | 9 | 0 | 163 | 163 | 163 | 163 | 111 |
| August 2004 | 100 | 100 | 100 | 100 | 0 | 85 | 85 | 44 | 3 | 0 | 175 | 175 | 175 | 175 | 76 |
| August 2005 | 100 | 100 | 100 | 100 | 0 | 82 | 79 | 37 | 0 | 0 | 187 | 187 | 187 | 187 | 52 |
| August 2006 | 100 | 100 | 100 | 73 | 0 | 79 | 72 | 29 | 0 | 0 | 201 | 201 | 201 | 201 | 36 |
| August 2007 | 93 | 93 | 93 | 8 | 0 | 76 | 63 | 21 | 0 | 0 | 215 | 215 | 215 | 215 | 24 |
| August 2008 | 75 | 75 | 75 | 0 | 0 | 72 | 53 | 13 | 0 | 0 | 231 | 231 | 231 | 187 | 17 |
| August 2009 | 56 | 56 | 56 | 0 | 0 | 68 | 43 | 4 | 0 | 0 | 248 | 248 | 248 | 157 | 11 |
| August 2010 | 35 | 35 | 22 | 0 | 0 | 64 | 32 | 0 | 0 | 0 | 266 | 266 | 266 | 132 | 8 |
| August 2011 | 12 | 12 | 0 | 0 | 0 | 60 | 20 | 0 | 0 | 0 | 285 | 285 | 251 | 110 | 5 |
| August 2012 | 0 | 0 | 0 | 0 | 0 | 55 | 8 | 0 | 0 | 0 | 296 | 296 | 221 | 91 | 3 |
| August 2013 | 0 | 0 | 0 | 0 | 0 | 50 | 0 | 0 | 0 | 0 | 296 | 296 | 193 | 75 | 2 |
| August 2014 | 0 | 0 | 0 | 0 | 0 | 45 | 0 | 0 | 0 | 0 | 296 | 296 | 167 | 61 | 2 |
| August 2015 | 0 | 0 | 0 | 0 | 0 | 38 | 0 | 0 | 0 | 0 | 296 | 293 | 144 | 50 | 1 |
| August 2016 | 0 | 0 | 0 | 0 | 0 | 32 | 0 | 0 | 0 | 0 | 296 | 260 | 122 | 40 | 1 |
| August 2017 | 0 | 0 | 0 | 0 | 0 | 25 | 0 | 0 | 0 | 0 | 296 | 227 | 103 | 32 | * |
| August 2018 | 0 | 0 | 0 | 0 | 0 | 17 | 0 | 0 | 0 | 0 | 296 | 196 | 85 | 25 | * |
| August 2019 | 0 | 0 | 0 | 0 | 0 | 9 | 0 | 0 | 0 | 0 | 296 | 165 | 69 | 19 | * |
| August 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 296 | 135 | 55 | 14 | * |
| August 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 296 | 107 | 41 | 10 | * |
| August 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 296 | 79 | 30 | 7 | * |
| August 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 296 | 53 | 19 | 4 | * |
| August 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 223 | 27 | 9 | 2 | * |
| August 2025 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 117 | 4 | 1 | * | * |
| August 2026 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Weighted Average Life (years)** | 13.2 | 13.2 | 13.0 | 10.4 | 5.6 | 15.6 | 11.6 | 6.7 | 3.1 | 0.7 | 28.7 | 23.7 | 20.1 | 16.2 | 8.8 |

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

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

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

Characteristics of the R Class

In addition to distributions of principal and interest, the Holder of the R Class will be entitled to receive the proceeds of the remaining assets of the Trust, if any, after the principal balances of all Classes have been reduced to zero. It is not anticipated that there will be any material assets remaining in such circumstance.

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

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

CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES

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

REMIC Election and Special Tax Attributes

An election will be made to treat the Trust as a REMIC for federal income tax purposes. The Certificates, other than the R Class, will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust.

As a consequence of the qualification of the Trust as a REMIC, the Certificates generally will be treated as “qualifying real property loans” for mutual savings banks and domestic building and loan associations, “regular or residual interests in a REMIC” for domestic building and loan associations, “real estate assets” for real estate investment trusts, and, except for the R Class, as “qualified mortgages” for other REMICs. See “Certain Federal Income Tax Consequences—Special Tax Attributes” in the REMIC Prospectus.

Taxation of Beneficial Owners of Regular Certificates

The Accrual Class, the Principal Only Class and the Inverse Floating Rate Class will be, and certain other Classes of Certificates may be, issued with original issue discount for federal income tax purposes, which generally will result in recognition of some taxable income in advance of the receipt of the cash attributable to such income. The Prepayment Assumption that will be used in determining the rate of accrual of original issue discount will be 140% PSA in the case of the Group 1 Classes and 145% PSA in the case of the Group 2 Classes. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the REMIC

Prospectus. No representation is made as to whether the Mortgage Loans underlying the MBS will prepay at either of these rates. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus. In addition, certain classes of Certificates may be treated as having been issued at a premium for federal income tax purposes. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Certificates Purchased at a Premium*” in the REMIC Prospectus.

Taxation of Beneficial Owners of Residual Certificates

Under the Regulations, the R Class will not have significant value. As a result, an organization to which section 593 of the Code applies and which is the beneficial owner of an R Certificate may not use its allowable deductions to offset any “excess inclusions” with respect to such Certificate. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” in the REMIC Prospectus.

For purposes of determining the portion of the taxable income of the Trust that generally will not be treated as excess inclusions, the rate to be used is 8.41% (which is 120% of the “federal long-term rate”). See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” and “—Foreign Investors—*Residual Certificates*” in the REMIC Prospectus. The federal income tax consequences of any consideration paid to a transferee on the transfer of an R Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

The Prepayment Assumption that will be used to determine the accruals of OID on the Underlying REMIC Certificate is different from the Prepayment Assumption, as provided above, that will be used to determine the accruals of OID on the related Regular Certificates. Because of the different Prepayment Assumption and the tax characteristics of the Underlying REMIC Certificate, the beneficial owner of an R Certificate may be required to accrue OID on the Underlying REMIC Certificate without being entitled to a corresponding deduction for OID accrued on the Regular Certificates. Investors should refer to “Certain Additional Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates” in the Underlying Prospectus Supplement for the Prepayment Assumption that will be used to determine the accruals of OID on the Underlying REMIC Certificate. See also “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Taxable Income or Net Loss of a REMIC Trust*” in the REMIC Prospectus.

PLAN OF DISTRIBUTION

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

Increase in Certificates. Before the Settlement Date, Fannie Mae and the Dealer may agree to offer hereby Group 1 Classes in addition to those contemplated as of the date hereof. In such event, the Trust MBS will be increased in principal balance, but it is expected that all additional Trust MBS will have the same characteristics as described herein under “Description of the Certificates—The Trust MBS.” The proportion that the original principal balance of each Group 1 Class bears to the aggregate original principal balance of all the Group 1 Classes will remain the same. In addition, the dollar amounts reflected in the Principal Balance Schedule with respect to any Group 1 Class will be increased in a pro rata amount that corresponds to the increase of the principal balances of the Group 1 Classes.

LEGAL MATTERS

Certain legal matters will be passed upon for the Dealer by Cleary Gottlieb Steen & Hamilton.

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Exhibit A

Underlying REMIC Certificate

| Underlying REMIC Trust | Class | Date of Issue | CUSIP Number | Interest Rate | Interest Type (1) | Final Distribution Date | Original Principal Type (1) | Original Principal Balance of Class | August 1996 Class Factor | Principal Balance in the Trust as of Issue Date | Approximate Weighted Average WAC | Approximate Weighted Average WAM (in months) | Approximate Weighted Average CAGE (in months) | Underlying Security Type | Class Group |
|------------------------------|-------|---------------------|-----------------|------------------|----------------------|-------------------------------|-----------------------------------|--|-----------------------------------|---|---|---|---|--------------------------------|----------------|
| 1993-149 | SB | August 1993 | 31359B7B7 | (2) | INV | August 2023 | TAC/AD | \$37,500,000 | 0.89517469 | \$21,883,365.28 | 7.521% | 314 | 38 | MBS | 2 |

- (1) See “Description of the Certificates—Class Definitions and Abbreviations” in the REMIC Prospectus.
- (2) This Class bears interest during each interest accrual period, subject to the applicable maximum and minimum interest rates, as further described in the Underlying Prospectus Supplement.

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