

## Mega Prospectus



### Guaranteed MBS Pass-Through Securities (Mega Certificates)

#### The Mega Certificates

We, the Federal National Mortgage Association, or Fannie Mae, will issue the Mega certificates. Each issuance of Mega certificates will have its own identification number and will represent beneficial ownership interests in the assets of a trust. The assets of each trust (the “underlying securities”) may include one or both of the following:

- Fannie Mae Guaranteed Mortgage Pass-Through Certificates (“MBS”) that represent beneficial ownership interests in distinct pools of mortgage loans secured by single-family properties or multifamily properties; and/or
- Fannie Mae Guaranteed Mega Certificates that were previously issued (“Previously Issued Mega certificates”) and that represent indirect beneficial ownership interests in single-family or multifamily loans;

or may include the following:

- Fannie Mae Guaranteed REMIC Pass-Through Certificates (“REMIC securities”) that represent indirect beneficial ownership interests in single-family loans.

A trust will hold single-family underlying securities or multifamily underlying securities but will not hold both single-family underlying securities and multifamily underlying securities.

#### Fannie Mae Guaranty

We guarantee to each trust that we will supplement amounts received by the trust as required to permit timely payments of principal and interest on the Mega 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 9. 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 Mega 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 January 1, 2009.

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## DISCLOSURE DOCUMENTS FOR ISSUANCES OF MEGA CERTIFICATES

### This Prospectus and the Prospectus Supplements

We will provide information that supplements this prospectus in connection with each issuance of Mega certificates that are indirectly backed by fixed-rate single-family loans with prepayment premium features, by adjustable-rate single-family loans or by multifamily loans, or that are directly backed by single-family REMIC securities. We will post this prospectus, the related prospectus supplement, if any, and the final data statement for each issuance of Mega certificates on our Web site shown below. In addition, we will deliver these documents either electronically to parties who request them in accordance with our procedures or in paper form to parties who so request. The disclosure documents for any particular issuance of Mega certificates are this prospectus, the related prospectus supplement, if any, and the final data statement, together with any information incorporated into these documents by reference as discussed under the heading **“INCORPORATION BY REFERENCE”** below. For issuances of Mega certificates where no prospectus supplement is prepared, the final data statement, this prospectus, and the information incorporated into these documents by reference, will be the disclosure documents for that issuance. We also provide updated information and corrections regarding each issuance of Mega certificates, the underlying securities, and the mortgage loans backing those securities through our “PoolTalk”<sup>®</sup> web-based application, our Multifamily Securities Locator Service web-based application, or at other locations on our Web site. You should note that the Mega certificates are not traded on any exchange and that the market price of a particular issuance of Mega certificates or a benchmark price may not be readily available. **In determining whether to purchase any issuance of Mega certificates in any initial offering, you should rely ONLY on the information in this prospectus, any related prospectus supplement, the final data statement and any information that we have otherwise incorporated into these documents by reference. You should not rely on any unauthorized information or representation.**

Each prospectus supplement will include information about the Mega certificates being offered as well as the underlying securities and the mortgage loans backing the underlying securities. Certain statistical information regarding the Mega certificates, the underlying securities and the related mortgage loans may also be found in the final data statement for the trust or in the prospectus supplement, if any, for the underlying securities. See **“COLLATERAL INFORMATION AND FINAL DATA STATEMENTS—Final Data Statements”** below. Certain information about the underlying securities and the related mortgage loans will be given as of the issue date of the underlying securities. Other information about the underlying securities and the related mortgage loans will be given as of the issue date of the Mega certificates. Because each prospectus supplement will contain specific information about a particular issuance of Mega certificates, 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.

Each prospectus supplement also may include a section under the heading “Recent Developments” that may contain additional summary information with respect to current events, including certain regulatory, accounting and financial issues affecting Fannie Mae.

You may obtain copies of this prospectus, any related prospectus supplement and the related final data statement by writing to Fannie Mae, Attention: Fixed-Income Securities, 3900 Wisconsin Avenue, NW, Area 2H-3S, Washington, DC 20016 or by calling the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-7115. The prospectus supplement, if any, will be available on or before the settlement date of the related issuance of Mega certificates. These documents will also be available on our Web site at [www.fanniemae.com](http://www.fanniemae.com). We are providing our Internet address solely for your information. Unless otherwise stated, information appearing on our Web site is not incorporated into this prospectus or into any prospectus supplement or final data statement.

## Prospectuses for the Underlying Securities

For each issuance of Mega certificates, you should review the following:

- for Mega certificates directly or indirectly backed by single-family MBS, the Prospectus for Fannie Mae Guaranteed Mortgage Pass-Through Certificates (Single-Family Residential Mortgage Loans), dated January 1, 2009 or such earlier or later version of that prospectus as may be applicable (the “Single-Family MBS Prospectus”) and any related prospectus supplements;
- for Mega certificates directly or indirectly backed by multifamily MBS, the Prospectus for Fannie Mae Guaranteed Mortgage Pass-Through Certificates (Multifamily Residential Mortgage Loans), dated September 1, 2007 or such earlier or later version of that prospectus as may be applicable (the “Multifamily MBS Prospectus”) and the related prospectus supplements;
- for Mega certificates directly or indirectly backed by single-family REMIC securities, the Prospectus for Fannie Mae Guaranteed Single-Family REMIC Pass-Through Certificates, dated August 1, 2007 or such earlier or later version of that prospectus that may be applicable (the “Single-Family REMIC Prospectus”) and the related prospectus supplements; and
- for Mega certificates backed by Previously Issued Mega certificates, this prospectus or such earlier version of this prospectus as may be applicable, and any related prospectus supplements.

For more information about the underlying securities, see **“THE UNDERLYING SECURITIES”** in this prospectus.

You may obtain copies of the documents described above without charge by writing to Fannie Mae, Attention: Fixed-Income Securities, 3900 Wisconsin Avenue, NW, Area 2H-3S, Washington, DC 20016 or by calling the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-7115. These documents will also be available on our Web site at [www.fanniemae.com](http://www.fanniemae.com).

## INCORPORATION BY REFERENCE

We are incorporating by reference in this prospectus the documents specified under **“DISCLOSURE DOCUMENTS FOR ISSUANCES OF MEGA CERTIFICATES—Prospectuses for the Underlying Securities.”** We are also incorporating by reference the documents listed below. This means that we are disclosing information to you by referring you to these documents. These documents are considered part of this prospectus, so you should read this prospectus, any applicable prospectus supplement and the final data statement, together with these documents.

You should rely on only the information provided or incorporated by reference in this prospectus, any related prospectus supplement and the final data statement. Moreover, you should rely only on the most current information.

We incorporate by reference the following documents that 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, 2007 (“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, including our quarterly reports on Form 10-Q and current reports on Form 8-K but 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 completion of the offering of the related Mega certificates, but excluding any information we “furnish” to the SEC on Form 8-K.

We make available free of charge through our Web site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all other SEC reports and amendments to those reports as soon as reasonably practicable after we electronically file the material with, or furnish it to, the SEC. Our Web site address is [www.fanniemae.com](http://www.fanniemae.com). Materials that we file with the SEC are also available from the SEC's Web site, [www.sec.gov](http://www.sec.gov). In addition, these materials may be inspected, without charge, and copies may be obtained at prescribed rates, at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

You may also request copies of any filing from us, at no cost, by calling the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-7115 or by mail at 3900 Wisconsin Avenue, NW, Area 2H-3S, Washington, DC 20016.

## **COLLATERAL INFORMATION AND FINAL DATA STATEMENTS**

### **Preliminary Security-Level Information**

Twice each business day, we post on our Web site under the caption "Monthly Reporting Data—Recently Priced Mega Transactions" preliminary security-level information about proposed issuances of Mega certificates that have been priced in that month through the date and time of posting but that have not yet settled (and might not settle). This preliminary information includes the CUSIP number and expected settlement date and is subject to change. Final information for an issuance of Mega certificates that has settled will be included in the disclosure documents, including the final data statement, any prospectus supplement, and this prospectus, all of which are posted on our Web site.

### **Collateral Information**

Twice each business day, we post on our Web site under the caption "Monthly Collateral Summary" certain collateral information for issuances of Mega certificates that have settled during the current month through the date and time of posting. This collateral information includes the weighted average coupon and the weighted average maturity of the underlying securities backing each issuance. If the collateral information for an issuance of Mega certificates is posted before the settlement of some or all of the underlying securities, the collateral information will be considered preliminary. The final collateral information will be included in the final data statement for that issuance of Mega certificates and may differ from the preliminary collateral information. The final data statement reflecting revised collateral information will be posted on our Web site on or about the final business day of the month in which the related Mega certificates are issued. See "**Final Data Statements**" below.

### **Final Data Statements**

Once the trust for a particular issuance of Mega certificates has been formed, we prepare a final data statement containing certain final information about the underlying securities. Except as described below for Mega certificates backed by REMIC securities, a final data statement presents aggregate data on all of the underlying securities held in the related trust (for example, highest and lowest current weighted average coupon, weighted average coupon, highest and lowest weighted average remaining term, and weighted average remaining term). The final data statement for Mega certificates backed by REMIC securities will present aggregate data on the MBS underlying the REMIC securities held in the related trust.

If no prospectus supplement is prepared for a particular issuance of Mega certificates, the final data statement, this prospectus and the information incorporated into these documents by reference will be the only disclosure documents related to the issuance. In that case, the final data statement

may include a section under the heading “Recent Developments” that may contain additional summary information with respect to current events, including certain regulatory, accounting and financial issues affecting Fannie Mae.

A final data statement prepared for an issuance of Mega certificates will be posted on our Web site on or about the settlement date of the related issuance of Mega certificates. If any underlying securities have not yet settled when a final data statement is prepared, settlement of the underlying securities may create a need for data in the final data statement to be updated. In that case, we will prepare a revised final data statement containing the updated data, which will be posted on our Web site on or about the final business day of the month in which the related Mega certificates are issued. Our Web site address is [www.fanniemae.com](http://www.fanniemae.com). We will also provide final data statements in paper form upon request. See “**DISCLOSURE DOCUMENTS FOR ISSUANCES OF MEGA CERTIFICATES—This Prospectus and the Prospectus Supplements**” for our address and phone number.

### **Additional Information**

For each trust, we post on our Web site, through our PoolTalk application, certain pool-level information as of the issue date of the related Mega certificates. This information is updated on a monthly basis. In addition, for each trust, while the related Mega certificates remain outstanding, we post through PoolTalk selected aggregate information about the related mortgage loans, presented on a pool-level basis. Some loan information is provided in quartile format (for example, loan-to-value ratio, borrower credit score), and other loan information is provided in tabular format (for example, occupancy type, loan purpose, property type by number of units, and servicer). Most of this aggregate mortgage loan information is updated on a monthly basis. See “**DESCRIPTION OF THE MEGA CERTIFICATES—Reports to Mega Certificateholders.**”

Mega certificateholders should note that, unless otherwise stated in this prospectus, information on our Web site is *not* incorporated by reference in this prospectus.

## 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 issuance of Mega certificates, you should have the information necessary to make a fully informed investment decision. For that, you must read this prospectus in its entirety (as well as each document to which we refer you in this prospectus), any related prospectus supplement and each disclosure document for the underlying securities in the related trust.

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

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

On September 6, 2008, the Director of the Federal Housing Finance Agency (“FHFA”) placed us into conservatorship pursuant to authority granted by the Federal Housing Finance Regulatory Reform Act of 2008 (the “Regulatory Reform Act”). As the conservator, FHFA succeeded to all rights, titles, powers and privileges of Fannie Mae, and of any stockholder, officer, or director of Fannie Mae with respect to Fannie Mae and the assets of Fannie Mae. For additional information regarding conservatorship, see “**RISK FACTORS—FANNIE MAE GOVERNANCE FACTORS**” below.

**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.**

Description of Mega Certificates . . . . . Each Mega certificate will represent a fractional undivided beneficial ownership interest in a pool of underlying securities and in the principal and interest distributions from these underlying securities. 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 the related prospectus supplement. The book-entry certificates will not be convertible into physical certificates.

Minimum Denomination . . . . . We will issue the Mega certificates in minimum denominations of \$1,000 with additional increments of \$1.

Issue Date . . . . . The first day of the month in which the Mega certificates of a particular issuance are issued.

Settlement Date . . . . . No later than the last business day of the month in which the issue date occurs.

Distribution Date . . . . . The 25th day of each month is the date designated for payments to holders of Mega certificates. If that day is not a business day, payment will be made on the next business day. The first distribution date for 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 April 25th.

Final Data Statements . . . . . The final data statement for an issuance of Mega certificates identifies the underlying securities for that issuance. It also provides certain data about the underlying securities and about the Mega issuance itself. The final data statement will be posted on our Web site on or about the settlement date for that issuance.

Interest . . . . . On each distribution date, we will distribute interest on the Mega certificates of a particular issuance in an amount equal to the interest accrued on the then-outstanding Mega certificates of that issuance for the related interest accrual period, minus the amount of any deferred interest resulting from negative amortization on the related mortgage loans with respect to that distribution date.

Principal . . . . . On each distribution date, we will distribute principal of the Mega certificates of a particular issuance in an amount equal to the portion of the aggregate principal due on the related underlying securities during the preceding deposit period that is allocable to the then-outstanding Mega certificates of that issuance. (As to any distribution date, the deposit period is the period beginning immediately after the preceding distribution date and ending on the distribution date.)

Monthly Factor . . . . . On or about the fourth business day of each month, we will publish the monthly factor for each issuance of Mega certificates. If you multiply the monthly 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 principal payment to be made on the distribution date in that month.

Business Day . . . . . Any day other than a Saturday or Sunday, a day when the fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York is closed, or a day when the Federal Reserve Bank is closed in a district where a certificate account is located if the related withdrawal is being made from that certificate account.

Final Distribution Date . . . . . The distribution date immediately following the latest maturity date of a mortgage loan directly or indirectly backing the related underlying securities, as specified in the related final data statement.

Guaranty . . . . . We guarantee to each trust that we will supplement amounts received by the trust as required to permit payments on the Mega certificates on each distribution date in an amount equal to the sum of (i) the portion of



the aggregate amount of principal due on the related underlying securities during the preceding deposit period that is allocable to the then-outstanding Mega certificates of that issuance and (ii) the interest accrued on the then-outstanding Mega certificates of that issuance for the related interest accrual period, minus the amount of any deferred interest resulting from negative amortization on the related mortgage loans with respect to that distribution date. In addition, we guarantee to each trust the full and final payment of the unpaid principal balance of the Mega certificates on the final distribution date for that issuance, even if less than the required amount has been remitted to us.

Our guaranty runs directly to each trust and not directly to Mega certificateholders. Mega certificateholders have only limited rights to bring proceedings directly against Fannie Mae to enforce our guaranty. Mega certificateholders also have certain limited rights to bring proceedings against the U.S. Department of the Treasury (“Treasury”) if we fail to pay under our guaranty. For a description of Mega certificateholders’ rights to proceed against Fannie Mae and Treasury, see “**DESCRIPTION OF THE MEGA CERTIFICATES—Trust Agreement—Certificateholder Rights Upon a Guarantor Event of Default.**”

The Underlying Securities . . . . .

Each Mega certificate is backed by one or more underlying securities representing the direct or indirect beneficial ownership of residential mortgage loans secured by single-family or multifamily properties, but not both.

**Single-family Mega certificates:** the underlying securities may include

- single-family MBS and/or
- previously issued single-family Mega certificates,

or may include

- single-family REMIC securities.

**Multifamily Mega certificates:** the underlying securities will include

- multifamily MBS and/or
- previously issued multifamily Mega certificates.

Exchange of Mega Certificates . . . . .

In certain circumstances, holders may exchange their Mega certificates for one or more classes of SMBS certificates issued from the same trust or for a combination of Mega certificates and one or more classes of SMBS certificates issued from the same trust. See “**DESCRIPTION OF THE MEGA CERTIFICATES—Exchange of Mega Certificates for SMBS Certificates**” in this prospectus.

Trust Agreement . . . . .	Each issuance of Mega certificates is issued in accordance with the provisions of the 2009 Mega-SMBS Master Trust Agreement, effective as of January 1, 2009, as supplemented by an issue supplement. We summarize certain pertinent provisions of the trust agreement in this prospectus. You should refer to the trust agreement for a complete description of your rights and obligations as well as the rights and obligations of Fannie Mae in our various capacities. The trust agreement may be found on our Web site.
Trustee . . . . .	We serve as the trustee for each issuance of Mega certificates pursuant to the terms of the trust agreement and the related issue supplement.
Paying Agent . . . . .	An entity designated by us to perform the functions of a paying agent. The Federal Reserve Bank of New York currently serves as our paying agent for the Mega certificates.
Fiscal Agent . . . . .	An entity designated by us to perform certain administrative functions for our trusts. The Federal Reserve Bank of New York currently serves as our fiscal agent for the Mega certificates.
Termination . . . . .	Each trust will terminate upon distribution by the trustee of all amounts required to be distributed under the trust agreement to the holders of the related Mega certificates. In no event will any trust continue beyond the last day of the 60th year following the issue date of the Mega certificates. Fannie Mae has no option to terminate a trust early.
Federal Income Tax Consequences . . . .	Each trust will be classified as a fixed investment trust. Each beneficial owner of a Mega certificate of a particular issuance will be treated as the owner of a pro rata undivided interest in each of the underlying securities held in the trust.
Legal Investment Considerations . . . . .	Under the Secondary Mortgage Market Enhancement Act of 1984, the Mega certificates offered by this prospectus and any related prospectus supplement will be considered “securities issued or guaranteed by . . . the Federal National Mortgage Association.” Nevertheless, you should consult your own legal advisor to determine whether and to what extent the Mega certificates of a particular issuance constitute legal investments for you.
ERISA Considerations . . . . .	For the reasons discussed under “ <b>ERISA CONSIDERATIONS</b> ” in this prospectus, investment by a plan in the Mega certificates will not cause the assets of the plan to include the mortgage loans backing the underlying securities held in the trust or cause the sponsor, trustee and servicers of the mortgage pool to be subject to the fiduciary provisions of the Employee Retirement Income Security Act (“ERISA”) or the prohibited transaction provisions of ERISA or section 4975 of the Internal Revenue Code of 1986.

## RISK FACTORS

We have listed below some of the principal risks associated with an investment in Mega certificates. Additional risks related to the underlying securities that directly or indirectly back the Mega certificates are disclosed in the Single-Family MBS Prospectus, the Multifamily MBS Prospectus and the Single-Family REMIC Prospectus, as applicable. Moreover, we may identify additional risks associated with a specific issuance of Mega certificates in the related prospectus supplement, if any, or in the related final data statement. In addition, our annual report on Form 10-K and our quarterly reports on Form 10-Q, which we incorporate by reference into this prospectus, discuss certain risks, including risks relating to Fannie Mae, that may affect your investment in the Mega certificates and the value of the Mega certificates.

You should review all of these risk factors before investing in the Mega certificates. Because each investor has different investment needs and a different risk tolerance, you should consult your own financial and legal advisors to determine whether the Mega certificates are a suitable investment 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 underlying securities as well as the information contained in this prospectus, any related prospectus supplement, any supplement to the prospectus supplement, the related final data statement and the documents incorporated by reference;
- understand thoroughly the terms of the Mega certificates and the underlying securities;
- be able to evaluate (either alone or with the help of a financial or legal advisor) the economic, 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 the underlying securities; 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.

**FANNIE MAE GOVERNANCE FACTORS:**

**FHFA, as conservator, is authorized under the Regulatory Reform Act to transfer or sell any of our assets or liabilities, including our guaranty, without our approval, assignment or consent.**

**The Director of FHFA is authorized to place us into receivership under certain conditions, which could adversely affect our contracts, including our guaranty, and restrict or eliminate certain rights of Mega certificateholders.**

In its capacity as conservator, FHFA has the authority to transfer any of our assets or liabilities, including our guaranty, without any approval, assignment or consent from us or any other party. If FHFA, as conservator, were to transfer our guaranty obligation to another party, Mega certificateholders would have to rely on that party for satisfaction of the guaranty obligations and would be exposed to the credit risk of that party.

Under the Regulatory Reform Act, FHFA must place us into receivership if the Director of FHFA makes a determination that our assets are, and for a period of 60 days have been, less than our obligations or we are unable to pay our debts and have been unable to do so for a period of 60 days.

The Director of FHFA may also place us into receivership in his or her discretion for certain other reasons. The appointment of a receiver would terminate the current conservatorship. If FHFA were to become our receiver, it could exercise certain powers that could adversely affect Mega certificateholders, as explained below.

*Repudiation of Contracts:* As receiver, FHFA could repudiate any contract entered into by Fannie Mae prior to its appointment as receiver if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of Fannie Mae's affairs. The Regulatory Reform Act requires that any exercise by FHFA of its right to repudiate any contract occur within a reasonable period following its appointment as receiver.

If FHFA, as receiver, were to repudiate our guaranty obligations, the receivership estate would be liable for damages under the Regulatory Reform Act. Any such liability could be satisfied only to the extent our assets were available for that purpose.

Moreover, if our guaranty obligations were repudiated, Mega certificateholders would receive from the related trust only the amounts paid on the related underlying securities. In that case, distributions generally would be limited to borrower payments and other recoveries on the related mortgage loans. As a result, delinquencies and defaults on the related mortgage loans would directly affect the amounts that Mega certificateholders would receive each month. Any damages due to the repudiation of our guaranty obligations may not be sufficient to offset any shortfalls experienced by Mega certificateholders.

*Transfer of Guaranty Obligations:* In its capacity as receiver, FHFA would have the right to transfer or sell any asset or liability of Fannie Mae without any approval, assignment or consent from us or any other party. If FHFA, as receiver, were to transfer our guaranty obligations to another party, Mega certificateholders would have to rely on that party for satisfaction of the guaranty obligations and would be exposed to the credit risk of that party.

*Rights of Mega Certificateholders:* During a receivership, certain rights of Mega certificateholders under the trust documents may not be enforceable against FHFA, or enforcement of such rights may be delayed. The trust documents provide that upon the occurrence of a guarantor event of default, which includes the appointment of a receiver, Mega certificateholders have the right to replace Fannie Mae as trustee if the requisite percentage of Mega certificateholders consents. The Regulatory Reform Act may prevent Mega certificateholders from enforcing their rights to replace Fannie Mae as trustee if the event of default arises solely because a receiver has been appointed.

The Regulatory Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which Fannie Mae is a party, or obtain possession of or exercise control over any property of Fannie Mae, or affect any contractual rights of Fannie Mae, without the approval of FHFA as receiver, for a statutorily specified period following the appointment of FHFA as receiver.

If we are placed into receivership and do not or cannot fulfill our guaranty to Mega certificateholders, Mega certificateholders could become unsecured creditors of Fannie Mae with respect to claims made under our guaranty. For a description of certain rights of Mega certificateholders to proceed against Treasury if we fail to pay under our guaranty, see “**DESCRIPTION OF THE MEGA CERTIFICATES—Trust Agreement—Certificateholder Rights Upon a Guarantor Event of Default**” below.

**If we emerge from conservatorship and at a later date FHFA again were to place us into conservatorship, FHFA as conservator would have the authority of a new conservator, which could adversely affect our contracts, including our guaranty, and restrict or eliminate certain rights of Mega certificateholders.**

FHFA currently has all of the rights of a conservator as to Mega certificates issued before September 6, 2008, the date we were placed into conservatorship. See “**FANNIE MAE—Regulatory Actions and Conservatorship**” below.

For so long as we remain in our current conservatorship and are not placed into receivership, (i) FHFA has no right to repudiate any contracts entered into after we were placed into conservatorship, including our

guaranty related to Mega certificates we issued during our conservatorship, and (ii) the rights of holders of Mega certificates issued during our conservatorship are not restricted.

If we emerge from conservatorship and at a later date FHFA were to place us into a new conservatorship, (i) FHFA would have all of the authority of a new conservator (which is similar to the authority of a receiver to repudiate contracts and to transfer guaranty obligations described in the prior risk factor), including the right to repudiate the guaranty associated with Mega certificates we issued during our initial conservatorship, and (ii) certain rights of holders of Mega certificates issued prior to and during our current conservatorship would be restricted or eliminated. The Mega certificates offered by this prospectus are being offered during our current conservatorship.

***PREPAYMENT FACTORS:***

**We may withdraw some or all of the underlying securities due to a breach of representations or warranties, accelerating the rate at which you receive your return of principal.**

In delivering underlying securities to us, transferors make representations and warranties about the underlying securities. If these representations and warranties were not true when made, we may purchase from the trust the affected underlying securities at any time. The affected securities could include some or all of the underlying securities in a trust.

When an underlying security is purchased, its principal balance is passed through to Mega certificateholders on the distribution date in the month of purchase. Thus, the purchase of an underlying security due to a breach of a representation and warranty may accelerate the rate of principal payments on your Mega certificates. See “**DESCRIPTION OF THE MEGA CERTIFICATES—Trust Agreement—Purchase or Substitution of Underlying Securities by the Issuer**” below.

**The Mega certificates are affected by the prepayment and other risk factors to which the underlying securities are subject.**

Because the Mega certificates of a particular issuance are affected by the prepayment and other risk factors to which the underlying securities are subject, investors should read and understand the risk factors contained in the Single-Family MBS Prospectus, Multifamily MBS Prospectus and Single-Family REMIC Prospectus, as applicable.

## ***YIELD FACTORS:***

**Your yield will be subject to a number of factors, including the rate of prepayment on the mortgage loans backing the underlying securities.**

Yields on the Mega certificates will be sensitive to the prepayment rate of the mortgage loans that indirectly back the Mega certificates. 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 their mortgage loans;
- the timing of any liquidations of the mortgage loans due to borrower defaults or to casualties or condemnations affecting the properties securing the loans;
- the timing of any purchases of the mortgage loans by us; and
- the actual characteristics of the mortgage loans.

If the related mortgage loans are repaid more quickly than you expect, principal on your Mega certificates will be paid to you sooner than you expect. Depending on then-prevailing economic conditions and interest rates, you may not be able to reinvest the proceeds at a yield that is equal to or greater than the yield on your Mega certificates.

In contrast, if the related mortgage loans are repaid more slowly than you expect, principal on your Mega certificates will be paid to you later than you expect. 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 expect your Mega certificates to prepay, 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.

**The yield on your Mega certificates may be lower than expected due to an unexpected rate of principal payments.**

The actual yield on your Mega certificates probably will be lower than you expect:

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

Furthermore, in the case of Mega certificates purchased at a premium, you could lose money on your investment if principal payments occur at a rapid rate.

**Delay securities have lower yields and lower market values.**

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

**Unpredictable timing of the last payment affects yields on your Mega certificates.**

The actual final payment of your Mega certificate is likely to occur earlier, and could occur much earlier, than the specified final distribution date. If you assume that the actual final payment will occur on the specified final distribution date, your yield may be lower than you expect.

**Reinvestment of payments of principal of your Mega certificates may not achieve the same yields as the yields on your Mega certificates.**

The rate at which you receive a return of principal of your Mega certificates depends upon the rate of principal payments on the underlying securities and related mortgage loans. As you receive payments of principal of your Mega certificates, you may be unable to reinvest the principal at the same yields as the yields you had received on your Mega certificates.

***LIQUIDITY FACTORS:***

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

We cannot be sure that each new issuance of Mega certificates, when created, will have a ready market or, if a market does develop, that the market will remain active during the entire term for which your 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.

Some of the factors that may affect the resale of your Mega certificates are the following:

- the method, frequency and complexity of calculating principal or interest on the underlying securities and unpaid principal balances on the mortgage loans backing the underlying securities;
- the average age of the mortgage loans backing the underlying securities;
- the prepayment features of the mortgage loans backing the underlying securities;
- the outstanding principal amount (or notional principal amount) of the Mega certificates of that issuance and other issuances with similar features;
- the amount of Mega certificates offered for resale from time to time;
- the availability of current information about the underlying securities and mortgage loans;
- any legal restriction or tax treatment limiting demand for the Mega certificates;
- the availability of comparable or complementary securities;
- market uncertainty;
- 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;
- our financial condition and rating;



- our future structure, organization, and the level of government support for the company;
- whether we are in conservatorship or receivership;
- the financial condition and rating of the seller and the direct or primary servicer of the mortgage loans backing the underlying securities;
- any significant reduction in our securitization volume due to a decline in mortgage loan originations by key sellers that have experienced liquidity or other major difficulties; and
- any increase or decrease in the level of governmental commitments to engage in market purchases of our mortgage-backed securities.

**Volatility in currency exchange rates may adversely affect your yield on the Mega certificates.**

We make all payments of principal and interest on the Mega certificates in U.S. dollars. If you conduct your financial activities in another currency, an investment in any U.S. dollar-denominated security such as the Mega certificates has significant additional risks. These include the possibility of significant changes in the rate of exchange and the possibility that exchange controls may be imposed. In recent years, the exchange rates between the U.S. dollar and certain currencies have been highly volatile. This volatility may continue. If the value of your currency appreciates relative to the value of the U.S. dollar, the yield on your Mega certificates, the value of payments on your Mega certificates and the market value of your Mega certificates all would decline in terms of your currency.

**We are required to begin reducing our mortgage portfolio assets beginning in 2010, which may adversely affect the liquidity of the Mega certificates.**

Under the senior preferred stock purchase agreement between Treasury and us, we are required to reduce the aggregate size of mortgage assets held in our portfolio by 10% per year beginning in 2010 until an overall reduction of our portfolio assets to \$250 billion has been achieved. Our mortgage portfolio assets include a substantial amount of our Mega certificates and our other mortgage-backed securities. We have traditionally been an active purchaser of our Mega certificates for a number of reasons, including helping to provide market liquidity for the Mega certificates. The required reduction in our mortgage portfolio assets may restrict our ability to purchase our Mega certificates and other mortgage-backed securities, which may impair the liquidity of the Mega certificates.

**The occurrence of a major natural or other disaster in the United States or abroad could adversely affect national or regional economies and markets, disrupt our ability to conduct business, reduce investor confidence, and impair the liquidity and market value of the Mega certificates.**

It is impossible to predict whether a major natural or other disaster (such as a terrorist attack and accompanying governmental military actions) will occur in the United States or abroad or the extent to which such a major event would adversely affect your Mega certificates. Any such major event, however, could have a serious adverse effect on the United States and world financial markets, on local, regional and national economies, and on real estate markets within or across the

United States, which may result in an increase in the number of defaults on or prepayments of the mortgage loans backing the underlying securities. This, in turn, could result in early payments of principal to holders of Mega certificates of one or more issuances.

Moreover, the contingency plans and facilities that we have in place may be insufficient to prevent a disruption in the infrastructure that supports our business and the communities in which we are located from having an adverse effect on our ability to conduct business. Substantially all of our senior management and investment personnel work out of our offices in the Washington, DC metropolitan area. If a disruption occurs and our senior management or other employees are unable to occupy our offices, communicate with other personnel or travel to other locations, our ability to conduct our business operations, including our ability to communicate with other personnel or with our lenders and servicers, may suffer, and we may not be successful in implementing contingency plans that depend on communication or travel.

**Changes in general market and economic conditions in the United States and abroad and the current disruption in the mortgage credit market have materially affected, and may continue to materially affect, our business, results of operations, financial condition, liquidity and net worth.**

The disruption of the international credit markets, weakness in the U.S. financial markets and national and local economies in the United States and economies of other countries that hold our securities, short-term and long-term interest rates, the value of the U.S. dollar compared with the value of foreign currencies, the rate of inflation, fluctuations in both the debt and equity capital markets, high unemployment rates and the lack of economic recovery from the credit crisis have materially affected, and may continue to materially affect, our business, results of operations, financial condition, liquidity and net worth. Moreover, the deteriorating conditions in the mortgage credit market have resulted in a decrease in the availability of corporate credit and liquidity within the mortgage industry and have caused disruptions to normal operations of major mortgage originators, including some of our largest customers. These conditions have resulted in less liquidity, greater volatility, widening of credit spreads and a lack of price transparency. Because we operate in the mortgage credit market, we are subject to potential adverse effects on our results of operations and financial condition due to our activities involving securities, mortgages, derivatives and other mortgage commitments with our customers. Any of these adverse effects could impair the liquidity and market value of the Mega certificates of one or more issuances and/or limit our ability to continue to finance our business operations and fulfill our existing obligations, including our guaranty obligations to Mega certificateholders.

***FANNIE MAE CREDIT FACTORS:***

**If we fail to pay under our guaranty, the amount distributed to Mega certificateholders could be reduced.**

If borrowers fail to make their payments on the related mortgage loans on time or at all, or if a servicer of the related mortgage loans fails to remit borrower payments to us, we are responsible for making payments under our guaranty. If, however, we fail to make, or if our financial condition prevents us from making, required payments on the underlying securities and the Mega certificates pursuant to our guaranty, Mega certificateholders would receive from the related trust only the amounts paid on the related underlying securities, which generally would be limited to borrower payments and other recoveries on the related mortgage loans. As a result, in that case, delinquencies and defaults on the related mortgage loans would adversely affect the amounts that Mega certificateholders would receive each month.

**If our credit becomes impaired, a buyer may be willing to pay only a reduced price for your Mega certificates.**

There could be an adverse change in our liquidity position or financial condition that impairs our credit rating and the perception of our credit. Even if we were to make all the payments required under our guaranty, reduced market liquidity may make it more difficult to sell your Mega certificates and potential buyers may offer less for your Mega certificates than they would have offered if our liquidity position or financial condition had remained unchanged.

***OTHER FACTORS:***

**Only certain information about the Mega certificates and underlying securities is provided.**

You should be aware that the information in a prospectus supplement or final data statement for a particular issuance of Mega certificates will not contain information about certain characteristics of the related mortgage loans, even though under certain circumstances these characteristics could affect the prepayment experience of the mortgage loans and, therefore, the yield on your Mega certificates. In addition, weighted average information will not disclose the range of coupons or remaining terms to maturity of individual mortgage loans. For example, while extremely wide ranges of coupons are unusual in pools of mortgage loans backing MBS, a pool with a weighted average coupon (WAC) that is 1.50% above the pass-through rate of the MBS could consist of mortgage loans half of which have coupons that are 0.50% above the pass-through rate and the other half of which have coupons that are 2.50% above the pass-through rate. A pool of this type could have a prepayment experience that is significantly different from that of a pool made up exclusively of mortgage loans with coupons that are 1.50% above the pass-through rate of the MBS. In a similar way, the remaining terms to maturity of mortgage loans in a pool may vary widely. This difference would affect the scheduled amortization and could affect the prepayment rate of the related MBS and, therefore, the yield on the Mega certificates.

## FANNIE MAE

### General

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, as amended (the “Charter Act”). 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. As discussed below, we are currently in conservatorship.

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 ongoing 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 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, receiving guaranty fees for our guaranty to the related trust that we will supplement amounts received by the related trust as required to permit timely payments of principal and interest on the certificates. We issue mortgage-backed certificates primarily in exchange for pools of mortgage loans from lenders. By issuing mortgage-backed 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.

### Regulatory Actions and Conservatorship

The Regulatory Reform Act was signed into law by President Bush on July 30, 2008 and became effective immediately. The Regulatory Reform Act established FHFA as an independent agency with general supervisory and regulatory authority over Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. FHFA assumed the duties of our former regulators, the Office of Federal Housing Enterprise Oversight and the Department of Housing and Urban Development, or HUD, with respect to safety, soundness and mission oversight of Fannie Mae and Freddie Mac. HUD remains our regulator with respect to fair lending matters.

On September 6, 2008, the Director of FHFA placed Fannie Mae into conservatorship and appointed FHFA as the conservator. Upon its appointment, FHFA immediately succeeded to all of our

rights, titles, powers and privileges and those of any stockholder, officer, or director of Fannie Mae with respect to us and our assets. The conservator has the authority to take over our assets and operate our business with all the powers of our stockholders, directors and officers, and to conduct all business of the company. Under the Regulatory Reform Act, FHFA, as conservator, may take “such action as may be necessary to put the regulated entity in a sound and solvent condition.” We have no control over FHFA’s actions or the actions it may direct us to take. The conservatorship has no specified termination date; we do not know when or how it will be terminated. A copy of the statement issued by FHFA Director James B. Lockhart regarding the placement of Fannie Mae into conservatorship and a copy of a Fact Sheet discussing questions and answers about the conservatorship are available on FHFA’s Web site at [www.fhfa.gov](http://www.fhfa.gov).

In September 2008, Treasury announced that it had taken two additional actions in connection with the conservatorship.

First, on September 7, 2008, Treasury entered into a senior preferred stock purchase agreement with us pursuant to which Treasury provided us with its commitment to provide up to \$100 billion in funding under specified conditions. This agreement was amended and restated on September 26, 2008. The agreement requires Treasury, upon the conservator’s request, to provide funds to us after any quarter in which we have a negative net worth (that is, our total liabilities exceed our total assets, as reflected on our balance sheet prepared in accordance with generally accepted accounting principles) and also provides for interim funding if necessary. Mega certificateholders have certain limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. For a description of Mega certificateholders’ rights to proceed against Fannie Mae and Treasury, see **“DESCRIPTION OF THE MEGA CERTIFICATES—Trust Agreement—Certificateholder Rights Upon a Guarantor Event of Default”** below. The senior preferred stock purchase agreement contains covenants that significantly restrict our operations and that are described in more detail in our quarterly report on Form 10-Q for the quarter ended September 30, 2008, filed with the SEC on November 10, 2008. In exchange for Treasury’s funding commitment, among other things, we issued to Treasury, as an initial commitment fee, one million shares of our senior preferred stock and a warrant to purchase, for a nominal price, shares of our common stock equal to 79.9% of our common stock outstanding on a fully diluted basis at the time the warrant is exercised. We did not receive any cash proceeds from Treasury as a result of issuing the senior preferred stock or the warrant.

Second, on September 19, 2008, Treasury established a new secured lending credit facility that is available to us until December 31, 2009 as a liquidity back-stop. To borrow under the Treasury credit facility, we must post collateral in the form of Fannie Mae MBS or Freddie Mac mortgage-backed securities to secure all borrowings under the facility. Treasury is not obligated under the credit facility to make any loan to us.

Details regarding these actions are available on Treasury’s Web site at [www.ustreas.gov](http://www.ustreas.gov).

We are continuing to operate as a going concern while in conservatorship and remain liable for all of our obligations, including our guaranty obligations, associated with the Mega certificates and other mortgage-backed securities issued by us. The senior preferred stock purchase agreement and the secured lending credit facility are intended to enhance our ability to meet our obligations.

## USE OF PROCEEDS

We usually issue Mega certificates in swap transactions in which the Mega certificates are issued in exchange for the underlying securities that back the Mega certificates being issued. In some instances, we may issue Mega certificates backed by underlying securities that we already own. In those transactions, we receive cash proceeds upon sale of the Mega certificates to the related dealers. Unless otherwise stated in the related prospectus supplement, we apply the cash proceeds to the purchase of mortgage loans and for other general corporate purposes.

## DESCRIPTION OF THE MEGA CERTIFICATES

This prospectus relates to Mega certificates issued on and after January 1, 2009, which are issued under our 2009 Mega-SMBS Master Trust Agreement, effective January 1, 2009 (as it may be amended or replaced from time to time, the “trust agreement”). For information about Mega certificates issued before that date, see the Mega prospectus that was in effect at the time those Mega certificates were issued.

### The Mega Certificates

#### *General*

We will create a trust for each issuance of Mega certificates pursuant to the trust agreement and an issue supplement prepared for that issuance (together, the “trust documents”). We will execute the trust documents in our corporate capacity and as trustee. We will issue the Mega certificates pursuant to the related trust documents.

Each issuance of Mega certificates represents fractional undivided beneficial ownership interests in a distinct pool of underlying securities held in a trust. We will hold the underlying securities, in our capacity as trustee under the trust agreement, for the benefit of all the holders of Mega certificates of the same issuance. The fractional undivided interest of each Mega certificate is equal to the initial principal balance of that Mega certificate divided by the aggregate principal balance of the underlying securities in the related trust on the issue date.

#### *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 factors for the underlying trust assets, which are typically released on or about the 4th business day of the month in which the Mega certificates are issued. Settlement for adjustable-rate Mega certificates may occur beginning on or about the 12th business day of the month in which the Mega certificates are issued.

#### *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. Physical certificates are not available. Mega 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 requirement.

A Mega certificateholder is an entity that appears in the records of a Federal Reserve Bank as the owner of a 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. If a Mega certificateholder is not also the beneficial owner of a Mega certificate, the Mega certificateholder, and all other financial intermediaries in the chain between the Mega certificateholder and the beneficial owner, are responsible for establishing and maintaining accounts for their customers.

The Federal Reserve Bank of New York currently serves as our fiscal agent, pursuant to a fiscal agency agreement. In that capacity, it performs certain administrative functions for us with respect to Mega certificateholders. Neither we nor a Federal Reserve Bank will have any direct obligation to the beneficial owner of a Mega certificate who is not also a Mega certificateholder. We and a Federal Reserve Bank may treat the Mega certificateholder as the absolute owner of a Mega certificate for all purposes, regardless of any contrary notice you may provide.

The Federal Reserve Bank of New York also currently serves as our paying agent. In that capacity it 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 certificates.

### **Distributions on 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 issuance 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 is March 1st, the first distribution date for that issuance will be April 25th, or the next business day if April 25th is not a business day. A business day is any day other than a Saturday or Sunday, a day when the fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York is closed or, with respect to any required withdrawal for remittance to a paying agent, a day when the Federal Reserve Bank is closed in a district where a certificate account is located if the related withdrawal is being made from that certificate account. We will pay the Mega certificateholder that is listed as of the record date as the holder in the records of any Federal Reserve Bank. The record date is the close of business on the last day of the month immediately preceding the month in which the distribution date occurs.

### ***Interest Distributions***

On each distribution date, we will distribute to Mega certificateholders one month's interest in an amount equal to the interest accrued on the principal balance of the then-outstanding Mega certificates of that issuance for the related interest accrual period, less any deferred interest as a result of negative amortization on the related mortgage loans with respect to that distribution date.

If any adjustable-rate mortgage loan (an "ARM loan") directly or indirectly backing an underlying security permits negative amortization, any deferred interest will be added to the principal balance of the mortgage loan and, consequently, to the principal balance of the underlying security. 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 interests in the related trust. In this case, the amount of interest distributed on the underlying security on the related distribution date will not increase; accordingly, the amount of interest distributed on the related Mega certificates will not increase.

### ***Principal Distributions***

On each distribution date, we will distribute to Mega certificateholders principal in an amount equal to the portion of the aggregate amount of principal due on the underlying securities during the preceding deposit period that is allocable to the then-outstanding Mega certificates of that issuance. As to any distribution date, a "deposit period" is the period beginning immediately after the preceding distribution date (or in the case of the initial distribution date, beginning on the first day of the month of the initial distribution date) and ending on the current distribution date.

### ***Other Distributions***

If the related mortgage loans are multifamily loans, the loans may provide for the collection of yield maintenance premiums or other prepayment premiums upon a prepayment of the loans. In some cases, those premiums are shared with the holders of the underlying securities. If your Mega certificates are backed by multifamily underlying securities that provide for sharing of collected prepayment premiums, any premiums distributed to the holders of the multifamily underlying securities will be passed through to the related Mega certificateholders. **We do not guarantee the payment of any yield maintenance premiums or prepayment premiums.**

## **Exchange of Mega Certificates for SMBS Certificates**

Certain issuances of Mega certificates may be exchanged for Fannie Mae Guaranteed Stripped Mortgage-Backed Securities (“SMBS certificates”) of one or more classes that are issued by the same trust as the Mega certificates. Trusts with exchangeable Mega certificates are listed on our Web site at [www.fanniemae.com/mbs/data/mega/exchangeablemegas.jhtml](http://www.fanniemae.com/mbs/data/mega/exchangeablemegas.jhtml). This list may also be obtained by contacting us in the manner described under “**DISCLOSURE DOCUMENTS FOR ISSUANCES OF MEGA CERTIFICATES—This Prospectus and the Prospectus Supplements**” above. The list will be updated as exchangeable Mega certificates are issued. If you hold any of the eligible Mega certificates, then, subject to the conditions set forth below, you may exchange some or all of your Mega certificates for certain SMBS certificates that represent identical percentage interests in the underlying principal payments and underlying interest payments. The total outstanding principal balance of SMBS certificates of authorized denominations that we will deliver in this type of exchange will equal the total outstanding principal balance of the Mega certificates surrendered for exchange. We may impose an administrative fee for the exchange of Mega certificates for SMBS certificates. SMBS certificates will have a minimum denomination of \$100,000 with additional increments of \$1. For further information about SMBS certificates that may be delivered in such an exchange, see the Prospectus for Guaranteed Stripped Mortgage-Backed Securities dated January 1, 2009 and the related prospectus supplement for that issuance of SMBS certificates.

There is no limit on the number of Mega-SMBS certificate exchanges described above. However, if a proposed exchange would result in a Mega certificateholder holding a Mega certificate or an SMBS certificate in an amount less than the applicable minimum denomination, the proposed exchange will not be permitted. In addition, any Mega-SMBS certificate exchange must be made in accordance with book-entry requirements and Fannie Mae’s exchange procedures. Upon completion of an exchange, the portion or portions of the Mega certificates exchanged will be deemed cancelled and replaced by SMBS certificates issued in the exchange. Unless the prospectus supplement for the related issuance of SMBS certificates provides otherwise, SMBS certificates delivered in the exchange may be exchanged for Mega certificates at a future date.

## **Reports to Mega Certificateholders**

### ***Monthly Factor and Other Monthly Disclosures***

On or about the 4th business day of each month, we will publish the current monthly factor for each issuance of Mega certificates. If you multiply the monthly factor by the original unpaid principal balance of your Mega certificates, you will obtain the then-current principal balance of your Mega certificates, after giving effect to the monthly principal to be distributed on the distribution date in that month. On the same day, we will also publish the fixed-rate quartiles for certain critical data elements (for example, loan ages and loan-to-value ratios) for the mortgage loans backing each issuance of fixed-rate Mega certificates.

On or about the 9th business day of each month, we will provide additional information for our Mega certificates. For all Mega certificates, we will publish geographical statistics. For single-family Mega certificates, we will publish a supplemental file containing information for the related mortgage loans including, but not limited to, loan purpose and occupancy type. For single-family Mega certificates backed by mortgage loans with initial interest-only periods, we will specify the number of months remaining until the related mortgage loans begin amortizing. For our Mega certificates backed by ARM loans, we will publish the ARM statistics file and the adjustable-rate quartiles file that details rate, adjustment, and cap information as well as certain other critical data elements for the ARM loans backing the Mega certificates.

These monthly disclosures are made available each month on our Web site and in various financial publications. Mega certificateholders should note that, unless otherwise stated in the related prospectus supplement or final data statement, information on our Web site is *not* incorporated by reference in this prospectus, any prospectus supplement or any final data statement.



### ***Monthly Reports***

Each Mega certificateholder that is listed as the holder in the records of any Federal Reserve Bank will receive the information below with respect to each monthly distribution, adjusted to reflect each Mega certificateholder's pro rata interest in the related trust 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;
- for Mega certificates indirectly backed by ARM loans that permit negative amortization, the amount of any deferred interest added to the principal balances of the ARM loans as of that distribution date as a result of negative amortization on the loans;
- the principal balances of the Mega certificates on that distribution date after giving effect to any distribution of principal on that date (and, for Mega certificates indirectly backed by ARM loans that permit negative amortization, after giving effect to any deferred interest added to the principal balances of the loans during the related interest accrual period); and
- for Mega certificates indirectly backed by ARM loans, the pool accrual rate for that distribution date.

### ***Tax Information***

Within a reasonable time after the end of each calendar year, we will post on our Web site, or otherwise make available, information required by the federal income tax laws. See "**MATERIAL FEDERAL INCOME TAX CONSEQUENCES**" below.

### ***Trust Agreement***

We have summarized below certain provisions of the trust agreement. 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 (together, the "trust documents") will govern. You may obtain a copy of the trust agreement from our Washington, DC office or our Web site at [www.fanniemae.com](http://www.fanniemae.com). You may obtain a copy of the issue supplement that applies to your issuance of Mega certificates from our Washington, DC office.

### ***Fannie Mae Guaranty***

We are the guarantor under the trust agreement. We guarantee to each trust that we will supplement amounts received by the trust as required to permit payments on the Mega certificates on each distribution date in an amount equal to:

- (i) the portion of the aggregate amount of principal due on the underlying securities backing the Mega certificates during the preceding deposit period that is allocable to the then-outstanding certificates of that Mega issuance, and (ii) the unpaid principal balance at the purchase date of any underlying security purchased from the related trust; plus
- the interest accrued on the then-outstanding Mega certificates of that issuance for the related interest accrual period, minus any deferred interest resulting from negative amortization on the related underlying securities with respect to that distribution date.

For single-family Mega certificates indirectly backed by fixed-rate mortgage loans, interest will be paid at the same pass-through rates as those of the underlying securities. For single-family Mega certificates indirectly 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 securities. For single-family Mega certificates indirectly 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 securities minus the aggregate amount of any deferred interest. Any deferred interest will be added to the principal balance of the underlying securities and, in turn, will be added to the principal balance of the Mega certificates.

For multifamily Mega certificates indirectly backed by fixed-rate mortgage loans, interest will be paid at the weighted average of the then-current pool accrual rates of the underlying securities.

In addition, we guarantee to each trust the full and final payment of any unpaid principal balance of the related Mega certificates on the final distribution date, even if less than the required amount has been remitted to us. **We do not guarantee the payment of any yield maintenance premiums or prepayment premiums.**

Our guaranty runs directly to each trust and not directly to Mega certificateholders. As a result, Mega certificateholders have only limited rights to bring proceedings directly against Fannie Mae to enforce our guaranty. Mega certificateholders also have certain limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. For a description of Mega certificateholders' rights to proceed against Fannie Mae and Treasury, see “**—Certificateholder Rights Upon a Guarantor Event of Default**” below.

If we were unable to perform our guaranty obligations, Mega certificateholders would receive from the related trust only the amounts paid on the underlying securities. These amounts generally would be limited to borrower payments and any other recoveries on the related mortgage loans such as insurance, condemnation and foreclosure proceeds. As a result, delinquencies and defaults on the related mortgage loans would directly affect the amounts that Mega certificateholders would receive each month.

**We alone are responsible for making payments on our guaranty. The Mega certificates and payments of principal and interest on the Mega certificates are not guaranteed by the United States government and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.**

### ***Trusts Providing for Exchanges of Certificates***

If the Mega certificates are eligible to be exchanged for SMBS certificates as discussed under “**—Exchange of Mega Certificates for SMBS Certificates**” above, the Mega certificates and the related SMBS certificates will represent beneficial interests in the same trust. In the case of any trust that issues both Mega certificates and SMBS certificates, references to “Mega certificateholders,” “certificateholders” and “holders of certificates” in the following paragraphs of this section are deemed to refer collectively to holders of the Mega certificates and holders of the related SMBS certificates that are outstanding at any time.

### ***Transfer of Assets to a Trust***

The trust documents for each trust will contain a schedule that will identify the underlying securities that are being transferred to the trust for that issuance of Mega certificates. The underlying securities will be registered in our name on the books of the Federal Reserve Bank of New York. As trustee, we will hold the underlying securities for holders of that issuance of Mega certificates.

### ***Purchase or Substitution of Underlying Securities by the Issuer***

The trust agreement provides that we may purchase underlying securities from a pool as follows:

- If the representations and warranties about any underlying security made or deemed to be made by the transferor at the time we purchased the underlying security were not true when

made, we may, within 90 days of discovery of the breach or error, purchase from the related trust the underlying security with respect to which the breach or error occurred.

- If we determine, or a court or government agency determines, that our acquisition of any underlying security prior to its being transferred to a trust was unauthorized, or if a court or government agency requires us to purchase any underlying security from a trust, we will purchase the underlying security as soon as practicable.

When an underlying security is purchased, its principal balance is passed through to the related Mega certificateholders on the distribution date immediately following the date of the purchase. The price to be paid for any underlying security that we purchase is calculated as set forth in the trust agreement. See also “**RISK FACTORS—PREPAYMENT FACTORS: We may withdraw some or all of the underlying securities due to a breach of representations or warranties, accelerating the rate at which you receive your return of principal**” in this prospectus.

The trust agreement also provides that, in lieu of purchasing an underlying security as to which a breach of representation and warranty has occurred, we may remove the underlying security from the trust and replace it with one or more other underlying securities, provided that the following criteria are met:

- The substitute underlying securities have the characteristics set forth in the related final data statement;
- The aggregate principal balance of the substitute underlying securities on the date of substitution equals the aggregate principal balance of the underlying securities being purchased;
- For fixed-rate Megas, the substitute underlying securities have the same pool prefix as all other underlying securities in that trust;
- For adjustable-rate Megas, the substitute underlying securities have the same subtype as the other underlying securities in that trust; and
- The substitution occurs within 90 days after the issue date of the Mega certificates.

Notwithstanding the foregoing, if the underlying security removed from the trust is a REMIC security, we will not substitute a different REMIC security, or any other underlying security, for the removed REMIC security.

If an underlying security is removed from, and a substitute underlying security is added to, a trust, we will amend the related final data statement to reflect the removal and substitution. Any purchase or substitution of an underlying security will be effective as of the first day of the calendar month in which the purchase or substitution occurs.

### ***Certificate Account***

Funds collected on the underlying securities and used to pay certificateholders are deposited into a certificate account at an eligible depository. Funds held in a certificate account are held by us as trustee in trust for the benefit of certificateholders pending distribution to them. Amounts in any certificate account are held separately from our general corporate funds but are commingled with funds for other Fannie Mae trusts and are not separated on a trust by trust basis. We may invest funds in any certificate account in specified eligible investments, including our own debt instruments. We are entitled to all earnings on funds on deposit in each certificate account as a trust administration fee. Certificateholders are not entitled to any investment earnings from a certificate account, nor are they liable for any losses in a certificate account.

### ***Certain Matters Regarding Our Duties as Trustee***

We serve as trustee under the trust agreement. Under the trust agreement, the trustee may consult with and rely on the advice of counsel, accountants and other advisors. The trustee will not be

responsible for errors in judgment or for anything it does or does not do in good faith if it so relies. This standard of care also applies to our directors, officers, employees and agents. We are not required, in our capacity as trustee, to risk our funds or incur any liability if we do not believe those funds are recoverable or if we do not believe adequate indemnity exists against a particular risk. This does not affect our obligations as guarantor under the Fannie Mae guaranty.

We are indemnified by each trust for actions we take in our capacity as trustee in connection with the administration of that trust. Officers, directors, employees, and agents of the trustee are also indemnified by each trust with respect to that trust. 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 the trustee may, but is not obligated to, undertake any legal action that it deems necessary or desirable in the interests of Mega certificateholders. We may be reimbursed for the legal expenses and costs of the action from the assets of the related trust.

We may resign from our duties as trustee under the trust agreement upon providing 90 days' advance notice to the guarantor. Our resignation will not become effective until a successor has assumed our duties. We may be removed as trustee only if a "guarantor event of default" has occurred with respect to a trust. See "***—Guarantor Events of Default***" below. In that case, we can be removed and replaced by a successor trustee as to the related trust by holders of certificates representing at least 51% of the voting rights of the related trust. Even if our duties as trustee under the trust agreement terminate, we would continue to be obligated under our guaranty.

### ***Removal of Successor Trustee***

If Fannie Mae is no longer serving as the trustee and a successor trustee has been appointed, the successor trustee may be removed under the trust agreement for an issuance of Mega certificates upon any of the following "trustee events of default":

- the successor trustee fails to deliver to the paying agent all required funds for distribution (to the extent the trustee has received the related funds), and the failure continues uncorrected for 15 days after either the guarantor or, if a guarantor event of default has occurred and is continuing, the holders of certificates representing at least 5% of the voting rights of the related trust have given written notice of nonpayment to the successor trustee;
- the successor trustee fails to fulfill any of its other obligations under the trust agreement or the related issue supplement, and the failure continues uncorrected for 60 days after either the guarantor or, if a guarantor event of default has occurred and is continuing, holders of certificates representing at least 25% of the voting rights of the related trust have given written notice of the failure to the successor trustee;
- the successor trustee ceases to be eligible to serve as trustee under the terms of the trust agreement;
- the successor trustee becomes substantially incapable of acting as trustee, or a court or the regulatory entity that has primary supervisory authority over the successor trustee determines, under applicable law and regulation, that the successor trustee is unable to remain as trustee; or
- the successor trustee becomes insolvent, a conservator or receiver is appointed (either voluntarily or involuntarily and, in the case of an involuntary appointment, the order has been undischarged or unstayed for 60 days) or the successor trustee admits in writing that it is unable to pay its debts.

If any of the trustee events of default occurs with respect to a trust and continues uncorrected, the guarantor (or if a guarantor event of default has occurred and is continuing, the issuer) may, and

if directed by holders of Mega certificates representing at least 51% of the voting rights of the related trust, will remove the trustee and appoint a new successor trustee.

A successor trustee may also be removed without cause by the guarantor at any time (unless a guarantor event of default has occurred and is continuing) and, upon such removal, the guarantor may appoint another successor trustee within 90 days after the date that notice is given to the former successor trustee.

### ***Guarantor Events of Default***

Any of the following events will be considered a “guarantor event of default” under the trust agreement for an issuance of Mega certificates:

- we fail to make a required payment under our guaranty, and our failure continues uncorrected for 15 days after certificateholders representing at least 5% of the voting rights of the related trust have given us written notice of nonpayment; or
- we fail in any material way to fulfill any of our other obligations as guarantor under the trust agreement, and our failure continues uncorrected for 60 days after certificateholders representing at least 25% of the voting rights of the related trust have given us written notice of the failure; or
- we become insolvent, a receiver or a new conservator is appointed (either voluntarily or involuntarily and, in the case of an involuntary appointment, the order has been undischarged or unstayed for 60 days) or we admit in writing that we are unable to pay our debts.

### ***Certificateholder Rights Upon a Guarantor Event of Default***

A certificateholder generally does not have any right under the trust agreement to institute any proceeding against us with respect to the trust agreement. A certificateholder may institute such a proceeding only if a guarantor event of default has occurred and is continuing and

- certificateholders representing at least 25% of the voting rights of the related trust have requested in writing that the trustee institute the proceeding in its own name as trustee; and
- the trustee for 120 days has neglected or refused to institute the proceeding.

The trustee will be under no obligation to take any action or to institute, conduct or defend any litigation under the trust agreement at the request, order or direction of any certificateholder unless the certificateholders have offered to the trustee reasonable security or indemnity against the costs, expenses and liabilities that the trustee may incur.

The rights of certificateholders may be limited during a receivership or future conservatorship. See **“RISK FACTORS—FANNIE MAE GOVERNANCE FACTORS.”**

Under the senior preferred stock purchase agreement between Treasury and us, certificateholders are given certain limited rights against Treasury under the following circumstances: (i) we default on our guaranty payments, (ii) Treasury fails to perform its obligations under its funding commitment, and (iii) we and/or the conservator are not diligently pursuing remedies in respect of that failure. In that case, the holders of the affected Mega certificates may file a claim in the U.S. Court of Federal Claims for relief requiring Treasury to fund up to the lesser of (1) the amount necessary to cure the payment default and (2) the lesser of (a) the amount by which our total liabilities exceed our total assets, as reflected on our balance sheet prepared in accordance with generally accepted accounting principles, and (b) \$100 billion less the aggregate amount of funding previously provided under the commitment.

### ***Voting Under the Trust Agreement***

Unless otherwise provided in the prospectus supplement for a particular issuance of Mega certificates, for purposes of voting, giving notice, consent or otherwise taking action under the trust agreement, voting rights will be allocated as follows:

- if the outstanding certificates of a trust include only Mega certificates, then holders of the Mega certificates will be allocated 100% of the voting rights in proportion to the aggregate certificate balances of their respective Mega certificates;
- if the outstanding certificates of a trust include both Mega certificates and SMBS certificates, then (x) the Mega certificates will be allocated a percentage of the total voting rights equal to the percentage equivalent of a fraction, the numerator of which is the aggregate certificate balance of the outstanding Mega certificates and the denominator of which is the aggregate principal amount of the underlying securities, and (y) SMBS certificates will be allocated the remainder of the voting rights.

Solely for purposes of giving any consent pursuant to the trust agreement, any certificate beneficially held by an entity determined under applicable accounting rules to be the transferor of underlying securities will be deemed not to be outstanding, and the voting rights to which that party is entitled will not be taken into account in determining whether the requisite percentage of voting rights necessary to effect any such consent has been obtained, except with respect to matters involving an event of default by the guarantor or the trustee or matters requiring unanimous consent of the certificateholders.

Certificates that are beneficially held by us, as guarantor, will be disregarded and deemed not to be outstanding for purposes of determining whether a guarantor event of default has occurred and is continuing or whether to remove the trustee when a guarantor event of default has occurred and is continuing. In all other matters with respect to a trust, certificates that are beneficially owned by us, as guarantor, may be voted by us, as guarantor, to the same extent as certificates held by any other holder, unless we, as guarantor, are also a transferor with respect to that trust. If, however, we, as guarantor, beneficially own 100% of the certificates of a trust, those certificates owned by us, as guarantor, may be voted by us without restriction.

Certificates that are beneficially held by a successor trustee will be disregarded and deemed not to be outstanding for purposes of determining whether a trustee event of default has occurred and is continuing or whether to remove that successor trustee when a trustee event of default has occurred and is continuing. In all other matters with respect to a trust, certificates that are beneficially owned by a successor trustee may be voted by that successor trustee to the same extent as certificates held by any other holder, unless that successor trustee is also a transferor with respect to that trust. If, however, a successor trustee beneficially owns 100% of the certificates of a trust, those certificates owned by that successor trustee may be voted by that successor trustee without restriction.

### ***Voting Under the Trust Documents for Underlying Securities***

Unless the prospectus supplement provides otherwise, the holders of a certain minimum percentage ownership in the underlying securities may give their consent to any matter requiring consent under the trust documents for the related underlying securities. The trust agreement, however, does not permit us, as trustee, to vote any underlying securities held in the trust unless we have received consistent direction from certificateholders representing at least 51% of the voting rights of that trust. Following its receipt of such direction, the trustee will vote the underlying securities in their entirety in accordance with the direction.

### ***Amendment***

We may amend the trust documents for an issuance of Mega certificates without notifying or obtaining the consent of the related certificateholders to do any of the following:

- correct an error, or correct, modify or supplement any provision in the trust documents that is inconsistent with any other provision of the trust documents or this prospectus or any related prospectus supplement;
- cure an ambiguity or supplement a provision of the trust documents, provided that such cure of an ambiguity or supplement of a provision is not otherwise inconsistent with the trust documents; or
- modify the trust documents to maintain the fixed investment trust status of a trust for federal income tax purposes.

No amendment to cure an ambiguity in or supplement a provision of the trust documents or to modify the trust documents to maintain the tax status of a trust may be made if it would otherwise require certificateholder consent unless that consent is obtained.

In addition, if certificateholders representing at least 51% of the voting rights of a trust give their consent, we may amend the related trust documents for a purpose not listed above, except that we may not do any of the following without the consent of all certificateholders of the related trust:

- terminate or change our guaranty obligations;
- reduce or delay payments to certificateholders;
- take an action that materially increases the taxes payable in respect of a trust or affects the status of the trust as a fixed investment trust for federal income tax purposes;
- reduce the percentage requirement of certificateholders that must give their consent to any waiver or amendment; or
- make a change to the activities of the trust that would:
  - allow the transferor of the underlying securities to us (or allow Fannie Mae, in the case of a pool formed from underlying securities in our portfolio) to regain control of the underlying securities,
  - cause the trust to cease to be a qualified special purpose entity for accounting purposes, or
  - affect the interests (either adversely or positively) of a certificateholder in any way that would be viewed as significant by a reasonable person.

During a receivership or future conservatorship, FHFA, acting as receiver or conservator, would have the authority to repudiate or transfer our guaranty obligations without the consent of the certificateholders or any other party. See “**RISK FACTORS—FANNIE MAE GOVERNANCE FACTORS.**”

### ***Termination***

A trust will terminate with respect to an issuance of Mega certificates when all required principal and interest amounts have been distributed to the related certificateholders. In no event will a trust continue beyond the last day of the 60th year following the issue date for that trust.

Except in the limited circumstances discussed under “**—Purchase or Substitution of Underlying Securities by the Issuer**” above, we do **not** have an option to purchase the underlying securities backing the certificates or to purchase any of the related mortgage loans and then retire the certificates. Moreover, we do **not** have any clean-up call option; that is, we cannot terminate any trust solely because the unpaid principal balance of the related underlying securities declines to a

certain amount or reaches a certain percentage of the original unpaid principal balance of the underlying securities.

### ***Merger***

The trust agreement provides that 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.

### ***Future Limitations on Certificateholder Rights under the Trust Agreement***

If we are placed into receivership or if we emerge from the current conservatorship and are then placed into conservatorship again, certificateholders' rights to remove the trustee and successor trustee may be restricted or eliminated. In addition, in that case, FHFA will have the authority to repudiate or transfer our guaranty obligations and the trust agreements for each issuance of Mega certificates. If that occurred, certificateholders would have only the limited right to proceed against Treasury that is described above under "***—Certificateholder Rights Upon a Guarantor Event of Default.***" See also "**RISK FACTORS—FANNIE MAE GOVERNANCE FACTORS**" above.

## **YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS**

Because payments from the underlying securities are passed through directly to the holders of the related Mega certificates, the yield, maturity and prepayment considerations and prepayment assumptions associated with an investment in the Mega certificates are the same as those described in the prospectus and any prospectus supplement applicable to the related underlying securities.

### **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 its outstanding principal balance. In general, if you purchase a Mega certificate at a discount from its outstanding principal balance and the related mortgage loans are prepaid at a rate that is slower than you expect, the yield on your Mega certificate will be less than you expect. If you purchase a Mega certificate at a premium over its outstanding principal balance and the related mortgage loans are prepaid at a rate that is faster than you expect, the yield on your Mega certificate also will be less than you expect. **You must make your own decision as to the principal prepayment assumptions you will use in deciding whether to purchase the Mega certificates.**

Although interest accrues on the underlying securities 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.

### **Maturity and Prepayment Considerations**

The maturity and prepayment considerations for a particular issuance of Mega certificates are directly related to those that apply to the MBS and/or REMIC securities directly or indirectly underlying the related trust. See the discussion under the heading "**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS**" in the Single-Family MBS Prospectus, the Multifamily MBS Prospectus and the Single-Family REMIC Prospectus, as applicable.

In addition, certificateholders will receive an early payment of principal of their Mega certificates if we purchase any underlying securities under the circumstances discussed under "**DESCRIPTION OF THE MEGA CERTIFICATES—Trust Agreement—Purchase or Substitution of Underlying Securities by the Issuer**" in this prospectus.



## Weighted Average Lives and Final Distribution Dates

The “weighted average life” of a Mega certificate refers to the average length of time, weighted by principal, that will elapse from the time we issue the Mega certificate until we distribute to you the full amount of outstanding principal. The weighted average life of a Mega certificate will depend upon the extent to which each payment on the underlying securities held by the related trust is applied to principal rather than interest. The weighted average life of a Mega certificate is determined by:

- (a) multiplying the amount of the reduction, if any, of the principal balance of the Mega certificate from each distribution date to the next distribution date by the number of years from the settlement date of that Mega issue 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 the Mega certificate referred to in clause (a).

The actual weighted average life of a Mega certificate will be affected by the rate at which principal payments are actually made on the underlying securities held by the related trust. See the discussion under the heading “**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS**” in the Single-Family MBS Prospectus, Multifamily MBS Prospectus and Single-Family REMIC Prospectus, as applicable.

The final distribution date for the Mega certificates of a particular issuance is the date by which we must pay the holders the full outstanding principal balance of the Mega certificates of that issuance. The final distribution date is the distribution date immediately following the latest maturity date of a mortgage loan backing the underlying securities.

It is likely that we will pay the full outstanding principal balance of the Mega certificates of a particular issuance earlier, and perhaps much earlier, than their final distribution date, because the rate at which we pay principal on the Mega certificates will be determined by the rate at which principal payments are made on the related mortgage loans. We cannot assure that the outstanding principal balance of the Mega certificates of any issuance will be paid in full before their final distribution date.

We have no clean-up call option. A clean-up call is the early termination of a trust when the unpaid principal balance of the related assets is reduced to a certain amount or is reduced to a certain percentage of the original unpaid principal balance of those assets. See also the discussion under the heading “**DESCRIPTION OF THE CERTIFICATES—Trust Agreement—Termination**” in the Single-Family MBS Prospectus or Multifamily MBS Prospectus, as applicable.

## THE UNDERLYING SECURITIES

### General

The assets of a trust may consist of MBS, Previously Issued Mega certificates and/or REMIC securities. There is no limit on the number of MBS, Previously Issued Mega certificates and REMIC securities that may back a particular Mega issue. The underlying securities will be directly or indirectly backed by pools of mortgage loans secured by either single-family properties or multifamily properties. We do not include both single-family underlying securities and multifamily underlying securities in the same trust. The trust for a Mega issuance may hold one or more underlying securities issued by a single trust (or by separate trusts) but need not hold all the underlying securities issued by any trust.

The Single-Family MBS Prospectus describes the general characteristics of single-family MBS and single-family mortgage loans that may back the Mega certificates. The Multifamily MBS

Prospectus describes the general characteristics of multifamily MBS and multifamily mortgage loans that may back the Mega certificates. The Single-Family REMIC Prospectus describes the general characteristics of any single-family REMIC certificates that may back the Mega certificates. This prospectus describes the general characteristics of Previously Issued Mega certificates that may back the Mega certificates. See “**DISCLOSURE DOCUMENTS FOR ISSUANCES OF MEGA CERTIFICATES—Prospectuses for the Underlying Securities**” above.

Certain additional information concerning the underlying securities held in a particular trust may be found in the prospectus supplement, if any, for the related underlying securities and the final data statement for the related Mega issuance. Before investing in an issuance of Mega certificates, investors should read the applicable prospectus and the related prospectus supplement, if any, for each of the underlying securities. In addition, if the underlying securities include Previously Issued Mega Certificates, investors should review each of the related final data statements.

### **Single-Family Mega Certificates**

A single-family Mega trust may hold

- MBS that are directly backed by single-family mortgage loans and/or Previously Issued Mega certificates that are directly or indirectly backed by single-family MBS, or
- REMIC securities directly or indirectly backed by single-family loans.

We will describe the characteristics of any single-family ARM loans backing the underlying securities in a prospectus supplement.

All of the single-family fixed-rate MBS and single-family fixed-rate Previously Issued Mega certificates directly or indirectly backing an issuance of Mega certificates will have the same pass-through rate and generally will have the same pool prefix. All of the single-family fixed-rate REMIC securities directly backing an issuance of Mega certificates will have the same interest rate as the Mega certificates backed by those REMIC securities.

All of the single-family ARM MBS and single-family ARM Previously Issued Mega certificates directly or indirectly backing an issuance of Mega certificates will have the same subtype and may have the same pool prefix.

You can find information on Mega and MBS pool prefixes and on Mega and MBS subtypes used for single-family underlying securities in **Exhibit A** to this prospectus (Megas), in **Exhibit A** to the Single-Family MBS Prospectus (MBS) or on our Web site (both Megas and MBS). Information on REMIC securities and the securities or mortgage loans backing the REMIC securities may be found in the Single-Family REMIC Prospectus under “**THE SERIES TRUST ASSETS—Underlying REMIC Securities.**”

### **Multifamily Mega Certificates**

A multifamily Mega trust may hold MBS backed by multifamily mortgage loans and/or Previously Issued Mega certificates backed by multifamily MBS. We will describe the characteristics of the multifamily mortgage loans backing the underlying securities in a prospectus supplement. We currently issue only fixed-rate multifamily Mega certificates indirectly backed by multifamily fixed-rate mortgage loans. However, we may decide in the future to issue multifamily Mega certificates indirectly backed by multifamily ARM loans.

An issuance of multifamily Mega certificates will have a unique Mega prefix that is different from the prefix of the multifamily fixed-rate MBS that are directly or indirectly backing that issuance of Mega certificates but generally will have the same prefix as the multifamily Previously Issued Mega certificates backing that issuance. The related underlying securities may have the same pass-through rates or a combination of pass-through rates. The pass-through rates included in a combination typically will fall within an inclusive 100 basis point range and will result in a weighted average pass-through rate. You can find information on Mega and MBS pool prefixes used

for multifamily underlying securities in **Exhibit A** to this prospectus (Megas), in **Exhibit A** to the Multifamily MBS Prospectus (MBS) or on our Web site (both Megas and MBS).

## **MATERIAL FEDERAL INCOME TAX CONSEQUENCES**

Our special tax counsel has delivered an opinion to us that each trust will not be classified as an association taxable as a corporation for federal income tax purposes but instead will be classified as a fixed investment trust and, under subpart E of part I of subchapter J of the Internal Revenue Code, 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 underlying securities. For a general discussion of the federal income tax consequences of the ownership of MBS or single-family REMIC securities, see the discussion about federal income tax consequences in the Single-Family MBS Prospectus, Multifamily MBS Prospectus and Single-Family REMIC Prospectus, as applicable, and the related prospectus supplements for the underlying securities.

## **LEGAL INVESTMENT CONSIDERATIONS**

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities, you may be or may become subject to restrictions on investment in Mega certificates of an issuance, including, without limitation, restrictions that may be imposed retroactively. If you are a financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, Treasury or other federal or state agencies with similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing or pledging the Mega certificates of a specific issuance. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Mega certificate. **You should consult your own legal advisors to determine whether and to what extent the Mega certificates of an issuance constitute legal investments or are or may become subject to restrictions on investment and whether and to what extent the Mega certificates of an issuance can be used as collateral for various types of borrowings.**

## **ERISA CONSIDERATIONS**

The Employee Retirement Income Security Act (“ERISA”) or section 4975 of the Code imposes requirements on employee benefit plans subject to ERISA (such as employer-sponsored retirement plans) and on other types of benefit plans and arrangements subject to section 4975 of the Code (such as individual retirement accounts). ERISA and section 4975 of 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. Any person who is a fiduciary of a plan also is subject to requirements imposed by ERISA and section 4975 of the Code. Before a plan invests in any Mega certificate, the plan fiduciary must consider whether the governing instruments for the plan permit the investment, whether the Mega certificates are a prudent and appropriate investment for the plan under its investment policy, and whether such an investment might result in a transaction prohibited under ERISA or section 4975 of the Code for which no exemption is available.

The U.S. Department of Labor issued a regulation covering the acquisition by a plan of a guaranteed governmental mortgage pool certificate, defined to include a certificate that is backed by, or evidences an interest in, specified mortgages or participation interests in specified mortgages and that is guaranteed by Fannie Mae as to the payment of interest and principal. Under the 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 Mega certificate or cause the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions

of ERISA, the prohibited transaction provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgages in the pool. Our counsel, Sidley Austin 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 or section 4975 of the Code merely by reason of a plan's holding of a Mega certificate. However, investors should consult with their own counsel regarding the consequences under ERISA of an investment in Mega certificates.

### **PLAN OF DISTRIBUTION**

Pursuant to a Fannie Mae commitment, we generally will deliver the Mega certificates of a specific issuance to one or more securities dealers or other institutional investors in exchange for the underlying securities held in the trust and specified in the final data statement. In certain cases, we may directly provide from our portfolio some or all of the underlying securities of a particular trust and will sell some or all of the related Mega certificates to one or more dealers for the aggregate cash proceeds specified in the prospectus supplement. Each dealer will offer the Mega certificates as specified in the related prospectus supplement. Each dealer may, in turn, offer the Mega certificates to or through other dealers. The dealers engage in transactions with us and perform services for us in the ordinary course of their business. We, the dealers or other parties may receive compensation, trading gain or other benefits in connection with these transactions. We typically receive a fee from the dealer or other institutional investor for each offering. We reserve the right to acquire Mega certificates for our own account at the time they are issued or subsequently in the secondary market, and may retain or dispose of any Mega certificates that we acquire.

A secondary market for an issuance of Mega certificates may not develop. If one does develop, it may not continue during the entire term during which the Mega certificates are outstanding. In addition, neither we nor any other party are obligated to make a market in the Mega certificates. Mega certificateholders also should note that the Mega certificates are not traded on any exchange and that the market price of a particular issuance of Mega certificates or a benchmark price may not be readily available. See **“RISK FACTORS—LIQUIDITY FACTORS.”**

### **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 and the related trust documents.

**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](http://www.fanniemae.com). Unless otherwise stated, the mortgage loans indirectly backing the Mega certificates are fixed-rate loans.

- 2Y** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Level-Payment Subordinate Mortgages; Multifamily; maturity dates vary.
- CI** . . . . . Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less.
- CL** . . . . . Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less.
- CN** . . . . . Conventional Short-Term, Level-Payment Mortgages; Single-Family; maturing or due in 10 years or less.
- CT** . . . . . Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 20 years or less.
- CX** . . . . . Conventional Balloon, Level-Payment Mortgages; Single-Family; maturing or due in 7 years or less.
- CY** . . . . . Conventional Balloon Level-Payment Mortgages; Single-Family; maturing or due in greater than 7 years.
- CZ** . . . . . Conventional Extra Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 40 years or less.
- GA** . . . . . Government, Adjustable-Rate Mortgages; Single-Family.
- GL** . . . . . Government, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less.
- GO** . . . . . Government, Level-Payment Mortgages; Single-Family; each pool is comprised entirely of loans that 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.
- KO** . . . . . 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** . . . . . 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** . . . . . 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 5-year prepayment premium provision.
- K3** . . . . . 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 5-year prepayment premium provision.
- KI** . . . . . 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** . . . . . 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** . . . . . Conventional Adjustable-Rate Mortgages; Single-Family; Uniform 5/1 hybrid; indexed to the one-year Wall Street Journal London Interbank Offered Rate (LIBOR); 5-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** . . . . . Adjustable-Rate Mortgages; Single-Family; LIBOR, lifetime caps are pool-specific.
- NO** . . . . . Conventional Long-Term Mortgages; Single-Family; commencing with Interest Only period greater than 3 years and less than or equal to 5 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.
- NP** . . . . . Conventional Long-Term Mortgages; Single-Family; commencing with Interest Only period greater than or equal to 7 years and less than or equal to 10 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.
- NQ** . . . . . Conventional Long-Term Mortgages; Single-Family; commencing with Interest Only period greater than 10 years and less than or equal to 15 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.
- NR** . . . . . Conventional Long-Term Mortgages; Single-Family; commencing with Interest Only period greater than 15 years and less than or equal to 20 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.
- RE** . . . . . Conventional Long-Term, Level-Payment Relocation Mortgages; Single-Family.
- S1** . . . . . Conventional Long-Term, Adjustable-Rate Mortgages; Single-Family; includes a wide variety of ARM types and indices; maturing or due in 30 years or less. Minimum Servicing Fee on each loan in the pool is 12.5 bps.
- S2** . . . . . Conventional Extra Long-Term, Adjustable-Rate Mortgages; Single-Family; includes a wide variety of ARM types and indices; maturing or due in 40 years or less. Minimum Servicing Fee on each loan in the pool is 12.5 bps.
- W2** . . . . . 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** . . . . . 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 1st interest rate change date and ending on the 5th interest rate change date.
- WD** . . . . . Conventional Adjustable-Rate Mortgages; Single-Family; one-year Treasury Constant Maturity; extended fixed initial period; annual changes thereafter; various caps at first adjustment; 2 per cent per interest rate adjustment thereafter; lifetime caps are pool-specific.
- WS** . . . . . Conventional Adjustable-Rate Mortgages; Single-Family; includes a wide variety of ARM types and indices.
- WT** . . . . . Conventional Adjustable-Rate Mortgages; Single-Family; six-month CD; semi-annual rate/payment change; 1 per cent per interest rate adjustment; lifetime caps are pool-specific; convertible to a fixed rate any month beginning on the 2nd interest rate change date and ending on the 10th interest rate change date.
- WZ** . . . . . Conventional Extra Long-Term Mortgages; Single-Family; includes a variety of ARM types and indices; maturing or due in 40 years or less.
- X2** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Supplemental Lien Mortgages; Multifamily; actual/360 interest day basis calculation; maturity dates vary.
- XN** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Short-Term, Level-Payment Mortgages; Multifamily; actual/360 interest day basis calculation; maturing or due in 10 years or less.
- XX** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Short-Term, Level-Payment Mortgages; Balloon; Multifamily; actual/360 interest day basis calculation; maturing or due in 7 years or less.

- XY** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional Mortgages; Balloon; Multifamily; actual/360 interest day basis calculation; maturing or due in 7 years or more.
- YL** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Long-Term, Level-Payment Mortgages; Multifamily; maturing or due in 30 years or less.
- YT** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Intermediate-Term, Level-Payment Mortgages; Multifamily; maturing or due in 20 years or less.
- YX** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Level-Payment Mortgages; Balloon; Multifamily; maturity dates vary.
- YY** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Level-Payment Mortgages; Balloon; Multifamily; maturing or due in 7 years or more.
- ZI** . . . . . Mega security collateralized by REMIC certificates which are directly or indirectly backed by Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less.
- ZG** . . . . . Mega security collateralized by REMIC certificates which are directly or indirectly backed by Fixed-Rate Megas that are backed by Ginnie Mae I and/or Ginnie Mae II Certificates; maturing or due in 30 years or less.
- ZL** . . . . . Mega security collateralized by REMIC certificates which are directly or indirectly backed by Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less.
- ZO** . . . . . Mega security collateralized by REMIC certificates which are directly or indirectly backed by Conventional Long-Term; Single-Family; commencing with Interest Only period greater than 3 years and less than or equal to 5 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.
- ZP** . . . . . Mega security collateralized by REMIC certificates which are directly or indirectly backed by Conventional Long-Term; Single-Family; commencing with Interest Only period greater than or equal to 7 years and less than or equal to 10 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.
- ZQ** . . . . . Mega security collateralized by REMIC certificates which are directly or indirectly backed by Conventional Long-Term; Single-Family; commencing with Interest Only period greater than 10 years and less than or equal to 15 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.
- ZR** . . . . . Mega security collateralized by REMIC certificates which are directly or indirectly backed by Conventional Long-Term; Single-Family; commencing with Interest Only period greater than 15 years and less than or equal to 20 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.
- ZT** . . . . . Mega security collateralized by REMIC certificates which are directly or indirectly backed by Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 20 years or less.
- ZX** . . . . . Mega security collateralized by REMIC certificates which are directly or indirectly backed by Conventional Balloon, Level-Payment Mortgages; Single-Family; maturing or due in 7 years or less.
- ZZ** . . . . . Mega security collateralized by REMIC certificates which are directly or indirectly backed by Conventional Extra Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 40 years or less.

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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 or incorporated into this prospectus. You must not rely on any unauthorized information or representation. This prospectus and the related disclosure documents do 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.

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# Guaranteed MBS Pass-Through Securities (Mega Certificates)

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## MEGA PROSPECTUS

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January 1, 2009