



FannieMae

Guaranteed MBS Pass-Through Securities

(“Mega Certificates”)

(Backed by Residential Mortgage-Backed Securities)

Principal and Interest Payable on the 25th Day of Each Month

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

The Guaranteed MBS Pass-Through Securities (the “Certificates”) are issued and guaranteed as to timely distribution of principal and interest by the Federal National Mortgage Association, a corporation organized and existing under the laws of the United States (the “Corporation” or “Fannie Mae”). The Certificates represent beneficial ownership interests in the principal and interest distributions on certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the “MBS Certificates”) held, either directly or through one or more guaranteed MBS pass-through securities (“Pooled Mega Certificates”), for the Holders (as hereinafter defined) of Certificates by Fannie Mae in its capacity as Trustee of the related Trust (the “Trust”). All Certificates relating to a particular Trust are hereinafter referred to as an “Issue.”

The MBS Certificates represent beneficial interests in pools (“Pools”) of first lien, residential mortgage loans (the “Mortgage Loans”). The general characteristics of the MBS Certificates are described in the accompanying Prospectus for Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the “MBS Prospectus”).

Each Issue of Certificates will be issued pursuant to a Trust Agreement dated as of April 1, 1988, executed by Fannie Mae in its corporate capacity and its capacity as Trustee, as supplemented by an Issue Supplement to the Trust Agreement, dated as of the Issue Date specified in the Final Data Statement for Certificates that back Fannie Mae Stripped Mortgage-Backed Certificates (collectively, the “Trust Agreement”). The Certificates will evidence the entire beneficial interest in the distributions of principal and interest required to be distributed by Fannie Mae on the underlying MBS Certificates, either held directly or through one or more Pooled Mega Certificates. Principal and interest will be distributed monthly on the 25th day of each month (or if such 25th day is not a business day, on the first business day next succeeding such 25th day, commencing in the month following the Issue Date) (each a “Distribution Date”). The aggregate distributions of principal and interest required to be made by Fannie Mae on each Distribution Date to Holders of Certificates will be equal to the distributions of principal and interest required to be made by Fannie Mae on the underlying MBS Certificates, either held directly or through one or more Pooled Mega Certificates. See “Description of Certificates — Payments on Mortgage Loans; Distributions on Certificates” in the MBS Prospectus. The portion of principal and interest to which the Holder of each Certificate is entitled will be equal to the percentage obtained by dividing the original principal amount or “denomination” of such Certificate by the aggregate original principal amount of all Certificates of the related Issue.

See “Risk Factors” beginning on page 2 herein for a discussion of certain risks that should be considered in connection with an investment in the Certificates.

The Date of this Prospectus is October 1, 1996

This Prospectus does not contain complete information regarding this offering and should be read only in conjunction with the accompanying MBS Prospectus and the Prospectus for Fannie Mae Stripped Mortgage-Backed Certificates.

RISK FACTORS

Yield Considerations

The effective yield to Holders of the Certificates in the Pool will depend upon the purchase price of the related Certificates, the rate of principal payments (including prepayments resulting from liquidations of Mortgage Loans underlying the MBS Certificates due to defaults, casualties or condemnations affecting the Mortgaged Properties or purchases out of the Pool) on the Mortgage Loans, and the actual characteristics of the Mortgage Loans. Generally, if the actual rate of payments on the Mortgage Loans underlying the MBS Certificates is slower than the rate anticipated by an investor who purchased a Certificate at a discount, the actual yield to such investor will be lower than such investor's anticipated yield. If the actual rate of payment on the underlying Mortgage Loans is faster than the rate anticipated by an investor who purchased a Certificate at a premium, the actual yield to such investor will also be lower than such investor's anticipated yield. An investor should purchase Certificates only after performing an analysis of such Certificates based upon the investor's own assumptions as to future rates of prepayment.

The timing of changes in the rate of principal payments (including prepayments) may significantly affect the yield to an investor, even if the average rate of principal prepayments is consistent with such investor's expectations. In general, the earlier the payment of principal, the greater the effect on an investor's yield to maturity. As a result, the effect on an investor's yield of principal payments (including prepayments) occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the Issue Date may not be offset by any subsequent equivalent reduction (or increase) in the rate of principal payments (including prepayments). Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the Certificates.

The effective yield on the Certificates will be reduced below the yield otherwise produced because the distribution of interest that accrues from the first day of each month will not be made until the 25th day of the month following the month of accrual. No interest at all will be paid on any Certificate after its principal balance has been reduced to zero. As a result of the foregoing, the market value of the Certificates will be lower than would have been the case if there were no such delay.

See "Yield Considerations" in the MBS Prospectus.

Reinvestment Risk

The underlying Mortgage Loans generally may be prepaid at any time, unless otherwise specified in the Prospectus Supplement for the MBS Certificates. (See "Maturity and Prepayment Assumptions" in the MBS Prospectus.) Accordingly, it is not possible to predict the rate at which distributions of principal of the Certificates will be received. Since prevailing interest rates are subject to fluctuation, there can be no assurance that investors in the Certificates will be able to reinvest the distributions thereon at yields equaling or exceeding the yields on the Certificates. It is possible that yields on such reinvestments will be lower, and may be significantly lower, than the yields on the Certificates. Prospective investors in the Certificates should carefully consider the related reinvestment risks in light of other investments that may be available to such investors.

Prepayment Considerations and Risks

The rate of distributions of principal on the underlying MBS Certificates and therefore on the Certificates, is related directly to the rate of payments of principal of the underlying Mortgage Loans, which may be in the form of scheduled amortization or prepayments. Many factors may affect the rate of prepayment of a Pool of Mortgage Loans. Accordingly, the Corporation cannot estimate what the prepayment experience of the Mortgage Loans in Pools will be.

A significant number of the underlying Mortgage Loans may provide by their terms that in the event of the sale of all or some of the underlying property the full unpaid principal balance of the Mortgage Loan is due and payable at the option of the holder. See "Maturity and Prepayment Assumptions" in the MBS Prospectus.

In an environment of declining interest rates, lenders servicing mortgage loans often are asked by borrowers to refinance the mortgage loans through issuance of new loans secured by mortgages on the same properties. The resulting prepayments, if they involve the underlying Mortgage Loans, will result in the distribution to Holders of the Certificates of the principal balances of the prepaid Mortgage Loans. See “Maturity and Prepayment Assumptions” in the MBS Prospectus.

In general, when the level of prevailing interest rates declines sufficiently relative to the interest rate on fixed-rate mortgage loans, the rate of prepayment is likely to increase, although the prepayment rate is influenced by a number of other factors as well, including general economic conditions and homeowner mobility. Certain of the underlying Mortgage Loans may have provisions restricting the borrower’s ability to prepay the loan or may require the payment of mortgage prepayment penalties in varying amounts, which may or may not influence prepayment rates. In addition, it is increasingly difficult to generalize as to the degree to which interest rates must decline before significant prepayments are likely to be experienced. Increased borrower sophistication regarding the benefits of refinancing and extensive solicitation by lenders may result in an increase in the rate at which the underlying Mortgage Loans are prepaid due to refinancing. See “Maturity and Prepayment Assumptions” in the MBS Prospectus.

Repurchases Due to Breach of Representations and Warranties

The seller of the underlying Mortgage Loans to Fannie Mae has made certain customary representations and warranties with respect to the Mortgage Loans. In the event of a material breach of any such representations and warranties, Fannie Mae may repurchase such Mortgage Loan from the related Pool at a price equal to the Stated Principal Balance thereof plus accrued interest thereon at the Pass-Through Rate (or the Accrual Rate, as applicable). See “Description of Certificates — Collection and Other Servicing Procedures” in the MBS Prospectus.

Repurchases Due to Delinquency

Fannie Mae has the option under the trust indenture relating to each Pool of underlying Mortgage Loans to repurchase from Pools those Mortgage Loans that are delinquent in whole or in part with respect to four (eight in the case of Biweekly Mortgage Loans) consecutive monthly payments at a price equal to the Stated Principal Balance thereof plus accrued interest thereon at the Pass-Through Rate (or the Accrual Rate, as applicable). See “Description of Certificates — Payments on Mortgage Loans; Distributions on Certificates.”

Special Considerations for Multifamily Mortgage Loans

Certain Risks of Multifamily Lending. Multifamily lending is generally viewed as exposing the lender to a greater risk of loss than one- to four-family residential lending. Multifamily lending typically involves larger loans to single Mortgagors or groups of related Mortgagors than residential one- to four-family mortgage loans. Furthermore, the repayment of Multifamily Mortgage Loans secured by income producing properties is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed), the Mortgagor’s ability to repay the Mortgage Loan may be impaired. Multifamily real estate can be affected significantly by supply and demand in the market for the type of property securing the Mortgage Loan and, therefore, may be affected by adverse economic conditions. Market values may vary as a result of economic events or governmental regulations outside the control of the Mortgagor or lender such as rent control laws, which impact the future cash flow of the property. Due to Fannie Mae’s guaranty, Holders of the Certificates will continue to receive the required installment of principal and interest on each Distribution Date regardless of whether sufficient funds have been collected from the Mortgagors. See “The Certificates—The Corporation’s Guaranty” herein and “Description of the Certificates — The Corporation’s Guaranty” in the MBS Prospectus. In addition, principal prepayments resulting from liquidations of such Mortgage Loans due to defaults, casualties or condemnations affecting the Mortgaged Properties may significantly affect the yield to investors. See “Yield Considerations” in the MBS Prospectus.

Corporate Guaranty Considerations

If the Corporation were unable to perform its guaranty obligations described herein under “The Certificates—The Corporation’s Guaranty” and in the MBS Prospectus under “Description of Certificates — The Corporation’s Guaranty,” distributions to Holders of the Certificates would consist solely of payments and other recoveries on the underlying Mortgage Loans and, accordingly, delinquencies and defaults would affect monthly distributions to Holders of the Certificates.

THE MBS CERTIFICATES

The MBS Certificates directly or indirectly underlying an Issue of Certificates are Fannie Mae Guaranteed Mortgage Pass-Through Certificates that satisfy the general characteristics described in the MBS Prospectus. All of the Mortgage Loans will be either Conventional Mortgage Loans or Mortgage Loans that are either insured or guaranteed by a United States government agency (“Government Mortgage Loans”). Substantially all of the Mortgage Loans will have original maturities of either up to 15 years or 16 to 30 years. Each of the Mortgage Loans (other than cooperative share loans (as described below)) will be secured by a mortgage or deed of trust on a one-to-four family (“single-family”) residential property or by a mortgage or deed of trust on a multifamily residential property. Each Mortgage Loan that is a cooperative share loan will be secured by a lien on the stock, shares, membership certificate or other contractual agreement evidencing ownership in a cooperative housing corporation and the assignment of the related proprietary lease or occupancy agreement (subject to the cooperative housing corporation’s lien against such ownership interest for unpaid assessments that represent that ownership interest’s pro rata share of certain payments of the cooperative housing corporation). If single-family fixed-rate Mortgage Loans back the MBS Certificates, all of the MBS Certificates will have the same Pass-Through Rate. If adjustable-rate Mortgage Loans or Multifamily Mortgage Loans back the MBS Certificates, the characteristics of the MBS Certificates will be described in the Prospectus Supplement to this Prospectus.

THE CERTIFICATES

The following summaries describe certain provisions of the Trust Agreement. Certain capitalized terms in these summaries are used as defined in the Trust Agreement or the applicable Trust Indenture relating to the underlying MBS Certificates. These summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the more complete provisions of the Trust Agreement.

Transfer of MBS Certificates to Trust

The MBS Certificates or Pooled Mega Certificates transferred to a Trust will be identified in a Fannie Mae Security Schedule appearing as an exhibit to the Issue Supplement for such Trust. The MBS Certificates or Pooled Mega Certificates will be registered in Fannie Mae’s name on the books of a Federal Reserve Bank and held for the Holders of Certificates by Fannie Mae in its capacity as Trustee of the Trust.

Book-Entry Form

The Certificates will be issued, maintained and may be transferred by Holders (as defined below) only on the book-entry system of the Federal Reserve Banks. Certificates will be issuable and transferable in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof.

Certificates may be held of record only by entities eligible to maintain book-entry accounts with a Federal Reserve Bank. Such entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities for whose accounts Certificates have been deposited are herein referred to as “Holders.” A Holder is not necessarily the beneficial owner of a Certificate. Beneficial owners will ordinarily hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder is not the beneficial owner of a Certificate, and each other financial intermediary in the chain to the beneficial owner, will have the responsibility of establishing and maintaining accounts for its respective customers. The rights of the beneficial

owner of a Certificate with respect to Fannie Mae and the Federal Reserve Banks may be exercised only through the Holder thereof. Fannie Mae and the Federal Reserve Banks will have no direct obligation to a beneficial owner of a Certificate that is not also the Holder of the Certificate. A Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a Certificate.

A Fiscal Agency Agreement between Fannie Mae and the Federal Reserve Bank of New York makes generally applicable to the Certificates (i) regulations governing Fannie Mae's use of the book-entry system, contained in 24 C.F.R. Part 81, Subpart E, and (ii) such procedures, insofar as applicable, as may from time to time be established by regulations of the United States Department of the Treasury governing United States securities, as now set forth in Treasury Department Circular Number 300, 31 C.F.R. Part 306 (other than Subpart 0). The Certificates are also governed by applicable operating circulars and letters of the Federal Reserve Banks.

Distributions on Certificates

On each Distribution Date, Fannie Mae will, respecting each Trust, distribute to Holders of Certificates their respective Percentage Interests (as defined below) in the principal distributions and interest distributions on the underlying MBS Certificates. Distributions on any Distribution Date will be made to Holders of record on the prior Record Date (the close of business on the last day of the immediately preceding month). The Percentage Interest evidenced by a Certificate in principal and interest distributions on the underlying MBS Certificates is equal to the percentage equivalent of a fraction the numerator of which is the principal denomination of such Certificate and the denominator of which is the aggregate of the principal denominations of all Certificates of the related Issue.

The Corporation's Guaranty

In the Trust Agreement, the Corporation guarantees to the Holders of Certificates that (i) the amount distributed by the Corporation in respect thereof on each Distribution Date will include an amount as to interest which is equal to one month's interest on the unpaid principal balance of the Certificates: (a) at the Pass-Through Rate borne by the underlying MBS Certificates (in the case of single-family fixed-rate MBS Certificates), (b) at the weighted average Pass-Through Rate borne by the underlying MBS Certificates (in the case of Multifamily fixed-rate MBS Certificates), or (c) at the weighted average of the then current Pool Accrual Rates of the underlying MBS Certificates (in the case of adjustable-rate MBS Certificates), and (ii) principal will be distributed on each Distribution Date in an amount equal to the aggregate of the concurrent distributions of principal in respect of the underlying MBS Certificates, the aggregate of such principal distributions over the life of the Certificates being equal to the original principal amount of the Certificates.

Information to Holders

With respect to each distribution on the Certificates, Fannie Mae will cause to be forwarded to each Holder thereof a statement setting forth the total cash distribution on such Distribution Date with respect to the Certificates held by such Holder together with information as to the allocation thereof as between principal and interest. Within a reasonable period of time after the end of each calendar year, Fannie Mae will furnish to each Holder who at any time during the calendar year was a Holder such information as shall be required pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), and interpretations thereof.

Certain Matters Regarding Fannie Mae

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

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

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

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

Voting

As set forth under “Description of Certificates — Rights Upon Events of Default” in the MBS Prospectus, the Holders of MBS Certificates evidencing Fractional Undivided Interests aggregating not less than 25% of the related Trust Fund may terminate certain obligations and duties of Fannie Mae with respect thereto if an Event of Default under the Trust Indenture has occurred and is continuing. The Trust Agreement provides that Holders of Certificates may, upon the occurrence of an Event of Default with respect to an MBS Certificate in the related Trust, take, or join in, any such action to the extent of the product of the Fractional Undivided Interest represented by such MBS Certificate and the aggregate Percentage Interest evidenced by Certificates voting in favor thereof. The Trust Agreement permits similar action by Holders of Certificates with respect to waivers under, or amendments of, the Trust Indenture pursuant to which any MBS Certificate in the related Trust was issued and is outstanding, except that, in the case of any such action, the vote of the Holders of Certificates evidencing Percentage Interests aggregating 66% is required in order for Fannie Mae to vote the entire Fractional Undivided Interest evidenced by such MBS Certificate.

Events of Default

Events of Default under the Trust Agreement will consist of (i) any failure by Fannie Mae to distribute to Holders any required payment that continues unremedied for 15 days after the giving of written notice of such failure to Fannie Mae by the Holders of Certificates evidencing Percentage Interests aggregating not less than five percent of the related Trust; (ii) any failure by Fannie Mae duly to observe or perform in any material respect any other of its covenants or agreements in the Trust Agreement, which failure continues unremedied for 60 days after the giving of written notice to Fannie Mae by the Holders of Certificates evidencing Percentage Interests aggregating not less than 25% of the related Trust; and (iii) certain events of insolvency, readjustment of debt, marshalling of assets and liabilities, or similar proceedings and certain actions by or against Fannie Mae indicating its insolvency, reorganization, or inability to pay its obligations.

Rights Upon Event of Default

As long as an Event of Default under the Trust Agreement for any Trust remains unremedied, the Holders of Certificates evidencing Percentage Interests aggregating not less than 25% of such Trust may, in writing, terminate all of the obligations and duties of Fannie Mae as Trustee and in its corporate capacity under the Trust Agreement in respect of such Trust (other than its guaranty obligations described above which continue notwithstanding any such termination) and name and appoint, in writing, a successor trustee that will succeed to all such responsibilities, duties, and obligations of Fannie Mae thereunder (other than Fannie Mae’s guaranty obligations) and to the legal title to the MBS Certificates held in such Trust.

Amendment

The Trust Agreement as it relates to any Trust may be amended by Fannie Mae and the Trustee without the consent of the Holders, to cure any ambiguity, to correct or supplement any provisions therein or to make any other provisions with respect to matters or questions arising under the Trust Agreement provided such provisions do not adversely affect the interests of any Holder.

The Trust Agreement as it relates to any Trust may also be amended by Fannie Mae with the consent of the Holders of Certificates evidencing Percentage Interests aggregating not less than 66% for the purpose of adding any provisions to the Trust Agreement or of modifying in any manner the rights of the Holders of Certificates. However, no amendment may, without the consent of all Holders, reduce the percentages of Certificates the Holders of which are required to consent to any amendment. In addition, no amendment shall, without the consent of each Holder affected thereby, reduce in any manner the amount of, or delay the timing of, payments received on the MBS Certificates that are required to be distributed on any Certificate or modify the guaranty obligations of Fannie Mae.

Termination

The Trust Agreement as it relates to each Trust terminates upon the distribution to Holders of all amounts required to be distributed. In no event, however, will any Trust continue beyond the expiration of 21 years from the death of the last survivor of the person named in the Trust Agreement. Fannie Mae will not at any time have an option to repurchase any or all MBS Certificates in any Trust and thereby retire the Certificates. Reference is made to “Description of Certificates — Termination” in the MBS Prospectus for a description of Fannie Mae’s right to purchase all remaining Mortgage Loans in a Pool underlying an MBS Certificate in the related Trust so long as the Pool Principal Balance at the time of repurchase is less than one percent of the Pool Principal Balance on the Issue Date of the MBS Certificate. The Trust Agreement contains no restriction against Fannie Mae’s exercise of such right. Accordingly, distributions on the Certificates on any Distribution Date may include the proceeds of the repurchase by Fannie Mae of the Mortgage Loans underlying one or more MBS Certificates in the related Trust. If no MBS Certificate remains in the related Trust after any such repurchase, the Trust will be terminated and the proceeds of such repurchase will constitute the final distribution in retirement of the Certificates.

MARGINABILITY; REPURCHASE AGREEMENTS

The Certificates are “exempted securities” for purposes of the margin rules of the Board of Governors of the Federal Reserve System and the New York Stock Exchange and transactions in the Certificates, including repurchase agreements, are treated under such rules in the same manner as transactions in the MBS Certificates.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

Dewey Ballantine, special tax counsel to Fannie Mae, have delivered an opinion to Fannie Mae that each Trust will not be classified as an association taxable as a corporation, but will be classified as a trust of which the beneficial owners of the Certificates (the “Owners”) are the owners under Subpart E of Part I of Subchapter J of the Code. Accordingly, each Owner will be treated as the owner of a pro rata undivided interest in each of the MBS Certificates that underlie, directly or indirectly, the Certificates. For the tax consequences of ownership of the MBS Certificates, see “Certain Federal Income Tax Consequences” in the MBS Prospectus.

LEGAL OPINION

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

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code impose certain requirements on employee benefit plans subject to ERISA and upon plans and other arrangements subject to section 4975 of the Code, as well as upon certain entities in which such plans or arrangements are invested (collectively, “Plans”) and upon any person who is a fiduciary with respect to such Plans. Any Plan fiduciary that proposes to cause a Plan to acquire a Certificate would be required to determine whether such an investment is permitted by the Plan’s governing instruments, is prudent and appropriate for the Plan in light of the Plan’s investment policy, and whether such investment might constitute or give rise to a prohibited transaction under ERISA or the Code.

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