

**Supplement
(To Mega Prospectus dated December 1, 2004)**



**Guaranteed MBS Pass-Through Securities
(Mega Certificates)
(Backed by Fannie Mae MBS Certificates)**

This is a supplement to the Mega prospectus dated December 1, 2004.

The section entitled "Recent Developments" in the Mega prospectus, as that section was amended and restated in the Supplement to the Mega Prospectus dated December 23, 2004, is hereby deleted and replaced in its entirety by the following:

RECENT DEVELOPMENTS

On December 21, 2004, our Board of Directors (the "Board") announced the retirement of Chairman and Chief Executive Officer Franklin D. Raines and the resignation of Vice Chairman and Chief Financial Officer J. Timothy Howard. A member of the Board, Stephen B. Ashley, currently is serving as the non-executive chairman of the Board, Vice Chairman and Chief Operating Officer Daniel H. Mudd currently is serving as interim chief executive officer, and Executive Vice President Robert Levin currently is serving as interim chief financial officer. The Board further announced that the Audit Committee of the Board dismissed KPMG LLP as our independent auditor. On January 4, 2005, the Audit Committee of the Board approved the engagement of Deloitte & Touche LLP ("Deloitte") as our independent auditor, effective upon completion of Deloitte's customary client acceptance procedures and execution of an engagement letter. Upon such completion, Deloitte will serve as the company's auditor for each of the fiscal years 2001, 2002, 2003 and 2004.

On December 21, 2004, the Office of Federal Housing Enterprise Oversight ("OFHEO") issued a letter (the "Letter") to the Board stating that we were significantly undercapitalized at September 30, 2004. In accordance with the provisions of the Federal Housing Enterprise Financial Safety and Soundness Act of 1992, we must submit a capital restoration plan proposal to OFHEO for review and approval, and we are prohibited from making any capital distribution that would result in Fannie Mae being reclassified as critically undercapitalized. In addition, even if a capital distribution would not cause the company to become critically undercapitalized, we are prohibited from making the capital distribution unless OFHEO provides prior approval of the distribution after it finds that the distribution (i) will enhance the ability of the company to meet its capital requirements promptly; (ii) will contribute to long term safety and soundness; or (iii) is otherwise in the public interest. The Letter further states that the reclassification to significantly undercapitalized may lead to structural changes and restrictions on growth as well as OFHEO directives to terminate or modify any business activities that pose excessive risk. On January 18, 2005, the Board decided to reduce the first quarter 2005 dividend on our common stock by 50 percent in order to accelerate an increase in our capital.

Consider carefully the risk factors section beginning on page 10 of the Mega prospectus. Unless you understand and are able to tolerate these risks, you should not invest in the Mega certificates. The Mega certificates are exempt from registration under the Securities Act of 1933, as amended, and are "exempted securities" under the Securities Exchange Act of 1934, as amended. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these certificates or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Supplement is January 21, 2005.

On December 15, 2004, the Office of the Chief Accountant of the Securities and Exchange Commission (the “SEC”) issued a statement (the “Statement”) regarding certain accounting issues relating to Fannie Mae, including determinations by the SEC that Fannie Mae should (i) restate our financial statements to eliminate the use of hedge accounting under Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities* (“FAS 133”), (ii) evaluate the accounting under Financial Accounting Standard No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases* (“FAS 91”) and restate our financial statements filed with the SEC if the amounts required for correction are material, and (iii) re-evaluate the information prepared under generally accepted accounting principles (“GAAP”) and non-GAAP information that we previously provided to investors. On December 16, 2004, we filed a Current Report on Form 8-K with the SEC that includes a copy of the Statement.

As a result of the SEC’s findings, we will restate our financial results from 2001 through June 30, 2004 to comply fully with the SEC’s determination. In a Form 12b-25 filed with the SEC on November 15, 2004, we estimated that a loss of hedge accounting under FAS 133 for all derivatives could result in recording into earnings a net cumulative loss on derivative transactions of approximately \$9.0 billion as of September 30, 2004. We also stated that there would be a corresponding decrease to retained earnings and, accordingly, regulatory capital. We are working to determine the effect of the restatement, including the effect on each prior reporting period. We expect that the impact will be material to our reported GAAP and core business results for many, if not all, periods and will vary substantially from period to period based on the amount and types of derivatives held and fluctuations in interest rates and volatility. Our restated financial statements also will reflect corrections as a result of our misapplication of FAS 91 for each prior reporting period described above. We also will consider the impact, if any, of the SEC’s decision on FAS 91 for periods prior to those described above.

Accordingly, on December 17, 2004, the Audit Committee of the Board concluded that our previously filed interim and audited financial statements and the independent auditor’s reports thereon for the periods from January 2001 through the second quarter of 2004 should no longer be relied upon because such financial statements were prepared applying accounting practices that did not comply with GAAP. We have not yet filed our quarterly report on Form 10-Q for the quarter ended September 30, 2004. The financial information regarding our anticipated results of operations for the quarter ended September 30, 2004 that was contained in our Form 12b-25 filed on November 15, 2004 and in a Form 8-K filed on November 16, 2004 was prepared applying the same policies and practices, and, accordingly, should not be relied upon. The Audit Committee has discussed the matters described above and in a Form 8-K filed with the SEC on December 22, 2004 with KPMG LLP, our independent auditor through December 21, 2004.

On September 20, 2004, OFHEO delivered its report to the Board of its findings to date of the agency’s special examination. Among other matters, the OFHEO report raised a number of questions and concerns about our accounting policies and practices with respect to FAS 91 and FAS 133.

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

Mega Prospectus



Guaranteed MBS Pass-Through Securities (Mega Certificates) (Backed by Fannie Mae MBS Certificates)

The Mega Certificates

We, the Federal National Mortgage Association or Fannie Mae, will issue and guarantee the Mega certificates. Each issue of Mega certificates will have its own identification number and will represent the ownership of principal and interest distributions on Fannie Mae Guaranteed Mortgage Pass-Through Certificates, also called MBS certificates, which directly or indirectly underlie the Mega certificates. The underlying MBS certificates represent the ownership of pools of residential mortgage loans secured by first or subordinate liens on either single-family or multifamily properties, but not both, or by participation interests in loans of that type.

This Mega prospectus does not contain complete information and **must** be read together with the disclosure documents described on page 3.

Fannie Mae Guaranty

We guarantee that the holders of the Mega certificates, through our guaranty of the underlying MBS certificates, will receive timely payments of interest and principal. In addition, we guarantee, through our guaranty of the underlying MBS certificates, the full and final payment of the unpaid principal balance of the underlying MBS certificates on the distribution date in the month of the maturity date specified in the prospectus supplement for the underlying MBS certificates. We alone are responsible for making payments under our guaranty. **The Mega certificates and payments of principal and interest on the Mega certificates are not guaranteed by the United States, and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.**

Consider carefully the risk factors section beginning on page 10. Unless you understand and are able to tolerate these risks, you should not invest in the Mega certificates.

The Mega certificates are exempt from registration under the Securities Act of 1933, as amended, and are “exempted securities” under the Securities Exchange Act of 1934, as amended. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these certificates or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is December 1, 2004.

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INFORMATION ABOUT THIS PROSPECTUS AND OTHER MEGA DISCLOSURE DOCUMENTS

We will provide information that supplements this prospectus in connection with each issue of Mega certificates where fixed-rate single-family loans with prepayment features, adjustable-rate single-family loans or any multifamily loans back the MBS certificates underlying the Mega certificates. This prospectus and any prospectus supplement for each issuance of certificates will be available in paper form and on our Web site identified below. We will deliver these documents electronically to parties who so request in accordance with our procedures. The disclosure documents for any particular issue of Mega certificates are this prospectus, the related prospectus supplement where fixed-rate single-family loans with prepayment features, adjustable-rate single-family loans or any multifamily loans back the MBS certificates underlying the Mega certificates, and the following:

- for issues of Mega certificates where single-family loans back the MBS certificates underlying the Mega certificates, the Prospectus for Fannie Mae Guaranteed Mortgage Pass-Through Certificates (Single-Family Residential Mortgage Loans), dated July 1, 2004 (the “Single-Family MBS Prospectus”), and the applicable prospectus supplement for each of the underlying MBS certificates;
- for issues of Mega certificates where multifamily loans back the MBS certificates underlying the Mega certificates, the Prospectus for Fannie Mae Guaranteed Mortgage Pass-Through Certificates (Multifamily Residential Mortgage Loans), dated November 1, 2004 (the “Multifamily MBS Prospectus”), and the applicable prospectus supplement for each of the underlying MBS certificates; and
- any information incorporated in these documents by reference as discussed below under the heading “**Incorporation by Reference.**”

The disclosure documents do **not** include the final data statement/collateral related to the Mega trust. We also provide updated information and corrections regarding MBS, mortgage loans and Mega certificates through our “Pool Talk”[®] application or other locations on our Web site specified below. **In determining whether to purchase any issue of Mega certificates in any initial offering, you should rely ONLY on the information in this prospectus, any related prospectus supplement, the Single-Family MBS Prospectus or Multifamily MBS Prospectus, as applicable, the prospectus supplement for each of the underlying MBS certificates, and any information that we have otherwise incorporated into these documents by reference. You should not rely on information that may be offered to you by a third party. It may not be reliable.**

The prospectus supplement for each issue of Mega certificates will include specific information about the Mega certificates being offered. You should rely on the information in the prospectus supplement to the extent it is different from or more complete than the information in this prospectus. Certain statistical information regarding the Mega certificates, the MBS certificates backing the Mega certificates and the underlying mortgage loans may also be found in the final data statement/collateral related to the Mega trust or in the prospectus supplement for the MBS certificates backing the Mega certificates. Certain information about the MBS certificates and the underlying mortgage loans will be given as of the date the MBS certificates were issued. Other information about the MBS certificates and underlying mortgage loans will be given as of the issue date of the Mega certificates.

Holders of Mega certificates should note that the certificates are not traded on any exchange and that the market price of a particular issue of Mega certificates or a benchmark price may not be readily available.

You may obtain copies of this prospectus, the related prospectus supplement (if any), the Single-Family MBS Prospectus, the Multifamily MBS Prospectus, and the prospectus supplements for the MBS backing your Mega certificates by writing to Fannie Mae, Attention: Fixed Income Investor Marketing, 3900 Wisconsin Avenue, NW, Area 2H-3S, Washington, DC 20016 or by calling the

Fannie Mae Helpline at (800) 237-8627. Generally, the prospectus supplement (if any) is available two business days before settlement of the related issue of Mega certificates. These documents generally will also be available on our corporate Web site at www.fanniemae.com. We are providing our internet address solely for the information of prospective investors. We do not intend the internet address to be an active link. This means that we are not using this internet link to incorporate additional information into this prospectus or into any prospectus supplement.

INCORPORATION BY REFERENCE

We are incorporating by reference in this prospectus 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, so you should read this prospectus, the prospectus supplement, if any, 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, the prospectus supplement, if any, 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, 2003 (“Form 10-K”);
- 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 Form 10-K until the date of this prospectus, 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 after the date of this prospectus and before the completion of the offering of the Mega certificates, excluding any information we “furnish” to the SEC on Form 8-K.

Any information incorporated by reference in this prospectus is deemed to be modified or superseded for purposes of this prospectus to the extent information contained or incorporated by reference in this prospectus modifies or supersedes such information. In that case, the information will constitute a part of this prospectus 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 at www.fanniemae.com. Information appearing on our Web site is not incorporated in this prospectus except as specifically stated in this prospectus.

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. You also may read and copy any document we file with the SEC by visiting the SEC’s Public Reference Room at 450 Fifth Street NW, Washington, DC 20549. Please call the SEC at (800) SEC-0330 for further information about the operation of the Public Reference Room. We are providing the address of the SEC’s internet site solely for the information of prospective investors. Information on the SEC’s Web site is not incorporated in this prospectus except as specifically stated in this prospectus.

RECENT DEVELOPMENTS

On November 15, 2004, we filed a Form 12b-25 with the SEC, stating that we were not able to file our Form 10-Q for the September 30, 2004 quarter by the November 15, 2004 due date. We included

an announcement about the Form 12b-25 as an exhibit to a Form 8-K that we filed with the SEC on November 16, 2004.

We were not able to timely file a Form 10-Q that complies with the SEC's rules because we have been advised by our independent auditor that it is unable to complete its review of our interim unaudited financial statements for the quarter ended September 30, 2004. The SEC's rules require that such a review be completed for interim financial statements on Form 10-Q, and the absence of such a review renders a Form 10-Q non-compliant and untimely.

On September 20, 2004, the Office of Federal Housing Enterprise Oversight ("OFHEO") delivered its report to Fannie Mae's Board of Directors of its findings to date of the agency's special examination. Among other matters, the OFHEO report raises a number of questions and concerns about our accounting policies and practices with respect to Financial Accounting Standard No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases* ("FAS 91") and Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("FAS 133"). We have submitted letters to the SEC Staff presenting our views on our accounting policies and practices under FAS 91 and FAS 133, and our independent auditor concurred with our accounting interpretations as set forth in the letters. On November 5, 2004, we, accompanied by our independent auditor, presented our views to the SEC's Office of the Chief Accountant ("OCA"). We will modify our accounting, if necessary, to comply with the SEC's views.

Completion of the review by our independent auditor is subject to resolution of the issues before OCA described above and the independent auditor's completion of certain other procedures, including its evaluation of results that are not yet available of the investigation of certain matters in the OFHEO report being conducted by independent counsel on behalf of the Board of Directors.

The Form 8-K that we filed with the SEC on November 16, 2004 includes discussions of our results of operations for the quarter ended September 30, 2004 and of the impact on our financial results in prior periods if it is determined that we have not been in compliance with generally accepted accounting principles ("GAAP") in our application of FAS 133 or FAS 91, or both. The Form 8-K also addresses the impact on our financial results in 2001, 2002 and 2003 arising from our recent determination that our methodology for performing calculations to measure the catch-up adjustment required by FAS 91 in 2001 and 2002 was not consistent with GAAP.

Form 8-K's that we file with the SEC prior to the completion of the offering of the Mega certificates are incorporated by reference into this prospectus. 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 and where to find it.

SUMMARY

This summary highlights information contained elsewhere in this prospectus. As a summary, it speaks in general terms without giving details or discussing any exceptions. Before buying any issue of Mega certificates, you should have the information necessary to make an investment decision. For that, you must read this prospectus (as well as any documents to which we refer you in this prospectus) in its entirety and any related prospectus supplement for that issue, and you must read as well the applicable MBS prospectus and prospectus supplement for the underlying MBS certificates.

Title of Security Guaranteed MBS Pass-Through Securities (Mega certificates).

Issuer and Guarantor Fannie Mae, a federally chartered and stockholder-owned corporation.

Neither the Mega certificates nor payments of principal and interest on the Mega certificates are guaranteed by the United States, and the Mega certificates do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. We alone are responsible for making payments on the Mega certificates.

Description of Certificates Each Mega certificate will represent a fractional undivided ownership interest in the principal and interest distributions from the MBS certificates underlying the Mega certificates. We will issue the Mega certificates in book-entry form on the book-entry system of the U.S. Federal Reserve Banks, unless we specify a different system in any related prospectus supplement. The book-entry Mega certificates will not be convertible into physical certificates.

Securities Backing the Mega Certificates Each Mega certificate will be backed by one or more MBS certificates or Mega certificates. Each MBS certificate underlying a Mega certificate will be backed by mortgage loans secured by a first or subordinate lien on either single-family or multifamily residential real properties, but not both.

The Mega certificates will include one or more of the following:

For single-family Mega certificates:

- single-family MBS certificates,
- Mega certificates backed by single-family MBS certificates,
- Mega certificates backed by other Mega certificates that are backed by single-family MBS certificates.

Single-family MBS certificates are backed by residential mortgage loans secured by single-family one-to-four-unit dwellings.

For multifamily Mega certificates:

- multifamily MBS certificates,
- Mega certificates backed by multifamily MBS certificates,
- Mega certificates backed by other Mega certificates that are backed by multifamily MBS certificates.

Multifamily MBS certificates are backed by residential mortgage loans secured by multifamily properties that contain at least five residential units.

Minimum Denomination	We will issue the Mega certificates in minimum denominations of \$1,000 with additional increments of \$1.
Issue Date	The issue date of the Mega certificates is the first day of the month in which the Mega certificates are issued.
Settlement Date	The settlement date for the Mega certificates will occur no later than the last business day of the month in which the issue date occurs.
Distribution Date	The distribution date for the Mega certificates is the 25th day of each month. If that day is not a business day, payment will be made on the next business day. The first distribution date after an issuance of Mega certificates will occur in the month following the month in which the Mega certificates are issued. For example, if an issue date is March 1st, the first distribution date will be April 25th or, if April 25th is not a business day, the first business day following the 25th.
Record Date	We will make each monthly payment on the Mega certificates to holders of record on the record date, which is the last day of the month immediately preceding the month in which the distribution date occurs.
Maturity Date	The maturity date of the Mega certificates is the latest maturity date of the underlying MBS certificates and/or underlying Mega certificates.
Interest	We will pay interest on the Mega certificates each month on the distribution date. We will pass through interest on the Mega certificates in an amount equal to the aggregate of the interest distributed on the same distribution date on the underlying MBS certificates and any underlying Mega certificates.
Principal	On each distribution date, we will pass through principal on the Mega certificates in an amount equal to the aggregate of the principal distributed on the same distribution date on the underlying MBS certificates and any underlying Mega certificates.

Final Data Statements/Collateral . . .	The final data statement/collateral for an issue of Mega certificates identifies the MBS certificates and/or other Mega certificates underlying the Mega issue. It also provides certain data about the underlying MBS certificates and/or other Mega certificates and about the issue of Mega certificates itself. The final data statement/collateral is posted on our Web site on or before the last business day of the month in which the Mega certificates were issued.
Mega Factors	On or about the fourth business day of each month, we will publish the monthly Mega factor for each issue of Mega certificates. If you multiply the monthly Mega factor by the original principal balance of your Mega certificates, you will obtain the current principal balance of your Mega certificates, after giving effect to the monthly principal payment that is being passed through on the distribution date in that month.
Guaranty	Through our guaranty of the underlying MBS certificates, we guarantee that the holders of the Mega certificates will receive: <ul style="list-style-type: none"> • timely payment of interest and principal on their Mega certificates; and • full and final payment of the unpaid principal balance of the underlying MBS certificates on the distribution date in the month of the maturity date specified in the prospectus supplement for the underlying MBS certificates.
Trustee	We issue the Mega certificates for each Mega pool under a trust agreement. Fannie Mae serves as the trustee for each issuance of Mega certificates pursuant to the terms of the trust agreement.
Termination	The Mega trust will terminate when the last mortgage loan in the last MBS certificate directly or indirectly backing the pool has been paid off or liquidated (and the resulting proceeds have been distributed to MBS certificateholders).
No Optional Termination	We have no clean-up call option. That is, we have no right to terminate the Mega trust early when the unpaid principal balance of the Mega pool reaches a certain amount or reaches a certain percentage of the original issue date unpaid principal balance of the Mega pool.
Federal Tax Consequences	Each Mega pool will be classified as a grantor trust. Each beneficial owner of a Mega certificate will be treated as the owner of a pro rata undivided interest in each of the MBS certificates that directly or indirectly back that Mega certificate. Accordingly, each owner will be required to include in income its pro rata share of the entire income from each mortgage loan in the pool and, generally, will be entitled to deduct its pro rata share of losses on each mortgage loan in the pool.

Marginability; Repurchase

Agreements The Mega certificates are exempted securities for purposes of the margin rules of the Board of Governors of the Federal Reserve System and the New York Stock Exchange. The margin rules treat transactions in Mega certificates, including repurchase agreements, in the same manner as the margin rules treat transactions in Fannie Mae MBS certificates.

ERISA Considerations Before investing in any Mega certificates, a fiduciary of an employee benefit plan subject to ERISA or a plan subject to Section 4975 of the Internal Revenue Code should consider whether the investment is permissible under the terms of the plan, whether the investment is consistent with the standards of fiduciary conduct prescribed by ERISA and whether the investment is permissible under the prohibited transaction rules of ERISA and Section 4975 of the Internal Revenue Code.

RISK FACTORS

We have listed below some of the risks associated with an investment in the Mega certificates. Additional risks related to the underlying MBS certificates are disclosed in the Single-Family MBS Prospectus or the Multifamily MBS Prospectus, as applicable. Moreover, we may identify additional risks associated with a specific offering of Mega certificates in the related prospectus supplement. Because each investor has different investment needs and a different tolerance for risk, you should consult your own financial and legal advisors to determine whether the Mega certificates are suitable investments for you.

INVESTMENT FACTORS:

The Mega certificates may not be a suitable investment for you.

The Mega certificates are complex financial instruments. They are not a suitable investment for every investor. Before investing, you should

- have sufficient knowledge and experience to evaluate (either alone or with the help of a financial or legal advisor) the merits and risks of the Mega certificates being offered and the MBS certificates underlying the Mega certificates as well as the information contained in this prospectus, any prospectus supplement for the Mega certificates, the Single-Family MBS Prospectus or the Multifamily MBS Prospectus, as applicable, for the MBS certificates underlying the Mega certificates, the prospectus supplements for the MBS certificates underlying the Mega certificates and the documents incorporated by reference;
- understand thoroughly the terms of the Mega certificates and the underlying MBS certificates;
- evaluate (either alone or with the help of a financial or legal advisor) the economics, interest rate and other factors that may affect your investment;
- have sufficient financial resources and liquidity to bear all risks associated with the Mega certificates and underlying MBS certificates; and
- investigate any legal investment restrictions that may apply to you. You should exercise particular caution if your circumstances do not permit you to hold the Mega certificates until maturity.

Mega certificates have all of the risks that are presented by the underlying MBS certificates.

Because principal and interest payments from the underlying MBS certificates are passed through directly to Mega certificateholders, the risks associated with an investment in the Mega certificates are those risks described in the Single-Family MBS Prospectus or Multifamily MBS Prospectus, as applicable, for the underlying MBS certificates. Please refer to the discussion of risk factors in the MBS prospectus for the MBS certificates underlying your Mega certificates.

PREPAYMENT FACTORS:

Your yield will be subject to a number of factors, especially to the rate of prepayment on the underlying mortgage loans.

In general, the effective yield on your Mega certificates will depend upon:

- the price you paid for the Mega certificates;
- how quickly or slowly borrowers prepay mortgage loans in the underlying MBS pools;
- the timing of any liquidations of mortgage loans in the underlying MBS pools due to borrower defaults or to casualties or condemnations affecting the properties securing the loans;
- the timing of any repurchase of the mortgage loans in the underlying MBS pools; and
- the actual characteristics of the mortgage loans in the underlying MBS pools.

Generally, a borrower may repay a mortgage loan at any time, although some single-family mortgage loans and most multifamily mortgage loans require the borrower to pay a prepayment premium. Some of the specific reasons that mortgage loans could be repaid at a different speed, as well as a description of prepayment rights and prepayment premiums, may be found in the Single-Family MBS Prospectus or Multifamily MBS Prospectus, as applicable, for the MBS certificates backing your Mega certificates and the prospectus supplements for the MBS certificates.

Regardless of the reason, if the loans are repaid more quickly than you expected, principal on your Mega certificates will be paid to you sooner than you predicted. Depending on then-prevailing economic conditions and interest rates, you may not be able to reinvest these proceeds at a yield that is equal to or greater than the yield on your Mega certificates.

Moreover, regardless of the reason, if the loans are repaid more slowly than you expected, principal on your Mega certificates will be paid to you later than you predicted. Your ability to reinvest these funds, therefore, would be delayed. If the yield on your Mega certificates is lower than the yield available on comparable investments at the date when you expected your Mega certificates to prepay or mature, you will be disadvantaged by having less principal available to reinvest and by having your investment dollars remain invested in the Mega certificates for a longer than expected period.

Multifamily loans may present different prepayment risks than do single-family loans.

If the mortgage loans in the underlying MBS pool are secured by multifamily properties, you should consider the following additional factors:

- A multifamily loan typically has a much greater principal balance than a single-family loan, with the result that a default on a multifamily loan may have a greater effect on your yield than would a default on a single-family loan;
- Repayment of a multifamily loan typically depends on the successful operation of the multifamily property that secures the loan;
- Changing economic conditions will affect the supply of and demand for rental units and the rents that prospective tenants are willing or able to pay; and
- Government regulations (for example, rent control laws) may adversely affect future income from a multifamily property.

Anti-predatory lending laws recently adopted and currently being contemplated may result in increased repurchases of single-family mortgage loans underlying single-family MBS certificates for breaches of representations or warranties, resulting in accelerated repayment of principal on the underlying single-family MBS certificates and, thus, on the related Mega certificates.

Many states have introduced or enacted legislation modifying or adopting anti-predatory lending laws that apply to single-family mortgage loans. As of the date of this prospectus, several of these state laws, and potential actions the federal government may take, continue to evolve. We require representations and warranties that loans delivered to us comply with all applicable federal, state and local laws (which would include laws intended to address predatory lending). In addition, we also require representations and warranties that certain single-family mortgage loans subject to these laws will not be delivered to us, even if the loans do not actually violate those laws (for example, single-family mortgage loans that may have unusually high costs associated with the origination of the loan). In addition, in 2000, we announced certain requirements with respect to predatory lending practices; we require representations and warranties that lenders have complied with those requirements as well. If more single-family mortgage loans become subject to these anti-predatory lending laws and violate the required representations and warranties (including our additional requirements), it is possible that the number of single-family mortgage loans that we require to be repurchased may increase. When a loan is repurchased, its stated principal balance is passed through to holders of the related MBS certificates, and then to you as a holder of Mega certificates backed by those MBS certificates, on the distribution date in the month following the month of repurchase. Thus, a breach of a representation and warranty related to anti-predatory lending may accelerate the rate of repayment of principal on your Mega certificates backed by single-family mortgage loans.

LIQUIDITY FACTORS:

There may be no market for the Mega certificates of a particular issue, and no assurance can be given that a market will develop and continue.

We cannot be sure that each issuance of Mega certificates, when created, will have a ready market or that, if a market develops, that the market will remain active

during the entire term for which the Mega certificates are outstanding. Therefore, it is possible that if you wish to sell your Mega certificates in the future, you may have difficulty finding potential purchasers. Even if you are able to sell your Mega 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 Mega certificates at prices comparable to those available to other investors. Some of the factors that may affect the resale of Mega certificates include:

- the method, frequency and complexity of calculating principal or interest on the MBS certificates or the underlying mortgage loans;
- the age and unpaid principal balances of the mortgage loans in the underlying MBS pools;
- the prepayment features of the mortgage loans in the underlying MBS pools;
- the outstanding principal amount of the Mega certificates of that series and other series with similar features;
- the number and outstanding principal amount of Mega certificates in general and Mega certificates with similar features offered for resale from time to time;
- any legal restrictions or tax treatment that limit demand for the Mega certificates;
- the availability of comparable securities; and
- the level of interest rates generally, the volatility with which prevailing interest rates are changing and the direction in which interest rates are, or appear to be, trending.

Terrorist activities and accompanying military and political actions by the United States Government could cause reductions in investor confidence and substantial 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 Mega certificates in general or Mega certificates of a particular issue. Moreover, it is uncertain what effects any past or future terrorist activities and/or any consequent military and/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 segments, including those that are important to the performance of the real properties that secure the mortgage loans backing the underlying MBS certificates. Among other things, reduced investor confidence could result in substantial volatility in securities markets and a decline in real estate-related investments. As a result, defaults on the underlying mortgage loans could increase, causing early

payments of principal on the underlying MBS certificates and, thus, early prepayments of principal on the Mega certificates. Moreover, regardless of the performance of the mortgage loans backing the underlying MBS certificates, the liquidity and market value of the Mega certificates may be impaired.

CREDIT FACTORS:

If we failed to pay under our guaranty of the underlying MBS certificates, the amount to be distributed to holders of Mega certificates would be reduced.

If borrowers fail to make their mortgage loan payments on time, we have agreed to make payments on the MBS certificates under our guaranty. If, however, we become unable to pay, or fail to pay for any reason, the payments that you receive as a holder of Mega certificates will be reduced as a result of borrowers' late payments or complete failure to pay.

If our credit should become impaired, a buyer may be willing to pay only a reduced price for your Mega certificates, if you wanted to sell them in the future.

There could be an adverse change in our financial condition that would impair the perception of our credit. Even if we were to make all the payments required under our guaranty of the underlying MBS certificates, potential buyers may offer less for your Mega certificates than they would offer if our financial condition had remained unchanged.

If we become insolvent, your Mega certificates' interests in the underlying MBS certificates and the mortgage loans backing them could be adversely affected.

The law is unclear regarding any liquidation, reorganization, receivership or similar proceedings involving Fannie Mae or our assets, so no assurance can be given regarding the treatment or status of your Mega certificates or the interests of your Mega certificates in the underlying MBS certificates or the mortgage loans backing them if we were to become subject to such a proceeding.

FANNIE MAE

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, as amended. We were established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market. We became a stockholder-owned and privately managed corporation by legislation enacted in 1968. We are the largest investor in residential mortgage loans in the United States.

Under the Charter Act, we were created to:

- provide stability in the secondary market for residential mortgages;
- respond appropriately to the private capital markets;
- provide on-going assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing, including multifamily housing, for low-and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and
- promote access to mortgage credit throughout the nation (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

In accordance with our statutory purpose, we provide funds to the mortgage market by purchasing residential mortgage loans from lenders. In this way, we replenish their funds so they can make additional loans. We acquire funds to purchase these loans by issuing debt securities to capital market investors, many of whom ordinarily would not invest in mortgages. Thus, we are able to expand the total amount of funds available for housing.

We also issue mortgage-backed certificates, or MBS certificates, receiving guaranty fees for our guaranty of timely payment of principal and interest on the MBS certificates. We issue MBS certificates primarily in exchange for pools of mortgage loans from lenders. By issuing MBS certificates, we further fulfill our statutory mandate to increase the liquidity of residential mortgage loans.

In addition, we offer various services to lenders and others for a fee. These services include issuing certain types of structured mortgage-backed certificates and providing technology services for originating and underwriting mortgage loans.

Our principal office is located at 3900 Wisconsin Avenue, NW, Washington, DC 20016, telephone: (202) 752-7000.

USE OF PROCEEDS

We usually issue Mega certificates in swap transactions, in which the Mega certificates are issued in exchange for the MBS certificates and other Mega certificates that back the Mega certificates being issued.

DESCRIPTION OF THE MEGA CERTIFICATES

We will issue the Mega certificates under a trust agreement. For each issue of Mega certificates, there will be an issue supplement to the trust agreement along with a schedule of the underlying MBS certificates and any underlying Mega certificates for that Mega issue. Each issue of Mega certificates will have a separate trust fund.

We have summarized the important terms of the trust agreement below. This summary is not complete. If there is any conflict between the information in this prospectus and the actual provisions

of the trust agreement, the terms of the trust agreement and its related issue supplement will govern. The trust agreement is available on our Web site. You may obtain a copy of the issue supplement (with the schedule of the underlying MBS certificates and any underlying Mega certificates) that applies to your Mega certificates from our Washington, DC office.

Mega Certificates

Each issue of Mega certificates represents fractional undivided ownership interests in a Mega trust. Each Mega certificateholder's fractional undivided ownership interest in the Mega trust will be equal to the issue date principal balance of that Mega certificateholder's Mega certificate divided by the issue date principal balance of all the Mega certificates of that issue.

The assets of each Mega trust will be Fannie Mae MBS certificates, which we refer to as the underlying MBS certificates, and other Mega certificates, which we refer to as the underlying Mega certificates. (A Mega trust may hold one, some or all of the underlying MBS certificates from one MBS pool.) The underlying certificates will be one or more of the following types:

For single-family Mega certificates:

- single-family MBS certificates,
- Mega certificates backed by single-family MBS certificates, and
- Mega certificates backed by other Mega certificates that are backed by single-family MBS certificates.

For multifamily Mega certificates:

- multifamily MBS certificates,
- Mega certificates backed by multifamily MBS certificates, and
- Mega certificates backed by other Mega certificates that are backed by multifamily MBS certificates.

For each issue of Mega certificates, we will deliver the underlying MBS certificates and any underlying Mega certificates into a trust for that issue of Mega certificates. We will register the underlying MBS certificates and any underlying Mega certificates in our name, as trustee of the Mega trust for that issue of Mega certificates, on the books of a U.S. Federal Reserve Bank and will hold the underlying MBS certificates and any underlying Mega certificates in trust for the benefit of the Mega certificateholders of that issue of Mega certificates.

On the last business day of each month, we post on our Web site the final data statement/collateral for each issue of Mega certificates settled during that month. You may also obtain the final data statement/collateral for a Mega issue by contacting us at the address and phone number shown under "**Fannie Mae**" above. The information in the final data statement/collateral for a Mega issue may differ from the information shown for that pool in the preliminary information posted on our Web site as Mega pools close during the month if the weighted-average coupon or the weighted-average maturity for an MBS pool or other Mega pool underlying the Mega changes before the Mega pool closes at the end of the month.

Settlement

Settlement is expected to occur no later than the last business day of the month in which the issue date of the Mega certificates occurs. Settlement on fixed-rate Mega certificates may occur beginning one business day following the release of trading factors. (Typically, we release trading factors on or about the fourth business day of the month.) Settlement for adjustable-rate mortgage Mega certificates may occur on or after the 12th business day of the month in which the issue date of the Mega certificates occurs. Both the day designated by the Bond Market Association each month for

settlement of thirty-year Fannie Mae MBS transactions and the last business day of the month are ineligible for settlement. If the last business day of the month is the 31st, then the last two business days of the month are ineligible for settlement.

Issuance in Book-Entry Form

We will issue the Mega certificates in book-entry form using the book-entry system of the U.S. Federal Reserve Banks, unless we specify and describe a different method in the prospectus supplement. Physical certificates are not available. Book-entry certificates must be issued in a minimum denomination of \$1,000 with additional increments of \$1. They are freely transferable on the records of any Federal Reserve Bank but are not convertible to physical certificates. Any transfers are subject to the minimum denomination requirements.

A Mega certificateholder is an entity whose name appears in the records of a Federal Reserve Bank as the owner of the Mega certificate. Only entities that are eligible to maintain book-entry accounts with a Federal Reserve Bank may be Mega certificateholders. These entities are not necessarily the beneficial owners of the Mega certificates. They are banks, brokerage firms, securities clearing organizations and similar companies, which act as financial intermediaries. Beneficial owners ordinarily hold Mega certificates by having accounts at financial intermediaries, which either have book-entry accounts with a Federal Reserve Bank or hold through other financial intermediaries, one of which has such a book-entry account with a Federal Reserve Bank. A certificateholder that is not also the beneficial owner of a Mega certificate, and all the other financial intermediaries in the chain between the certificateholder and the beneficial owner, are responsible for establishing and maintaining accounts for their customers.

Neither we nor the Federal Reserve Banks will have any direct obligation to the beneficial owner of a Mega certificate who is not also a Mega certificateholder. We and the Federal Reserve Banks may treat the Mega certificateholder as the absolute owner of the Mega certificate for all purposes, regardless of any contrary notice that the beneficial owner may provide. For example, we will make distribution payments on the Mega certificates only to Mega certificateholders and will give effect to a transfer of a Mega certificate only if we receive the notice from a Mega certificateholder.

The applicable Federal Reserve Bank credits the account of the Mega certificateholder when we make a distribution on the Mega certificates. Each Mega certificateholder and any financial intermediaries are responsible for remitting distributions to the beneficial owners of the Mega certificate.

Distributions on the Mega Certificates

We will make distributions to Mega certificateholders on the 25th day of each month or, if the 25th day is not a business day, on the first business day following the 25th day of the month. We refer to this date as a distribution date. We will make the first payment for each issue of Mega certificates on the distribution date in the month following the month in which the Mega certificates are issued. For example, if an issue date occurs on March 1st, the first distribution date for that issuance will be April 25th or the following business day if April 25th is not a business day. We will pay the Mega certificateholder who is listed as the holder in the records of any Federal Reserve Bank as of the record date. The record date is the last day of the month immediately preceding the month in which the distribution date occurs.

We will make the following distributions to Mega certificateholders according to their fractional undivided interest in the Mega trust.

Interest Payments. On each distribution date, we will pay interest to Mega certificateholders by passing through interest in an amount equal to the aggregate amount of interest actually distributed on the same distribution date on the underlying MBS certificates and the underlying Mega certificates.

If any adjustable-rate mortgage loan (an “ARM loan”) backing an underlying MBS certificate permits negative amortization, any deferred interest is added to the principal balance of the mortgage loan and, consequently, to the principal balance of the underlying MBS certificate. The amount of deferred interest is then added to the outstanding principal of the Mega certificates and allocated to Mega certificateholders according to their fractional undivided interest in the Mega trust.

Principal Payments. On each distribution date, we will pay principal to Mega certificateholders by passing through principal in an amount equal to the aggregate amount of principal actually distributed on the same distribution date on the underlying MBS certificates and underlying Mega certificates.

Other Payments. When the Mega certificates are backed by multifamily MBS certificates, the related Mega prospectus supplement will specify whether any fees and premiums (for example, yield maintenance fees and prepayment premiums) may be charged on the multifamily mortgage loans underlying the MBS certificates. When fees and premiums may be charged, the related Mega prospectus supplement will describe the circumstances, if any, under which fees and premiums collected from borrowers may be distributed to the multifamily MBS certificateholders. If any fees and premiums on underlying multifamily MBS certificates are distributed to multifamily MBS certificateholders, the fees and premiums will be passed through to the multifamily Mega certificateholders.

Reports to Mega Certificateholders

Monthly Reports. Each Mega certificateholder who is listed as the holder in the records of any Federal Reserve Bank will be provided the information below on a monthly basis with respect to each payment, adjusted to reflect each Mega certificateholder’s pro rata interest in the related Mega trust fund as of the distribution date:

- the amount due on the Mega certificates on that distribution date on account of total scheduled and unscheduled principal;
- the amount due on the Mega certificates on that distribution date on account of interest;
- the total cash distribution on the Mega certificates on that distribution date;
- if the underlying MBS certificates are backed by ARM loans that permit negative amortization, the amount of any deferred interest added to the principal balances of those loans on that distribution date as a result of negative amortization;
- the principal balance of the Mega certificates on that distribution date after giving effect to any distribution of principal on that date (and, if the underlying MBS certificates are backed by ARM loans that permit negative amortization, after giving effect to any deferred interest added to the principal balances of those loans on that distribution date as a result of negative amortization); and
- for pools of ARM loans, the pool accrual rate for the underlying MBS certificates for that distribution date.

Annual Reports. Within a reasonable time after the end of each calendar year, we will furnish to each person who was listed as a Mega certificateholder in the records of any Federal Reserve Bank at any time during that year a statement containing any information required by the federal income tax laws.

Fannie Mae Guaranty

We guarantee to Mega certificateholders on each distribution date, through our guaranty of the underlying MBS certificates, payment of:

- an amount equal to the borrowers’ scheduled principal payments for the related due period, whether or not received, plus

- an amount equal to one month's interest on the outstanding principal balance of the Mega certificates.

For single-family fixed-rate Mega certificates, interest will be paid at the pass-through rates of the underlying MBS certificates. For single-family adjustable-rate ("ARM") Mega certificates that are backed by ARM loans that do not permit negative amortization, interest will be paid at the weighted average of the then current pool accrual rates of the underlying MBS certificates. For single-family ARM Mega certificates that are backed by ARM loans that permit negative amortization, interest will be paid at the weighted average of the then current pool accrual rates of the underlying MBS certificates minus the aggregate amount of any deferred interest. Any deferred interest is added to the principal balance of the single-family ARM loans in the underlying MBS pools.

For multifamily fixed-rate Mega certificates, interest will be paid at the weighted average of the then-current pool accrual rates of the underlying MBS certificates. For multifamily ARM Mega certificates backed by ARM loans that do not permit negative amortization, interest will be paid at the weighted average of the then current pool accrual rates of the underlying MBS certificates. For multifamily ARM Mega certificates backed by ARM loans that permit negative amortization, interest will be paid at the weighted average of the then current pool accrual rates of the underlying MBS certificates minus the aggregate amount of any deferred interest. Any deferred interest is added to the principal balance of the multifamily ARM loans in the underlying MBS pools.

In addition, we guarantee, through our guaranty of the underlying MBS certificates, the full and final payment of the unpaid principal balance of the underlying MBS certificates on the distribution date in the month of the maturity date specified in the prospectus supplement for the underlying MBS certificates.

If we were unable to perform our guaranty obligations, Mega certificateholders would receive only the payments that borrowers actually made on the mortgage loans backing the underlying MBS certificates and other recoveries on those mortgage loans from sources such as insurance, condemnation and foreclosure proceeds. If that were to happen, delinquencies and defaults on the mortgage loans would directly affect the amounts of principal and interest that Mega certificateholders would receive each month.

Neither the Mega certificates nor payments of principal and interest on the Mega certificates are guaranteed by the United States government. The Mega certificates do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. We alone are responsible for making payments on our guaranty.

Certain Matters Regarding Our Duties as Trustee

We serve as the trustee for each issuance of Mega certificates pursuant to the terms of the trust agreement. We receive no fees for serving as the trustee. We may not resign from our duties as trustee under the trust agreement unless a change in law requires it. Even then, our resignation would not become effective until a successor has assumed our duties. A successor would not take over our guaranty obligations. Even if our other duties under the trust agreement terminate, we would still be obligated under our guaranty.

We are not liable under the trust agreement to Mega certificateholders for errors in judgment or for any action we take, or refrain from taking, in good faith. This standard of care also applies to our directors, officers, employees and agents. Nevertheless, neither we nor they will be protected against any liability if it results from willful misfeasance, bad faith or gross negligence or as a result of willful disregard of our duties.

The trust agreement provides that we are free to refuse involvement in any legal action that we think will expose us to expense or liability unless the action is related to our duties under the trust agreement. On the other hand, we may decide to participate in legal actions, such as actions involving

the mortgage loans backing the underlying MBS certificates, if we think our participation is necessary or desirable in the interests of the Mega certificateholders. In that case, we will pay the legal expenses and costs of the action.

If we merge or consolidate with another corporation, the successor corporation will be our successor under the trust agreement and will assume all of our duties under the trust agreement, including our guaranty.

Events of Default

Any of the following events will be considered an event of default under the trust agreement for an issue of Mega certificates:

- if we fail to make a required payment to Mega certificateholders, and our failure continues uncorrected for 15 days after Mega certificateholders owning at least 5% of that issue of Mega certificates have given us written notice of nonpayment; or
- if we fail in any material way to fulfill any of our other obligations under the trust agreement or the related issue supplement, and our failure continues uncorrected for 60 days after Mega certificateholders owning at least 25% of that issue of Mega certificates have given us written notice of our failure; or
- if we become insolvent or unable to pay our debts or if other events of insolvency occur.

If one of the events of default occurs and continues uncorrected, Mega certificateholders who own at least 25% of the related issue of Mega certificates will have the right to terminate all of our rights and obligations under the trust agreement for that issue. These obligations include our duties as trustee and in our corporate capacity. However, our guaranty obligations will continue in effect. The same proportion of Mega certificateholders that has the right to terminate us also may appoint a successor to all of our terminated obligations. This successor will take legal title to the underlying MBS certificates and any underlying Mega certificates included in the related Mega trust fund. The acts of Mega certificateholders to terminate us and appoint a successor must be in writing.

Voting as MBS Certificateholder

MBS certificates are issued under a trust indenture, which is available on our Web site. Under the MBS trust indenture, holders of MBS certificates have the right to vote and participate in decision-making on some matters. These matters include giving directions to the trustee, amending the trust indenture, waiving provisions of the trust indenture and removing the trustee. The percentage of ownership interests required for actions by the holders of MBS certificates differs for different types of action. For information about these percentages, refer to the applicable MBS prospectus for the underlying MBS certificates. In our capacity as trustee under the Mega trust agreement, we may exercise the rights of a holder of MBS certificates with respect to the underlying MBS certificates. In doing so, we will follow the directions of Mega certificateholders who own at least a 66% fractional undivided ownership interest in that issue of Mega certificates. We will not take any action as holder of the MBS certificates unless Mega certificateholders who own at least a 66% fractional undivided ownership interest in that issue of Mega certificates agree and so instruct us.

Amendment

We may amend the trust agreement for an issue, without notifying or obtaining the consent of the related Mega certificateholders, to do any of the following:

- add to our duties;
- evidence that another party has become our successor and has assumed our duties under the trust agreement in our capacity as trustee or in our corporate capacity or both;

- eliminate any of our rights in our corporate capacity under the trust agreement; and
- take an action to cure any ambiguity or correct or add to any provision in the trust agreement or the related issue supplement, so long as the action does not adversely affect any Mega certificateholder.

In addition, if Mega certificateholders beneficially owning at least 66% of an issue of Mega certificates give their consent, we may amend the trust agreement for a purpose not listed above, except that we may not terminate or change our guaranty obligations, reduce or delay payments to Mega certificateholders or reduce from 66% the percentage of Mega certificateholders who must give their consent to the types of amendments listed in the preceding sentence unless all Mega certificateholders of an issue have given their consent.

Termination

The trust agreement and related trust with respect to each issue of Mega certificates will terminate when the last underlying MBS certificate or underlying Mega certificate backing that Mega issue has been repaid and the proceeds have been passed through to the Mega certificateholders.

The trust agreement does not give us the right to repurchase any of the underlying MBS certificates or underlying Mega certificates. Moreover, we do *not* have an option, in the nature of a clean-up call (early termination of the Mega trust when the unpaid principal balance reaches a certain amount), to repurchase the mortgage loans backing an underlying MBS certificate before the last mortgage loan in that MBS pool has been paid off or liquidated (and the proceeds have been passed through to the Mega certificateholders), and then to retire the underlying MBS certificates and terminate the Mega trust agreement and related trust.

YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS

Payments of principal and interest are made on the underlying MBS certificates as described in the applicable MBS prospectus. Because payments from the underlying MBS certificates are passed through directly on the Mega certificates, the yield considerations, maturity and prepayment assumptions associated with an investment in the Mega certificates are the same as those described in the MBS prospectus applicable to the underlying MBS certificates.

Effective Yield on Mega Certificates

Your yield will depend in part upon whether you purchase a Mega certificate at a discount from or a premium over the outstanding principal balance. In general, if you purchase a Mega certificate at a discount from its outstanding principal balance and the mortgage loans backing the underlying MBS certificates are prepaid at a rate that is slower than you expected, your yield on that Mega certificate will be less than you expected. If you purchase a Mega certificate at a premium over its outstanding principal balance and the mortgage loans backing the underlying MBS certificates are prepaid at a rate that is faster than you expected, your yield on that Mega certificate also will be less than you expected.

Variations in the rate of prepayment on the mortgage loans backing the underlying MBS certificates may significantly affect your yield on the Mega certificates even if the mortgage loans are prepaid at a rate that on average is consistent with your expectations. In general, the earlier the payment of principal, the greater the effect on the yield to maturity. As a result, whether the rate of principal prepayment during any period is consistent with, faster than or slower than your expectations, a corresponding reduction or increase in the prepayment rate during a later period may not fully offset the effect of the earlier rate on the yield.

Although interest accrues on the underlying MBS certificates during a calendar month, we do not distribute interest to Mega certificateholders until the distribution date in the following month. Because of this delay, the effective yield on the Mega certificates will be lower than it would be if we paid interest earlier.

You must make your own decision as to the principal prepayment assumptions you will use in deciding whether to purchase the Mega certificates.

Prepayment Considerations

The rate of principal payments on the underlying MBS certificates will depend on the rate of principal payments on the underlying mortgage loans. Principal payments will occur as a result of scheduled amortization, prepayments and repurchases. For a discussion of the effects of these factors on the underlying MBS certificates, please refer to the Single-Family MBS Prospectus or Multifamily MBS Prospectus, as appropriate, and related prospectus supplements for the underlying MBS certificates.

THE MEGA POOLS

Characteristics of the Mega Certificates

Mega certificates may be backed not only by a pool of underlying MBS certificates but also by a pool containing other Mega certificates that, in turn, have been backed by other Mega certificates. MBS certificates underlying each Mega certificate will be backed by pools of mortgage loans secured by either single-family properties or multifamily properties, but not both. We do not commingle single-family MBS certificates with multifamily MBS certificates when creating Mega certificates.

This prospectus describes certain common features of Mega certificates, MBS certificates that may back Mega certificates and mortgage loans that may underlie MBS certificates. From time to time, the mortgage loans underlying the MBS certificates backing an issue of Mega certificates may

have unique features. Before investing in an issue of Mega certificates, investors should read the prospectus supplements for the MBS certificates backing that issue and become aware of any such unique features.

For each issue of Mega certificates, the underlying MBS certificates and any underlying Mega certificates will have certain characteristics in common.

Single-Family Mega Certificates. Single-family Mega certificates are backed by single-family MBS certificates and by other Mega certificates, which are themselves backed by one or more single-family MBS certificates or one or more other single-family Mega certificates. The single-family mortgage loans backing each of the underlying single-family MBS certificates will generally comply with the eligibility standards described in the Single-Family MBS Prospectus.

For single-family fixed-rate Mega certificates, the pass-through rate of your Mega certificate will be identical to the pass-through rate of all underlying certificates, whether MBS certificates or other Mega certificates. In addition, all of the single-family fixed-rate MBS certificates underlying a specific Mega issue will have the same MBS pool prefix.

For single-family ARM Mega certificates, unless a prospectus supplement states otherwise, the pass-through rate of your ARM Mega certificates will equal the weighted average of the pass-through rates of the underlying multifamily MBS certificates backing the Mega certificates. In addition, all of the single-family ARM MBS certificates underlying a specific Mega issue will have the same MBS subtype. We will describe the characteristics of the ARM loans backing each single-family ARM MBS certificate in a prospectus supplement.

Some single-family ARM MBS certificates backing Mega issues may be subject to a variable guaranty fee whereby the pass-through rate of the MBS certificates will be affected by an increase in fee percentage at the adjustment date for the ARM mortgage loans underlying the MBS certificates. We describe this increasing fee percentage feature in the Single-Family MBS Prospectus under **“Adjustable-Rate Mortgages (ARMs) —Increasing Fee Percentage Pools.”**

You can find information on MBS pool prefixes and MBS subtypes used in single-family MBS pools in the Single-Family MBS Prospectus or on our Web site.

Multifamily Mega Certificates. Multifamily Mega certificates are backed by multifamily MBS certificates and by other Mega certificates, which are themselves backed by one or more multifamily MBS certificates or one or more other multifamily Mega certificates. The multifamily mortgage loans backing each of the underlying multifamily MBS certificates will generally comply with the eligibility standards described in the Multifamily MBS Prospectus.

For multifamily Mega certificates, unless a prospectus supplement states otherwise, the pass-through rate of your multifamily Mega certificates will equal the weighted average of the pass-through rates of the underlying multifamily MBS certificates backing the Mega certificates. In addition, all of the multifamily MBS certificates underlying a specific Mega issue will have the same MBS pool prefix. We will describe the characteristics of the multifamily mortgage loans backing each multifamily MBS certificate in a prospectus supplement. While we currently are not issuing multifamily Mega certificates backed by multifamily ARM MBS certificates, we may decide to do so at any time.

You can find information on MBS pool prefixes used in multifamily MBS pools in the Multifamily MBS Prospectus or on our Web site.

Characteristics of the Mortgage Loans Underlying the Mega Certificates

Certain specified characteristics of the mortgage loans backing the underlying MBS certificates in the Mega trust may be found in two documents: the prospectus supplement for the respective issue of underlying MBS certificates and the final data statement/collateral for the Mega trust issuing the Mega certificates (which is made available at the end of the month in which the Mega certificates are issued.)

Single-Family Mega Certificates. For single-family Mega certificates, certain characteristics of the mortgage loans backing the underlying MBS certificates will be presented in the MBS prospectus supplement for each MBS pool. Some characteristics will be provided by both a weighted average (or simple average, in some cases) and a quartile distribution (including a maximum and a minimum). Other characteristics will be provided in either quartile format (loan-to-value ratio, borrower credit score, loan age, loan term, loan size, loan interest rate and remaining maturity) or tabular format (loan purpose, occupancy type, property type by number of units (1-4), loan origination year, geographic distribution, seller and servicer). For single-family ARM MBS certificates, additional information will be presented in tabular format (distributions by first payment date, current loan interest rates, next rate change date information and loan margins). For a description of how we obtain this information, you should read “Pool Statistics Methodology,” which is included as Exhibit B to the Single-Family MBS Prospectus. Mega certificateholders should determine for themselves how to use these statistics.

Multifamily Mega Certificates. For multifamily Mega certificates, certain characteristics of the mortgage loans backing the underlying MBS certificates will be presented in the MBS prospectus supplement for each multifamily MBS pool. Each prospectus supplement will contain an individual schedule of loan information for each mortgage loan in the pool and pool statistics for the entire pool. The schedule of loan information will present specific data for each mortgage loan in the MBS pool (for example, unpaid principal balance, loan interest rate, prepayment premium characteristics, original amortization terms, property location, debt service coverage ratio, loan-to-value ratio) while the pool statistics will present aggregate data for the MBS pool (for example, weighted average remaining term, weighted average loan interest rate, highest and lowest loan interest rate, seller and servicer). For multifamily ARM MBS certificates, additional information will be presented in tabular format (including distributions by first payment date, current loan interest rates, next rate change date information, weighted average months to roll, loan margins and other aggregate characteristics). For a description of how we obtain this information, you should read “Pool Statistics Methodology,” which is included as Exhibit B(3) to the Multifamily MBS Prospectus. Mega certificateholders should determine for themselves how to use these statistics.

For both single-family and multifamily Mega certificates, the final data statement/collateral presents aggregate data on all of the underlying MBS pools and the mortgage loans backing the MBS pools (for example, highest and lowest current weighted average coupon, weighted average coupon, highest and lowest weighted average remaining term, weighted average remaining term).

After Mega certificates are issued, we may post some Mega-level information on our Web site in quartile format (loan-to-value ratio and borrower credit score) and in tabular format (occupancy type, loan purpose, property type by number of units, and servicer). We also generally update certain information about the Mega pool on an ongoing monthly basis on our Web site. Mega certificateholders should note that, unless otherwise stated in this prospectus or a final data statement/collateral, information on our Web sites is *not* incorporated by reference in this prospectus, final data statement/collateral or any prospectus supplement.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

Our special tax counsel, Arnold & Porter LLP, has delivered an opinion to us that (1) each Mega trust will not be classified as an association taxable as a corporation for federal income tax purposes but instead will be classified as a trust under subpart E of part I of subchapter J of the Internal Revenue Code (the “Code”), and (2) a beneficial owner of a Mega certificate will be considered to be the beneficial owner of a pro rata undivided interest in each of the MBS certificates that directly or indirectly back that Mega certificate. For a general discussion of the federal income tax consequences of the ownership of MBS certificates, see the discussion about federal income tax consequences in the Single-Family MBS Prospectus or Multifamily MBS Prospectus, as applicable, and the related prospectus supplements for the underlying MBS certificates.

MARGINABILITY; REPURCHASE AGREEMENTS

The Mega certificates are exempted securities for purposes of the margin rules of the Board of Governors of the Federal Reserve System and the New York Stock Exchange. Transactions in the Mega certificates, including repurchase agreements, are treated under those margin rules in the same manner as transactions in Fannie Mae MBS certificates.

ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with an investment in Mega certificates on behalf of a plan subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) (such as employer-sponsored pension and profit sharing plans) and other types of benefit plans and arrangements subject to Section 4975 of the Code (such as individual retirement accounts). ERISA and the Code also impose these requirements on some entities in which these benefit plans or arrangements invest. We refer to these plans, arrangements and entities, collectively, as plans.

A fiduciary considering investing assets of a plan in any Mega certificate should consult its legal advisor about ERISA, fiduciary and other legal considerations before making such an investment. Specifically, before authorizing an investment in any Mega certificates, any such fiduciary should, after considering the plan’s particular circumstances, determine whether the investment is appropriate under the plan’s governing documents and whether the investment is appropriate under the fiduciary standards of ERISA or other applicable law, including standards with respect to prudence, diversification and delegation of control and the prohibited transaction provisions of ERISA and the Code.

Regulations (the “Plan Asset Regulations”) promulgated under ERISA by the United States Department of Labor generally provide that when a plan acquires an interest in an entity that is neither a publicly offered security nor a security issued by an investment company registered under the Investment Company Act of 1940, the plan’s assets include both the security and an undivided interest in each of the underlying assets of the issuer unless it is established that an exception under the Plan Asset Regulations applies. The application of this general rule could cause the sponsor, the trustee and any other person providing services with respect to the mortgage loans in the underlying mortgage loan pools to be subject to the fiduciary responsibility rules of ERISA and could cause an investment in Mega certificates to be a prohibited transaction under ERISA or the Code.

The Plan Asset Regulation provides that the general rule stated above does not apply to a plan’s acquisition of a guaranteed governmental mortgage pool certificate. The definition of “guaranteed governmental mortgage pool certificate” includes certificates which are backed by, or evidence an interest in, specified mortgages or participation interest therein and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the Plan Asset Regulation, investment by a plan in a guaranteed governmental mortgage pool certificate does not cause the assets of the plan to include the mortgage loans underlying the certificate or cause the sponsor, the trustee and any other person providing services with respect to the mortgage loans in the underlying mortgage loan pools to be subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA or section 4975 of the Code by providing services with respect to the mortgages in the pool. Our counsel, Hunton & Williams LLP, has advised us that the Mega certificates qualify under the definition of guaranteed governmental mortgage pool certificates and, as a result, the purchase and holding of Mega certificates by plans will not cause the underlying mortgage loans or the assets of Fannie Mae to be subject to the fiduciary requirements of ERISA or to the prohibited transaction provisions of ERISA and the Code merely by reason of that plan’s holding of a Mega certificate. However, investors should consult with their own counsel regarding the ERISA eligibility of Mega certificates they may purchase.

LEGAL OPINION

If you purchase Mega certificates, we will send you, upon request, an opinion of our general counsel (or one of our deputy general counsels) as to the validity of the Mega certificates, the trust agreement for that issue of Mega certificates and the issue supplement for that issue.

Frequently Used Mega Pool Prefixes

Below is a listing of some of the most frequently used Mega pool prefixes. For a complete listing and description of pool prefixes, please refer to our Web site at www.fanniemae.com. Unless otherwise stated, the MBS pools underlying the Mega certificates contain fixed-rate mortgage loans.

- 2Y** Weighted-average fixed-rate Mega, backed by conventional, level payment subordinate mortgages; multifamily; maturity dates vary.
- CI** Fixed-rate Mega backed by conventional intermediate term, level payment mortgages; single-family; maturing or due in 15 years or less.
- CL** Fixed-rate Mega backed by conventional long term, level payment mortgages; single-family; maturing or due in 30 years or less.
- CN** Fixed-rate Mega backed by conventional short term, level payment mortgages; single-family; maturing or due in 10 years or less.
- CT** Fixed-rate Mega backed by conventional intermediate term, level payment mortgages; single-family; maturing or due in 20 years or less.
- CX** Fixed-rate Mega backed by conventional balloon, level payment mortgages; single-family; maturing or due in 7 years or less.
- CY** Fixed-rate Mega backed by conventional balloon, level payment mortgages; single-family; maturing or due in greater than 7 years.
- GA** Weighted-average fixed-rate Mega backed by government, adjustable-rate single-family mortgages.
- GL** Fixed-rate Mega backed by government, level payment mortgages; single-family; maturing or due in 30 years or less.
- GO** Fixed-rate Mega backed by government, level payment mortgages; single-family; each pool is comprised entirely of loans which were delinquent for 90 days or more during the 12 months prior to the pool issue date. All loans are current as of the pool issue date.
- K0** Fixed-rate Mega backed by conventional, long term, level payment mortgages; single-family; maturing or due in greater than 15 years but less than or equal to 30 years. The pool issue balance is comprised entirely of loans that have a 3-year prepayment premium provision.
- K1** Fixed-rate Mega backed by conventional, intermediate term, level payment mortgages; single-family; maturing or due in 15 years or less. The pool issue balance is comprised entirely of loans that have a 3-year prepayment premium provision.
- K2** Fixed-rate Mega backed by conventional long term, level payment mortgages; single-family; maturing or due in greater than 15 years. The pool issue balance is comprised entirely of loans that have a five-year prepayment premium provision.
- K3** Fixed-rate Mega backed by conventional intermediate term, level payment mortgages; single-family; maturing or due in greater than 15 years. The pool issue balance is comprised entirely of loans that have a five-year prepayment premium provision.
- KI** Fixed-rate Mega backed by conventional, intermediate term, level payment mortgages; single-family; maturing or due in 15 years or less. The pool issue balance is comprised entirely of loans that have a prepayment premium provision.
- KL** Fixed-rate Mega backed by conventional, long term, level payment mortgages; single-family; maturing or due in 30 years or less. The pool issue balance is comprised entirely of loans that have a prepayment premium provision.

- LA** Weighted-average Mega backed by conventional adjustable-rate mortgages; single-family; uniform 5/1 hybrid; indexed to the one-year Wall Street Journal London Interbank Offered Rate (LIBOR); five-year initial fixed period; 5 percent cap initial interest rate adjustment, 2 percent cap subsequent interest rate adjustments, with a 5 percent lifetime cap. Minimum servicing of 12.5 basis points; stated MBS pool accrual rate in initial fixed period and stated MBS margin.
- LB** Weighted-average Mega backed by conventional adjustable-rate mortgages; single-family; LIBOR, lifetime caps are pool specific.
- RE** Fixed-rate Mega backed by conventional long term, level payment single-family relocation mortgages.
- W2** Weighted-average Mega backed by conventional adjustable-rate mortgages; single-family; indexed to the one-year Treasury Constant Maturity; 2 percent per interest rate adjustment; lifetime caps are pool-specific.
- WC** Weighted-average Mega backed by conventional adjustable-rate mortgages; single-family; indexed to the one-year Treasury Constant Maturity; 2 percent per interest rate adjustment; lifetime caps are pool-specific. Convertible to fixed-rate any month beginning on the first interest rate change date and ending on the fifth interest rate change date.
- WD** Weighted-average Mega backed by conventional adjustable-rate mortgages; single-family; 1-year CMT; extended fixed initial period; annual changes thereafter; various caps at first adjustment; 2% per interest rate adjustment thereafter; lifetime caps are pool specific.
- WS** Weighted-average Mega backed by conventional adjustable-rate mortgages; single-family; includes a wide variety of ARM types and indices.
- WT** Weighted-average Mega backed by conventional adjustable-rate mortgages; single-family; six-month CD; semi-annual rate/payment change; 1% per interest rate adjustment; lifetime caps are pool specific; convertible to a fixed rate any month beginning on the second interest rate change date and ending on the tenth interest rate change date.
- X2** Weighted-average fixed-rate Mega, backed by conventional, supplemental lien mortgages; actual/360 interest day basis calculation; multifamily; maturity dates vary.
- XN** Weighted-average fixed-rate Mega, backed by conventional, short-term, level payment mortgages; balloon; actual/360 interest day basis calculation; multifamily; maturing or due in ten (10) years or less.
- XX** Weighted-average fixed-rate Mega, backed by conventional, short-term, level payment mortgages; balloon; actual/360 interest day basis calculation; multifamily; maturing or due in seven (7) years or less.
- XY** Weighted-average fixed-rate Mega, backed by conventional balloon mortgages; balloon; actual/360 interest day basis calculation; multifamily; maturing or due in greater than seven (7) years.
- YB** Weighted-average fixed-rate Mega, backed by conventional, level payment, subordinate lien mortgages; balloon; single-family; maturing or due in seven (7) years or less.
- YH** Weighted-average fixed-rate Mega, backed by conventional, intermediate-term, level payment, subordinate lien mortgages; single-family; maturing or due in fifteen (15) years or less.
- YL** Weighted-average fixed-rate Mega, backed by conventional. long-term, level payment mortgages; multifamily; maturing or due in thirty (30) years or less.
- YT** Weighted-average fixed-rate Mega, backed by conventional, intermediate-term, level payment mortgages; balloon; multifamily; maturing or due in twenty (20) years or less.
- YX** Weighted-average fixed-rate Mega, backed by conventional, balloon, level payment mortgages; multifamily; maturity dates vary.
- YY** Weighted-average fixed-rate Mega, backed by conventional, balloon, level payment mortgages; multifamily; maturing or due in seven (7) years or more.
- ZY** Weighted-average fixed-rate Mega, backed by conventional, level payment subordinate mortgages; multifamily; maturity dates vary.

No one is authorized to give information or to make representations in connection with the Mega certificates other than the information and representations contained in this prospectus. You must not rely on any unauthorized information or representation. This prospectus does not constitute an offer or solicitation with regard to the Mega certificates if it is illegal to make such an offer or solicitation to you under state law. By delivering this prospectus at any time, no one implies that the information contained in it is correct after its date.

The Securities and Exchange Commission has not approved or disapproved the Mega certificates or determined if this prospectus or any supplement to this prospectus is truthful and complete. Any representation to the contrary is a criminal offense.

Additional prospectuses and information regarding outstanding Mega pools are available upon request by calling us at (800) 237-8627 or (202) 752-6547 or by visiting our Web site at www.fanniemae.com.

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Guaranteed MBS Pass-Through Securities (MEGA Certificates) (Backed by Fannie Mae MBS Certificates)

MEGA PROSPECTUS



December 1, 2004
