

Multifamily REMIC Prospectus



Guaranteed Multifamily REMIC Pass-Through Certificates

The Certificates

We, the Federal National Mortgage Association or Fannie Mae, will issue the guaranteed multifamily REMIC pass-through certificates. Each series of certificates will have its own identification number and will represent beneficial ownership interests in the assets of a series trust. The assets of each series trust will include one or more of the following:

- underlying securities issued by Fannie Mae that represent the direct or indirect ownership of residential mortgage loans secured by multifamily properties (properties with five or more units);
- underlying securities issued by entities not affiliated with Fannie Mae that represent the direct or indirect ownership of residential mortgage loans secured by multifamily properties; or
- residential mortgage loans secured by multifamily properties.

Each series of certificates will consist of two or more classes having various characteristics. Certain series of certificates also may include one or more subordinate classes that we do not guarantee and that are not offered by this prospectus.

Fannie Mae Guaranty

We guarantee to each series trust that we will supplement amounts received by the series trust as required to permit payment of interest and principal on the certificates to the extent described in the related prospectus supplement. We alone are responsible for making payments under our guaranty. **The certificates and payments of principal and interest on the 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.**

REMIC Status

For federal income tax purposes, we will elect to treat all or a portion of each series trust as at least one “real estate mortgage investment conduit,” commonly referred to as a REMIC. At least one class of certificates in each series will be the “residual interest” in a REMIC except as otherwise specified in the related prospectus supplement. Any class that is not a “residual interest” will be a “regular interest” in a REMIC.

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

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

The date of this Prospectus is September 1, 2007

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INFORMATION ABOUT THIS PROSPECTUS AND PROSPECTUS SUPPLEMENTS

We will provide information that supplements this prospectus in connection with each series of certificates. This prospectus and the prospectus supplement for each series of certificates will be available in paper form upon request. We will provide electronic copies of this prospectus and the prospectus supplement for each series of certificates on our Web site listed below. The disclosure documents for any particular series of certificates are this prospectus and any related prospectus supplement, together with any information incorporated in these documents by reference as discussed below under the heading “**INCORPORATION BY REFERENCE.**” We also provide updated information regarding each series of certificates and the assets backing such series through our “PoolTalk”[®] application or at other locations on our Web site listed below. **In determining whether to purchase certificates of any series in any initial offering, you should rely ONLY on the information in this prospectus, the related prospectus supplement, any supplement to the prospectus supplement 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 any underlying securities and any mortgage loans backing that particular series of certificates and about the certificates themselves. Unless otherwise stated in this prospectus or the related prospectus supplement, information about any underlying securities and any mortgage loans in the series trust will be given as of the issue date stated in the prospectus supplement, which is the first day of the month in which the certificates are issued. Because each prospectus supplement will contain specific information about a particular series of 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.

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

You may obtain copies of this prospectus and the related prospectus supplement by writing to Fannie Mae, Attention: Fixed Income Investor Marketing, 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 or by calling the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-7115. Typically, the prospectus supplement is available no later than two business days before settlement of the related series of certificates. These documents generally will also be available on our corporate Web site at www.fanniemae.com. We are providing our internet address solely for the information of prospective investors. We do not intend the internet address to be an active link. This means that we are not using this internet link to incorporate additional information into this prospectus or into any prospectus supplement.

INCORPORATION BY REFERENCE

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

You should rely only on the information provided or incorporated by reference in this prospectus and any applicable supplements or amendments, and you should rely only on the most current information.

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

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (“Form 10-K”);
- all other reports we have filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, since the end of the fiscal year covered by the Form 10-K until the date of this prospectus, including any 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, as amended, subsequent to the date of this prospectus and prior to the completion of the offering of the related series of certificates, excluding any information we “furnish” to the SEC on Form 8-K.

You may read our SEC filings and other information about us at the offices of the New York Stock Exchange and the Chicago Stock Exchange. Our SEC filings also will be available at the SEC’s Web site at www.sec.gov. You also may read and copy any document we file with the SEC by visiting the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the operation of the Public Reference Room. We are providing the address of the SEC’s Web site solely for the information of prospective investors. We do not intend the internet address to be an active link. This means that information that appears on the SEC’s Web site is not incorporated into this prospectus, except as specifically stated in this prospectus.

You can obtain copies of periodic reports we file with the SEC and all documents incorporated in this prospectus by reference without charge from our Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (telephone: 202-752-7115).

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

Title of Security Guaranteed Multifamily REMIC Pass-Through Certificates.

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

The certificates and payments of principal and interest on the 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. We alone are responsible for making payments under our guaranty.

Description of Certificates Each certificate will represent a beneficial ownership interest in a pool of underlying securities and/or mortgage loans. We will issue the certificates (except for “residual” certificates) in book-entry form on either the book-entry system of the U.S. Federal Reserve Banks or the book-entry system of The Depository Trust Company, unless we specify a different system in the related prospectus supplement. The book-entry certificates will not be convertible into physical certificates. Any subordinate classes forming part of a series will not be offered by this prospectus and will not be guaranteed by us. We will issue the residual certificates in physical form.

Minimum Denomination Unless otherwise provided below or in the related prospectus supplement, we will issue all classes of certificates in minimum denominations of \$1,000, with additional increments of \$1. The following classes of certificates will be issued in minimum denominations of \$100,000, with additional increments of \$1:

- interest only classes;
- principal only classes;
- inverse floating rate classes;
- non-sticky jump and sticky jump classes; and
- toggle classes.

In addition, we will issue certificates of jump classes (other than non-sticky jump and sticky jump classes) in minimum denominations of \$1,000,000, with additional increments of \$1.

Issue Date The first day of the month in which the certificates are issued.

Distribution Date	Unless otherwise set forth in the applicable prospectus supplement, the 25th day of each month is the date designated for payments to certificateholders. If that day is not a business day, payment will be made on the next business day. The first distribution date following an issuance will occur in the month following the month in which the certificates are issued. For example, if an issue date is March 1st, the first distribution date will be April 25th or, if April 25th is not a business day, the first business day following the 25th.
Interest	Each interest-bearing class of certificates will accrue interest at the annual rate specified or described in the related prospectus supplement. In general, we will pay interest on all interest-bearing classes (other than an accrual class) on the monthly distribution date specified in the related prospectus supplement. This payment will equal the amount of interest that has accrued during the related interest accrual period.
Principal	The prospectus supplement for each series will specify how we determine the total principal payment amount for each monthly distribution date and how the total principal payment amount is allocated among the classes of certificates of that series. Unless otherwise provided in the related prospectus supplement, we will make principal payments on all certificates of any single class on a <i>pro rata</i> basis on the monthly distribution date specified in the related prospectus supplement.
Class Factor	Unless otherwise provided in the related prospectus supplement, we will publish the class factor for each class of certificates backed by underlying securities issued by Fannie Mae on or about the 11th calendar day of each month. We will publish the class factor for each class of certificates backed directly by mortgage loans or by underlying securities not issued by Fannie Mae on or before each monthly distribution date. If you multiply the applicable class factor by the original principal balance (or notional principal balance) of a class, you will obtain the outstanding principal balance (or notional principal balance) of that class after giving effect to any principal payment to be made on the distribution date in that month.
Business Day	Any day other than a Saturday or Sunday, a day on which the fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York is closed, or a day on which the Federal Reserve Bank in the district where the certificate account is maintained is closed.
Final Distribution Date	For each class of certificates, we will specify in the related prospectus supplement the date by which the principal balance of that class, if any, will be paid in full. Because the prepayment experience of mortgage loans is unpredictable, the actual final payment on any class of certificates may occur much earlier than the final distribution date specified in the related prospectus supplement.

Residual Certificates On each distribution date, we will pay to the holders of the “residual” certificates of a particular series the amount of principal and interest, if any, specified in the related prospectus supplement. In addition, we will pay to these holders the proceeds of any remaining assets of the related REMIC after the principal balances (or notional principal balances) of all the other classes of certificates have been reduced to zero. Each residual certificate will be subject to transfer restrictions.

Guaranty We guarantee to each series trust that we will supplement amounts received by the series trust as required to permit payment of interest and principal on the certificates on each distribution date to the extent described in the related prospectus supplement. In addition, we guarantee to each series trust the full and final payment of any unpaid principal balance of each class of certificates of the related series no later than the final distribution date for that class, even if less than the required amount has been remitted to us.

Our guaranty runs directly to each series trust and not directly to certificateholders. As a result, certificateholders do not have any rights to bring proceedings directly against Fannie Mae to enforce our guaranty except in the limited circumstances described below under “**THE TRUST AGREEMENT—Certificateholder Rights.**”

We will not guarantee payment to investors of any prepayment fees or yield maintenance charges that may be due with respect to the related mortgage loans.

Trust Assets The certificates of each series will be backed by one or more of the following:

- certificates issued by Fannie Mae, representing all or part of the direct or indirect beneficial ownership of one or more pools of multifamily mortgage loans, including:
 - Fannie Mae Guaranteed Multifamily Mortgage Pass-Through Certificates (Fannie Mae Multifamily MBS),
 - Fannie Mae Guaranteed Multifamily REMIC Pass-Through Certificates (Fannie Mae Multifamily REMIC Certificates),
 - Fannie Mae Stripped Multifamily Mortgage-Backed Securities (Fannie Mae Multifamily SMBS), and
 - Fannie Mae Guaranteed Multifamily MBS Pass-Through Securities (Fannie Mae Multifamily Mega Certificates);
- certificates issued by entities other than Fannie Mae representing all or part of the direct or indirect beneficial ownership of one or more pools of multifamily mortgage loans; or

- mortgage loans or participation interests in mortgage loans secured by first or subordinate liens on fee or leasehold interests in multifamily properties.

Mortgage Loans in Whole Loan

REMICs Unless otherwise provided in the related prospectus supplement, each mortgage loan in a series trust relating to a whole loan REMIC will meet the guidelines described in this prospectus under the heading “**ADDITIONAL CONSIDERATIONS FOR WHOLE LOAN REMICs.**” We retain the right, however, to waive compliance with the guidelines.

Master Servicing/Servicing If the certificates are backed directly by mortgage loans and we are responsible for servicing such mortgage loans or if the certificates are backed directly by underlying securities issued and guaranteed by Fannie Mae, we may service the mortgage loans directly or, acting in our capacity as master servicer, contract with lenders or other servicers to perform all or part of the servicing.

If the certificates are backed by underlying securities not issued or guaranteed by Fannie Mae or directly by mortgage loans and we are not responsible for servicing such mortgage loans under the terms of the related trust agreement, then the servicing agreement relating to those securities will specify the entity that will service the mortgage loans directly or indirectly backing the securities.

Trustee We serve as the trustee for each series trust pursuant to the terms of a trust agreement and any related issue supplement or a pooling and servicing agreement.

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 certificates registered on the book-entry system of the Federal Reserve Banks. The Depository Trust Company serves as our paying agent for certificates registered on its book-entry system. U.S. Bank National Association currently serves as our paying agent for any physical certificates.

Fiscal Agent An entity designated by us to perform certain administrative functions for the trust. The Federal Reserve Bank of New York currently serves as our fiscal agent.

Termination In general, a series trust will terminate once we have made all required principal and interest payments to the related certificateholders and retired any related subordinate classes. In addition, if specified in the related prospectus supplement, a third party will have the option to terminate a series trust early by purchasing all of the assets remaining in the trust. However, in no event will Fannie Mae have such an option to terminate a series trust early.

Federal Tax Consequences For federal income tax purposes, we will elect to treat all or a portion of the assets of each series trust as one or more REMICs. Unless otherwise provided in the related

prospectus supplement, the certificates will be treated as “regular or residual interests in a REMIC” for domestic building and loan associations, as “real estate assets” for real estate investment trusts and, except for any residual certificates, as “qualified mortgages” for other REMICs.

Special tax considerations apply to residual certificates. You should not purchase residual certificates before consulting your tax advisor.

Legal Investment Considerations . . . Under the Secondary Mortgage Market Enhancement Act of 1984, the certificates offered by this prospectus and the related prospectus supplement will be considered to be “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 certificates of a series constitute legal investments for you.

ERISA Considerations For the reasons discussed under the heading “**ERISA CONSIDERATIONS,**” the purchase and holding of the certificates by an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended, 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 requirements of ERISA and the Internal Revenue Code.

RISK FACTORS

We have listed below some of the risks associated with an investment in the 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 certificates are a suitable investment for you.

INVESTMENT FACTORS:

The certificates may not be a suitable investment for you.

The 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 certificates and the information contained in this prospectus, the related prospectus supplement, any supplement to the prospectus supplement and the documents incorporated by reference;
- understand thoroughly the terms of the certificates;
- understand thoroughly the terms of any underlying securities and the mortgage loans;
- be able to evaluate (either alone or with the help of a financial 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 certificates;
- investigate any legal investment restrictions that may apply to you; and
- exercise particular caution if your circumstances do not permit you to hold the certificates until maturity.

Some investors may be unable to buy certain classes.

Investors whose investment activities are subject to legal investment laws and regulations, or to review by regulatory authorities, may be unable to buy certain certificates. You should obtain legal advice to determine whether you may purchase the certificates of any series.

PREPAYMENT FACTORS:

We may withdraw some or all of the underlying securities backing the certificates due to a breach of representations and warranties, accelerating the rate of return of principal on your certificates.

Each seller that sells underlying securities to us makes various representations and warranties about itself and the underlying securities. If these representations and warranties were not true when they were made, we can require the seller to repurchase the affected underlying securities at any time. When an underlying security is repurchased, its stated principal balance, together with interest accrued thereon, is passed through to the related certificateholders on the distribution date in the month following the month of repurchase. Thus, a breach of a

representation and warranty may accelerate the rate of repayment of principal on your certificates. In the event we require a seller to repurchase an underlying security due to the breach of a representation or warranty, we will not pay you any prepayment premium or yield maintenance.

The certificates 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 disclosure for the MBS, SMBS, Megas or Underlying REMIC Securities held in the related series trust.

YIELD FACTORS:

Weighted average lives and yields on the certificates are affected by actual characteristics of the underlying mortgage loans.

Unless otherwise provided in the related prospectus supplement, for certificates backed by securities issued by Fannie Mae, we assume that the mortgage loans underlying those Fannie Mae securities have certain characteristics. However, it is likely that the actual mortgage loans will have different characteristics from the assumed characteristics. As a result, your yields may be lower than you expect, even if the mortgage loans prepay at the indicated prepayment speeds. In addition, slight differences between the assumed mortgage loan characteristics and the actual mortgage loans may affect the weighted average lives of the related classes of certificates.

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

The actual yield on your certificates may be lower than you expect:

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

Furthermore, in the case of interest only certificates and certificates purchased at a premium, you could lose money on your investment if prepayments occur at a rapid rate. This is especially true if underlying mortgage loans do not have lock out periods or have had such periods expire or do not have require prepayment premiums or yield maintenance fees.

Delay classes have lower yields and market values.

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

The level of the floating rate index affects the yields on certain certificates.

If the interest rate of your certificate adjusts according to an index, the yield on your certificate will be affected by the level of the interest rate index. If the level of the index differs from the level you expect, then your actual yield may be lower than you expect.

The yield on your certificates may be adversely affected by basis risk.

If the interest rate of your certificate adjusts according to an index, and the interest rates of the related underlying series trust assets adjust according to a different index, the absence of correlation between the two indices may adversely affect the yield on your certificates.

Unpredictable timing of the last payment affects yields on certificates.

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

Reinvestment of certificate payments may not achieve the same yields as the certificates.

The rate of principal payments on the certificates is uncertain. You may be unable to reinvest the payments on the certificates at the same yields provided by the certificates.

LIQUIDITY FACTORS:

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

We cannot be sure that new certificates, when issued, will have a ready market, or, if a market does develop, that the market will remain during the entire term for which the certificates are outstanding. In addition, neither we nor any other party are obligated to make a market in the certificates. Therefore, it is possible that if you wish to sell your certificates in the future, you may have difficulty finding potential purchasers. Some of the factors that may affect the resale of certificates are:

- the method, frequency and complexity of calculating principal or interest;
- the characteristics of the assets backing the certificates;
- past and expected prepayment levels of the assets backing the certificates and comparable assets;
- the outstanding principal amount of the certificates of that series and other series with similar features;
- the amount of certificates of that series or of a series with similar features offered for resale from time to time;
- any legal restrictions or tax treatment that limits the demand for the certificates;
- the availability of comparable securities;
- 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; and
- the required minimum denominations of the certificates.

These risks will be greatest in the case of certificates that are especially sensitive to interest rate or market risks, that are designed for specific investment objectives or strategies or that have been structured to meet the investment requirements of limited categories of investors. Such certificates are more likely to have a limited market for resale, little or no liquidity and more price volatility than other similar mortgage-backed securities. Limited liquidity may have a severely adverse effect on the market value of these types of certificates.

The interest rate of an inverse floating rate class of certificates will change in the opposite direction of changes in the specified interest rate index. The prices of such certificates typically are more volatile than those of non-inverse floating rate classes based on the same index with otherwise comparable terms. Increased volatility occurs because an increase in the index not only decreases the interest rate (and consequently the value) of the certificates but also reflects an increase in prevailing interest rates, which further diminishes the value of such certificates.

The market prices of principal only and interest only classes of certificates typically fluctuate more in response to changes in interest rates than do the prices of interest-bearing mortgage-backed securities having principal amounts and comparable maturities. Other securities issued at a substantial discount or premium from their principal amount (such as certificates issued with significantly below-market or above-market interest rates) also have higher volatility. Generally, the longer the remaining term to maturity of these types of certificates, the greater their price volatility as compared to interest-bearing mortgage-backed securities having principal amounts and comparable maturities.

Terrorist activities and accompanying military and political actions by the United States Government could cause reductions in investor confidence and substantial volatility in real estate and securities markets.

It is impossible to predict the extent to which terrorist activities may occur or, if they do occur, the extent of the effect on the certificates of a particular series. Moreover, it is uncertain what effects any past or future terrorist activities and/or any consequent military and/or political actions on the part of the United States Government and others will have on the United States and world financial markets; local, regional and national economies; real estate markets across the United States; or particular business segments, including those that affect the ability of the borrowers to make their mortgage loan payments. Among other things, reduced investor confidence could result in substantial volatility in securities markets and a decline in real estate-related investments. As a result, defaults on the underlying mortgage loans may increase causing early payments of principal to you and, regardless of the performance of the underlying mortgage loans,

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

the liquidity and market value of the certificates may be impaired.

We will make all payments of principal and interest on the 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 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 the certificates, the value of payments on the certificates and the market value of the certificates all would decline in terms of your currency.

CREDIT FACTORS:

If we failed to pay under our guaranty, the amount distributed to certificateholders would be reduced.

If we were unable to perform our guaranty obligations, certificateholders would receive distributions only on the related underlying assets. If that happened, distributions generally would be limited to borrower payments and other recoveries on the mortgage loans backing the certificates. As a result, delinquencies and defaults on the mortgage loans could directly affect the amounts that certificateholders would receive each month.

If our credit should become impaired, a buyer may be willing to pay only a reduced price for your certificates.

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

ADDITIONAL RISK FACTORS AFFECTING WHOLE LOAN REMIC CERTIFICATES

In addition to the risk factors described above, we have listed below additional risks associated with an investment in certificates of a series backed directly by mortgage loans.

PREPAYMENT FACTORS:

General

Mortgage loans backing the certificates may be repaid at a different speed than you expect, affecting the timing of repayment of principal on your certificates.

If mortgage loans backing the certificates are repaid at a different speed than you expect, the return on your investment in the certificates could be less than you expect when you purchase the certificates. Some of the specific reasons that mortgage loans may be repaid at a different speed are described in separate paragraphs below. Regardless of the reason, if the mortgage loans backing the certificates are repaid more quickly than you expect, the principal on your certificates will be repaid to you sooner than you expect. Depending on then-prevailing economic conditions and interest rates, you may not be able to reinvest those proceeds at a yield that is equal to or greater than the yield on your certificates. If the mortgage loans backing the certificates are repaid more slowly than you expect, the principal on your certificates will be repaid to you later than you expect. Your ability to reinvest these funds would therefore be delayed. If the yield on your certificates is lower than comparable investments available when your certificates prepay or mature, you will be disadvantaged by not having as much principal available to reinvest, and by having your investment dollars remain invested in the certificates for a longer period than you expect.

Even if the mortgage loans backing the certificates are prepaid at a rate that on average is consistent with your expectations, variations in the rate of prepayment over time can significantly affect your yield.

Generally, the earlier the payment of principal, the greater the effect on the yield to maturity. As a result, if the rate of principal prepayment during any period is faster or slower than you expect, a corresponding reduction or increase in the prepayment rate during a later period may not fully offset the effect of the earlier prepayment rate on your yield.

A disproportionate incidence of prepayments and repurchases among adjustable-rate loans with different interest rates will affect your yield.

Certificateholders in pools of multifamily mortgage loans with more than one adjustable-rate loan receive a yield that is the weighted average of the loan rates, net of our fees. That weighted average will change whenever a loan in the pool is prepaid, either in whole or in part, or is purchased out of the pool. A disproportionate incidence of prepayments and repurchases among loans with different interest rates will increase or decrease the effective yield on your certificates.

You may not be entitled to receive prepayment premium payments or yield maintenance charges, and even if you are, our guaranty does not extend to prepayment premiums or yield maintenance charges that may be payable under the terms of the mortgage loans backing your certificates.

While most fixed-rate multifamily mortgage loans require a borrower to make prepayment premium payments (in the form of yield maintenance or other prepayment premium payments) as a condition of voluntarily prepaying a loan, many adjustable-rate multifamily mortgage loans do not require the borrower to make any prepayment premium payments. Moreover, unless the prospectus supplement provides otherwise, multifamily mortgage loans do not require the borrower to pay a prepayment premium in connection with a full or partial prepayment resulting from the receipt of casualty insurance or condemnation proceeds.

Even where a mortgage loan requires the payment of a prepayment premium, payment of the prepayment premium may be waived under the following circumstances:

- the mortgage loan is in default or the master servicer or the primary servicer determines that a default is reasonably foreseeable;
- the master servicer determines that enforceability of the prepayment premium is limited by court order, bankruptcy or similar law relating to creditors' rights generally, or due to acceleration of the mortgage loan's maturity in connection with a foreclosure or other involuntary prepayment; or
- the master servicer reasonably believes that enforceability is otherwise limited or prohibited by applicable law or otherwise is unlikely to be enforced by a court.

Even if borrowers pay prepayment premiums, certificateholders may not be entitled to receive a share of those payments. The related prospectus supplement will state whether a share of any prepayment premiums will be passed through to you and, if so, will describe the calculation of your share. If certificateholders are entitled to share in any prepayment premiums, we will pass through the related share only if, and to the extent the prepayment premiums actually are collected from borrowers. If we are unable to collect a prepayment premium, you will not receive any share thereof. Moreover, if we collect a prepayment premium where a borrower defaults on the loan, you are not entitled to share in, and we will not pass through to you, any prepayment premium.

If no prepayment premiums are collected or if you are not entitled to share in any prepayment premiums, you will not be fully compensated for the loss of future interest on your certificates resulting from refinancings or other early payoffs by borrowers. This would adversely affect your yield on the certificates. We do not guarantee the

If the mortgage loans in your pool permit reamortization of principal after receipt of casualty or condemnation proceeds, the amount of your monthly principal and interest distributions on those mortgage loans will be reduced.

payment of any prepayment premiums or yield maintenance charges.

Casualty or condemnation proceeds may be applied to reduce the unpaid principal balance of a mortgage loan in your pool. When proceeds have been so applied, some multifamily mortgage loans may permit or require reamortization of the remaining unpaid principal over the remaining amortization period. If a reamortization occurs, the amount of principal and interest paid by the borrower each month will be reduced. This reduction in payment will cause a corresponding reduction in the amount of principal and interest passed through to the certificateholders each month, thus affecting your yield.

Refinance Environment

Prevailing interest rates may decline, causing borrowers to prepay their loans and refinance at lower rates accelerating the rate of return of principal on your certificates.

If prevailing rates decline and borrowers are able to obtain new mortgage loans at lower rates, they are more likely to refinance their mortgage loans. If borrowers choose to prepay their mortgage loans, you may receive payments of principal on the certificates more quickly than you expect, at a time when reinvestment rates are lower.

A mortgaged property may be sold, resulting in a refinancing of the related mortgage in your pool, accelerating the rate of return of principal on your certificates.

If a multifamily property is sold, the new owner may decide not to assume the existing mortgage loan even if the loan provisions permit the assumption. Instead, the borrower may pay the loan in full, along with any required prepayment premium. As a result, you could receive payments of principal on the certificates more quickly than you expect.

The mortgage origination industry may change its procedures and prices for refinancing loans, accelerating the rate of repayment of principal on your certificates.

Mortgage originators are continually reviewing and revising procedures to ease the burden for themselves and borrowers of processing refinance loans. Sometimes these changes occur with our cooperation. These changes may include reducing the amount of documentation required to refinance and easing their underwriting standards. In addition, mortgage originators are working to find ways to reduce borrower costs to refinance. To the extent mortgage originators are successful in streamlining procedures and reducing costs for refinancing, this could encourage borrowers to refinance their loans. An increase in the prevalence of refinances of the mortgage loans backing the certificates will accelerate the rate at which you receive payments of principal on your certificates.

Prevailing interest rates may rise, or capital could become less available, causing borrowers not to prepay their loans, slowing the rate of repayment of principal on your certificates.

If prevailing rates rise and borrowers are less able to obtain new mortgage loans at lower rates, they may elect less frequently to refinance their existing mortgage loans. As a result, the mortgage loans backing the certificates may, on average, prepay less rapidly than you expect. You may receive payments of principal on the

Mortgage loans in the pool may be defeased, eliminating the possibility of an early repayment of principal and slowing the rate of return of principal on your certificates.

Even if the mortgage loans backing the certificates are prepaid at a rate that on average is consistent with your expectations, variations in the rate of prepayment over time can significantly affect your yield.

Supply and demand in the related markets, adverse economic conditions and other unfavorable factors may have a significant adverse effect on multifamily properties and cash flow.

certificates more slowly than you expect, and the certificates may remain outstanding longer than you expect at a time when reinvestment rates are higher.

Many multifamily mortgage loans allow borrowers to defease their loans by substituting securities for real property as security for the loans. Loans that have been defeased generally may not be prepaid before their maturity dates. The prospectus supplement for your certificates will describe whether and on what terms the loan underlying your certificates may be defeased.

Generally, the earlier the payment of principal, the greater the effect on the yield to maturity. As a result, if the rate of principal prepayment during any period is faster or slower than you expected, a corresponding reduction or increase in the prepayment rate during a later period may not fully offset the effect of the earlier prepayment rate on your yield.

The value of a multifamily mortgage loan is directly related to the net operating income derived from the related property because the ability of a borrower to repay a loan secured by an income-producing property typically depends primarily upon the successful operation of that property, rather than upon the existence of independent income or assets of the borrower. A reduction in the net operating income of the property may impair the borrower's ability to repay the loan.

A number of factors, many beyond the control of the property owner, may adversely affect the ability of a multifamily property to generate sufficient net operating income to pay debt service and/or to maintain its value including the following:

- changes in national, regional or local economic and employment conditions that may cause reductions in occupancy levels, limits on or reductions in rents, or increases in the number of rent payments received late;
- local real estate conditions, including the existence or construction of competing or alternative residential properties, including other apartment buildings and complexes, manufactured housing communities and single-family housing;
- demographic factors;
- the age, quality, design and location of the multifamily property;
- the willingness and ability of the borrower or property manager to operate and maintain the multifamily property in a successful manner;

- significant increases in utility costs, taxes, insurance premiums and other operating costs;
- an increase in the capital expenditures needed to maintain the multifamily property or make improvements to the property;
- significant increases in the size of required loan payments;
- borrower bankruptcy or other insolvency;
- governmental regulations designed to protect tenants in connection with rent increases and evictions;
- government actions that limit access to the mortgaged property or result in seizure of the property; and
- uninsured natural disasters or criminal acts of destruction or violence.

Property / Credit / Repurchase Risk

Reduced cash flow from a multifamily residential property may cause a default on the related loan, resulting in prepayment of all or a portion of the principal on the certificate and adversely affecting your yield.

Repayment of loans secured by income-producing multifamily properties is typically dependent upon the successful operation of the related real estate project. If the cash flow from a multifamily project is reduced, the borrower's ability to repay a loan may be impaired, causing the loan to become delinquent. Because we guarantee the payment of principal on the certificates, a default by a borrower does not reduce the amount of principal that will be paid to certificateholders. Nevertheless, we have the option to purchase a delinquent loan from the pool under certain circumstances. If we exercise this option, we will pass through to you the stated principal balance of the repurchased loan on the distribution date in the month following the month in which the loan is repurchased. Any repurchase of a delinquent loan will have the same effect on the timing of certificate principal repayment as a borrower repayment.

Even if we collect a prepayment premium in connection with a defaulted loan, you will not be entitled to receive a share of the prepayment premium. We do not guarantee to you the payment of any prepayment premiums.

If the mortgage loans in a pool are secured by properties with special features, the successful operation of the properties may depend upon additional factors.

Significant factors affecting loans secured by properties with one or more special features are set forth below. If an event of default under a mortgage loan secured by any of these special feature mortgaged properties results in the entire principal balance of the loan being paid in full, you will receive an early distribution of principal from the mortgage loan.

Multifamily Affordable Housing Loans: These loans are secured by properties that are generally encumbered

by restrictive covenants, regulatory agreements or ground leases that impose restrictions relating to tenant income, occupancy and/or rent restrictions. A breach of these restrictions may constitute an event of default under the mortgage or may result in the termination of any payments being received from the governmental entity that imposed the restrictions.

Some multifamily affordable housing properties may benefit from long-term federal rental assistance or other federal, state or local subsidies that may be terminated or abated if the requirements of the subsidies are not met. If a subsidy is reduced or eliminated and cannot be replaced by obtaining a new subsidy, increased rents to current tenants or the leasing of properties to market-rate tenants, the related mortgage loan may default.

Some multifamily affordable housing properties may have additional subordinate debt, which may be owed to a multifamily lender or to a governmental entity. Subordinate debt owed to a governmental entity may be for the benefit of the property but may be conditioned on the property continuing to comply with specified use and occupancy restrictions. Failure to make all payments due on the subordinate debt or failure to comply with any use and occupancy restrictions may result in a default in the subordinate debt and a consequent default on the mortgage loan in your pool.

Seniors Housing Loans: These loans are secured by seniors housing properties that may include independent living units, assisted living units and/or Alzheimer's/dementia units and, subject to certain restrictions, a limited number of skilled nursing units. With seniors housing, a borrower's ability to find and retain tenants at satisfactory rental levels depends not only on the typical factors affecting multifamily properties in a specific market but also on the quality of the special services rendered to the residents of the related property.

Governmental regulations may apply to seniors housing properties. In addition, licensing of the operators of the properties may be required where the mix of units in a seniors housing facility includes units designated for assisted living, Alzheimer's/dementia care or skilled nursing care. Failure to comply with the regulations and licensing requirements may cause operations at a facility to be curtailed or stopped entirely, which would have a substantial adverse effect upon the rental income received from the facility and the ability of the borrower to make its monthly payments on the seniors housing loan. A failure to comply may also result in the termination of the manager/operator of the facility and the need to engage a qualified operator upon short notice,

which could have a substantial adverse effect upon the operations of the facility.

Blanket Cooperative Loans: A cooperative housing project is owned by a housing cooperative corporation, which is owned, in turn, by its tenant-shareholders. The housing cooperative corporation may finance the cooperative housing project by becoming the borrower on a multifamily blanket mortgage loan secured by the project. The tenant-shareholders must then pay to the corporation/borrower their proportionate share of the mortgage loan payments and other project-level expenses. Moreover, in the event of unanticipated expenditures, the tenant-shareholders will be required to pay a special assessment to reimburse the corporation/borrower. The ability of the corporation/borrower to make the required monthly payments on the blanket mortgage loan is highly dependent upon the timely receipt of these mortgage and expense payments from the tenant-shareholders. If these payments are not made, the corporation/borrower's cash flow may be adversely affected. This may cause the corporation/borrower to be unable to make the required payment of principal and interest on the blanket loan, resulting in a default under the loan.

Manufactured Housing Community Loans: These loans are secured by residential developments that include rental sites for manufactured homes and provide certain amenities to the residents of those manufactured homes. The borrower leases the sites to owners of manufactured homes, who may live in the homes themselves or rent the homes to tenants. The success of a manufactured housing community depends upon the borrower's ability to lease most or all of its sites to owners of manufactured homes and to maintain a high level of occupancy for those sites. Maintaining a high level of occupancy depends not only on the borrower's ability to market the sites to potential owners of manufactured homes but also on the ability of those potential owners to purchase the manufactured homes. If occupancy levels are not maintained at an acceptable level, the borrower may not receive sufficient income from leasing and other operations to make the required payments of principal and interest on the loan, resulting in a default under the loan.

Dedicated Student Housing Loans: These loans are secured by dedicated student housing properties located on or off a school campus. These properties generally permit student tenants to rent units under leases of one year or less. Students often do not return to the same units during the following school year. The significant turnover of student tenants and the higher level of maintenance required may have a significant adverse effect

on the profitability of the operation of the housing. Moreover, a decline in student enrollment and construction of additional on-campus housing may adversely affect the student housing rental demand. If the housing is not profitable, the borrower may be unable to make the required payment of principal and interest on the loan, resulting in a default under the loan.

Rural Development's Housing and Community Facilities Program Loans: These loans are guaranteed by the U.S. Department of Agriculture through its Rural Development's Housing and Community Facilities Program and are secured by multifamily properties in smaller cities and towns and in rural areas. These housing markets may have a limited number of potential new tenants and an economic base that is concentrated on only one or a few employers. The markets may also have limited availability of professional management for the properties. In addition, these multifamily properties tend to have fewer dwelling units than multifamily properties located in larger cities. These factors and the comparatively greater adverse effect of vacant units on a property's operations may result in a borrower being unable to meet the required principal and interest payments.

Military Housing Loans: These loans are secured by properties used primarily or exclusively for the housing of military personnel and families. If a borrower is not a governmental entity, successful operation of the property is highly dependent upon the continued occupancy of the property. Deployments of military personnel, reductions in the size of military bases or base closures may cause high vacancy rates, resulting in a borrower being unable to meet the required principal and interest payments.

If we own an equity interest in a mortgaged property securing a mortgage loan in your pool, there may be a conflict of interest with respect to the property.

Your pool may contain a mortgage loan secured by a multifamily property in which we or a seller or servicer indirectly holds or later acquires an equity interest. The loan may be serviced by the lender, another equity investor or by an unaffiliated third party. If the borrower were to default on the loan, we, in our corporate capacity, or the seller or the primary servicer could exercise rights as equity holders to take or approve the taking of actions that could cause an early prepayment of principal on your certificates, which could affect your yield. In these circumstances, we may be required to allow either the primary servicer or a party not affiliated with Fannie Mae to perform certain servicing functions.

If the owners of the mortgage loan borrower are or become obligated on a mezzanine loan, their economic interest in the multifamily mortgaged property may be reduced.

A mezzanine loan is made to a mezzanine borrower, which is the entity that owns the multifamily mortgage loan borrower, and is secured by a pledge by the holders of the ownership interests in the mezzanine borrower of those ownership interests. A mezzanine loan may reduce the value of the mezzanine borrower's ownership interest in the multifamily borrower and its economic interest in the property. If its economic interest is reduced, the owner of the mezzanine borrower may have less incentive to support the property and, therefore, may fail to ensure that payments are made on the mortgage loan. If this occurred and we declared the entire unpaid principal balance of the mortgage loan due and payable, you would receive an early payment of principal.

The presence of a mezzanine loan may reduce the cash flow available to the multifamily property.

The multifamily mortgage lender and the mezzanine loan lender enter into an intercreditor agreement that requires cash flow from the multifamily property to be used first to make payments of principal and interest on the multifamily mortgage loan, to repair and improve the related property and to establish certain reserves. The requirement to make payments of principal and interest on the mezzanine loan, however, may cause the mezzanine borrower to direct less cash flow to the repair and maintenance of, or tenant improvements to, the mortgaged property. If the mortgaged property is not maintained or if improvements are not made due to the decrease in available cash flow, the value of the mortgaged property may decline. A decline in value, in turn, could cause the cash flow generated by operation of the mortgaged property to decline as well. If the reduced cash flow caused the borrower to be unable to make the required principal and interest payments on the mortgage loan, the mortgage loan could go into default. If this occurred and we declared the entire unpaid principal balance of the mortgage loan due and payable, you would receive an early payment of principal.

If the mezzanine lender forecloses on the equity ownership interests, there would be a change in control of the multifamily borrower.

If the mezzanine borrower defaults on the mezzanine loan, the mezzanine lender may foreclose on the ownership interests that were pledged as security for the mezzanine loan. (The intercreditor agreement, however, places certain limits on the mezzanine lender's right to foreclose on the ownership interests.) **A default under the mezzanine loan does not cause an event of default to occur under the multifamily mortgage loan.**

The possibility of a foreclosure of the mezzanine loan could cause the mezzanine borrower to file for bankruptcy. A bankruptcy filing may harm the operation of the multifamily property and the multifamily borrower's ability to make payments of principal and interest on the multifamily loan, causing the multifamily loan to go into

default. If this occurred and we declared the entire unpaid principal balance of the multifamily loan due and payable, you would receive an early payment of principal.

If the mezzanine lender forecloses, it will become the owner of the multifamily mortgage loan borrower. As such, the mezzanine lender may decide to sell the mortgaged property, which could result in the refinancing of the multifamily loan by a new purchaser and the payment in full of the multifamily loan. If the multifamily loan is prepaid, we will pass through to certificateholders the prepayment proceeds. Moreover, if the multifamily loan is prepaid during a prepayment premium period, we will pass through to certificateholders their share, if any, of any prepayment premiums that are collected. We do not guarantee to you the payment of any prepayment premiums.

If the property securing a mortgage loan in your pool also serves as collateral for another mortgage loan, a default on the other mortgage loan may adversely affect the mortgage loan in the pool backing your certificates.

A default may occur even if the borrower has been making timely payments of principal and interest on the mortgage loan in the pool backing your certificates, as described below. If a loan defaults and is purchased out of the pool or foreclosed, you will receive no prepayment premium.

If a multifamily mortgage loan backing your certificates is a subordinate loan, a default on the senior loan may cause a default on the subordinate loan. Although our guaranty will cover the repayment of the principal of the subordinate loan, the default would result in an early prepayment of principal on your certificates, which could affect your yield.

If a subordinate loan is placed on a mortgaged property that already secures a mortgage loan in the pool backing your certificates, a default on the subordinate loan could cause a default on the mortgage loan in your pool. This may occur even if the mortgage loan in the pool backing your certificates is senior to the defaulted subordinate loan. If we accelerated the payment of the mortgage loan as a result of the default, there would be an early prepayment of principal on your certificates, which could affect your yield.

We may withdraw some or all of the mortgage loans directly backing the certificates due to a breach of representations and warranties, accelerating the rate of return of principal on your certificates.

Each seller that sells mortgage loans to us makes various representations and warranties about itself and the mortgage loans. For a description of the subjects covered by these representations and warranties, see “**ADDITIONAL CONSIDERATIONS FOR WHOLE LOAN REMICs—Seller Representations and Warranties**” below. If these representations and warranties were not true when they were made, we can require the seller to repurchase the affected mortgage loans at any time.

When a mortgage loan is repurchased, its stated principal balance, together with interest accrued thereon, is passed through to the related certificateholders on the distribution date in the month following the month of repurchase. Thus, a breach of a representation and warranty may accelerate the rate of repayment of principal on your certificates. In the event we require a seller to repurchase a loan due to the breach of a representation or warranty, we will not pay you any prepayment premium or yield maintenance.

The characteristics of mortgage loans backing the certificates may differ, causing prepayment speeds to differ for different series of certificates and for separate groups of classes in the same series.

We purchase mortgage loans with many different characteristics. For a description of these characteristics, see “**THE SERIES TRUST ASSETS—Mortgage Loans Directly Held in Series Trusts (Whole Loan REMICs)**” below. We change our loan eligibility requirements and underwriting standards from time to time. Mortgage loans backing the certificates may include a mix of loans with differing characteristics and loans originated at different times. This means it is possible that not all the mortgage loans backing the certificates will be subject to the same eligibility and underwriting standards. The differences among the loan characteristics and the eligibility and underwriting standards that were applied in the loan purchases may affect the likelihood that a borrower will prepay a loan under various prevailing economic circumstances and/or the likelihood that a borrower will become delinquent. Thus, the differences among the mortgage loans backing the certificates may have an effect upon the extent to which the prepayment of a particular series of certificates (or of a specified group of classes in the same series) will follow historical averages or averages of otherwise similar certificates issued at the same time.

Under certain circumstances, the maturity dates of multifamily loans can be extended.

For certificates directly backed by mortgage loans, there are certain circumstances under which the maturity dates of the mortgage loans may be extended. The prospectus supplement for each series of certificates will specify whether the maturity of any related mortgage loans may be extended. Any such extension might increase the weighted average lives of the certificates.

Location

The location of real property securing mortgage loans backing the certificates may differ, causing prepayment speeds to differ for different series of certificates and for separate groups of classes in the same series.

We purchase mortgage loans throughout the United States and its territories. Mortgage loans backing the certificates may be secured by property in one or several states, and may be relatively concentrated or diverse in location. Regional economic differences among locations may affect the likelihood that a borrower will prepay a loan and/or the likelihood that a borrower will become delinquent. Thus, the differences among geographic concentrations may have an effect upon the extent to which

the prepayment of a particular series of certificates (or of a specified group of classes in the same series) will follow historical averages or averages of otherwise similar certificates issued at the same time. Furthermore, a natural disaster such as a hurricane, tornado or earthquake could severely impact the economy of a particular region for an extended period of time, thereby causing an increase in the number of defaults by borrowers. Such an event may result in accelerated principal payments to you and adversely affect the liquidity of your certificates.

FANNIE MAE

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

Under our 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 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 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 interest and principal 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, such as those offered hereby, and providing technology services for originating and underwriting mortgage loans.

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

USE OF PROCEEDS

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

DESCRIPTION OF THE CERTIFICATES

We will create a trust for each series of certificates pursuant to a trust agreement, and, if applicable, an issue supplement (collectively, a “trust agreement”) for that series. We will execute the trust agreement in our corporate capacity and as trustee. We will issue the guaranteed multifamily REMIC pass-through certificates for each series pursuant to the related trust agreement.

Each series of certificates will consist of two or more classes of guaranteed certificates. The certificates will represent the entire beneficial ownership of the trust created by the trust agreement. This prospectus contains a general description of the rights of the classes of certificates of each series. The prospectus supplement for each series will provide a more detailed description and disclose the particular terms that apply to that series.

We summarize below certain features that are common to the classes of certificates of each series, unless the related prospectus supplement provides otherwise.

Issuance in Book-Entry Form

We will issue the certificates of each class that represent “regular interests” in a REMIC in book-entry form using either the book-entry system of the U.S. Federal Reserve Banks or the book-entry system of The Depository Trust Company (“DTC”), unless we specify a different method in the related prospectus supplement. Physical certificates are not available. Book-entry certificates are freely transferable on the records of any Federal Reserve Bank or DTC, as applicable, but are not convertible to physical certificates. Any transfers are subject to the minimum denomination requirements described below under “—**Denominations.**”

Federal Reserve Banks

With respect to certificates registered on the book-entry system of the Federal Reserve Banks, a certificateholder is an entity that appears in the records of a Federal Reserve Bank as the owner of the certificate. Only entities that are eligible to maintain book-entry accounts with a Federal Reserve Bank may be certificateholders. These entities are not necessarily the beneficial owners of the certificates. They are banks, brokerage firms, securities clearing organizations and similar companies that act as financial intermediaries. Ordinarily, beneficial owners hold book-entry certificates by having accounts at financial intermediaries that either have book-entry accounts with a Federal Reserve Bank or hold through other financial intermediaries, one of which has a book-entry account with a Federal Reserve Bank. A certificateholder that is not also the beneficial owner of a book-entry certificate, and all other financial intermediaries in the chain between the 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, for certificates registered on the book-entry system of the Federal Reserve Banks. In that capacity, it performs certain administrative functions for us with respect to certificateholders. Neither we nor any Federal Reserve Bank will have any direct obligation to the beneficial owner of a book-entry certificate who is not also a certificateholder. We and any Federal Reserve Bank may treat the certificateholder as the absolute owner of the book-entry 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 for certificates registered on the book-entry system of the Federal Reserve Banks. In that capacity, it credits the account of the certificateholder when we make a distribution on the book-entry certificates. Each certificateholder and any financial intermediaries are responsible for remitting distributions to the beneficial owners of the book-entry certificates.

DTC

DTC is a limited-purpose trust company organized under the laws of the State of New York and is a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered under Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities for DTC participants and facilitates the clearance and settlement of transactions between DTC participants through electronic book-entry changes to accounts of DTC participants.

Certificates registered on the book-entry system of DTC will be registered at all times in the name of the nominee of DTC. Thus, DTC is the certificateholder. Under its normal procedures, DTC will record the amount of certificates held by each firm that participates in the book-entry system of DTC, whether held for its own account or on behalf of another person.

A “beneficial owner” or an “investor” is anyone who acquires a beneficial ownership interest in the certificates. As an investor, you will not receive a physical certificate. Instead, your interest will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary that maintains an account for you. In turn, the record ownership of the financial intermediary that holds your certificates will be recorded by DTC. If the financial intermediary is not a DTC participant, the record ownership of the financial intermediary will be recorded by a DTC participant acting on its behalf. Therefore, you must rely on these various arrangements to transfer your beneficial ownership interest in the certificates only under the procedures of your financial intermediary and of DTC participants. In general, ownership of certificates registered with DTC will be subject to the prevailing rules, regulations and procedures governing DTC and DTC participants.

We will direct payments on the certificates to DTC in immediately available funds. In turn, DTC, which serves as our paying agent for certificates registered on its book-entry system, will credit the payments to the accounts of the appropriate DTC participants in accordance with DTC’s procedures. These procedures currently provide for payments made in same-day funds to be settled through the New York Clearing House. DTC participants and financial intermediaries will direct the payments to the investors in certificates that they represent.

Denominations

Interest only classes, principal only classes, inverse floating rate classes, non-sticky jump classes, sticky jump classes and toggle classes will be issued in minimum denominations of \$100,000, with additional increments of \$1. In addition, jump classes (other than non-sticky jump and sticky jump classes) will be issued in minimum denominations of \$1,000,000, with additional increments of \$1. Unless otherwise provided in the related prospectus supplement, all other book-entry certificates will be issued in minimum denominations of \$1,000, with additional increments of \$1. Unless otherwise provided in the related prospectus supplement, we will issue each residual class as a single certificate with no principal balance.

Class Definitions and Abbreviations

Classes of certificates fall into different categories. The chart found in **Exhibit A** to this prospectus identifies and generally defines the categories. The first column of the chart shows our abbreviation for each category. The cover page of each prospectus supplement will identify the categories of classes in the related series by using one or more of these abbreviations.

Distributions on Certificates

Unless otherwise set forth in the applicable prospectus supplement, we will make distributions to 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 series of certificates on the distribution date in the month following

the month in which the certificates are issued. For example, if an issue date occurs on March 1st, the first distribution date for that series will be April 25th, or the following 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 any paying agent is closed, a day on which the Federal Reserve Bank of New York is closed, or a day when the Federal Reserve Bank in the district where the certificate account is maintained is closed. We will pay the certificateholder who is listed as the holder in the records of any Federal Reserve Bank or DTC, as applicable, as of the record date. Unless otherwise specified in the related prospectus supplement, the record date is the last day of the month immediately preceding the month in which the distribution date occurs.

Interest Distributions

If the certificates of a particular class are interest-bearing, they will accrue interest during the applicable interest accrual period at the applicable annual interest rate described in the related prospectus supplement. An interest accrual period can be one of two types:

- | | |
|-------------------------------------|--|
| If the class is a “delay” class: | The calendar month preceding the month in which the related distribution date occurs. |
| If the class is a “no-delay” class: | The one-month period beginning on the 25th day of the month preceding the month in which the related distribution date occurs. |

The prospectus supplement also will indicate the date on which the certificates of each interest-bearing class begin to accrue interest. For any interest-bearing class, interest accrues during each interest accrual period on the principal balance (or notional principal balance) of that class before giving effect to any payment of principal (or reduction in notional principal balance) of that class on the related distribution date. Interest will continue to accrue until we have paid the outstanding principal amount of the certificates of the class in full (or the notional principal balance of the certificates of the class has been reduced to zero). Except in the case of an Accrual or a Partial Accrual class, interest that accrues during an interest accrual period will be paid to certificateholders on the related distribution date.

As for certificates of an Accrual or a Partial Accrual class, the prospectus supplement will describe how and when the interest that accrues during an interest accrual period will be paid. Any accrued interest that is not to be paid on a distribution date will be added to the principal balance of each certificate of that class and, having been converted to principal, will itself begin to accrue interest. For example, if accrued and unpaid interest on an Accrual or Partial Accrual class is converted to principal on March 25th, interest will accrue during the interest accrual period in respect of the April 25th distribution date on the March 25th principal balance of that class, after giving effect to the conversion of interest to principal of that class and to the payment of any principal of that class on March 25th.

Interest Accrual Basis

We will calculate the amount of interest due each month on the certificates on the basis stated in the related prospectus supplement. If interest is calculated on the certificates on a 30/360 basis, the certificates will accrue interest on the basis that each month consists of 30 days and each year consists of 360 days. If interest is calculated on the certificates on an actual/360 basis, the certificates will accrue interest on the basis of the actual number of days in each interest accrual period and a year assumed to consist of 360 days. If another method is used for calculating interest on the certificates, it will be specified and described in the related prospectus supplement.

Indices for Floating Rate Classes and Inverse Floating Rate Classes

General

Unless we specify otherwise in the applicable prospectus supplement, the “index determination date” for a Floating Rate or Inverse Floating Rate class means the second business day before the first day of each interest accrual period (other than the initial interest accrual period) for that class.

LIBOR

If a class of certificates accrues interest based on the London interbank offered rate (“LIBOR”), we will be responsible for calculating LIBOR on each index determination date using either the BBA Method or the LIBO Method. The prospectus supplement for each series that has a LIBOR-based class of certificates will specify the calculation method for that series. For purposes of calculating LIBOR, however, the term “business day” means a day on which banks are open for dealing in foreign currency and exchange in London and New York City. Our calculation of each LIBOR-based interest rate on each index determination date will be final and binding, absent manifest error.

BBA Method. Under the BBA Method, LIBOR is calculated on each index determination date based on the interest settlement rate of the British Bankers’ Association (“BBA”) for one-month U.S. dollar deposits. The “interest settlement rate” is found on Reuters Screen LIBOR01 Page as of 11:00 a.m. (London time) on that date. Currently, it is based on rates quoted by 16 BBA-designated banks as being, in their view, the offered rate at which these deposits are being quoted to prime banks in the London interbank market. The interest settlement rate is calculated by eliminating the four highest rates and the four lowest rates, averaging the eight remaining rates, carrying the percentage result to six decimal places and rounding to five decimal places.

If we are unable to use the BBA Method on any index determination date, we will use the LIBO Method.

LIBO Method. This method uses the quotations for one-month U.S. dollar deposits offered by the principal London office of each of the reference banks as of 11:00 a.m. (London time) on each index determination date. We may rely on these quotations as they appear on the Reuters Screen LIBO Page. Alternatively, we may obtain them directly from the reference banks.

Under the LIBO Method, LIBOR is calculated on each index determination date as follows:

- If at least two reference banks are making quotations, LIBOR for the next interest accrual period will be the arithmetic mean of those quotations (rounded upwards, if necessary, to the nearest 1/32 of 1%).
- Otherwise, LIBOR for the next interest accrual period will be the LIBOR that was determined on the previous index determination date or the reserve interest rate, whichever is higher.

The “reserve interest rate” means the annual rate that we determine as the arithmetic mean (rounded upwards, if necessary, to the nearest 1/32 of 1%) of the one-month U.S. dollar lending rates that New York City banks (which we select) are then quoting to the principal London offices of at least two of the reference banks. If we cannot establish this arithmetic mean, then the reserve interest rate is the lowest one-month U.S. dollar lending rate that New York City banks (which we select) are then quoting to leading European banks. The term “reference bank” means a leading bank (that we do not control either by ourselves or with a third party) that engages in Eurodollar deposit transactions in the international Eurocurrency market.

If we are unable to determine the reserve interest rate for the initial index determination date, as described above, LIBOR for each class for the following interest accrual period will be equal to the value that will result in that class having an interest rate equal to its initial interest rate, as specified in the related prospectus supplement.

Principal Distributions

On each distribution date for a given series of certificates, we will pay the holders of each class the amount of principal specified in the related prospectus supplement. We will pay the holders of each class the outstanding principal balance of each class in full no later than the final distribution date for that class.

The prospectus supplement for each series will specify how we determine the aggregate principal distribution amount for each distribution date. We will make principal payments on each class of certificates of a series on a *pro rata* basis among all the certificates of that class, unless the related prospectus supplement provides otherwise.

Whether we distribute prepayments to certificateholders on a distribution date depends on whether we receive prepayment information from the servicer of the related mortgage loans backing the certificates in sufficient time to allow the class factors to reflect the prepayment. If timely information is not available, we will distribute the prepayment on the distribution date in the following month. The prospectus supplement for each series trust backed by underlying securities not issued by Fannie Mae will describe the method for calculating the distribution of prepayments on mortgage loans backing the related underlying securities.

Fannie Mae Guaranty

We are the guarantor under the trust agreement. We guarantee to each series trust that we will supplement amounts received by the series trust as required to permit payment of interest and principal on the certificates to the extent described in the related prospectus supplement. We also guarantee to each series trust the full and final payment of any unpaid principal amount of the certificates of each class no later than the final distribution date for that class. Our guaranty is effective whether or not sufficient funds have been remitted to us for the related series.

We do not guarantee the payment of any yield maintenance fee or prepayment premium that may be due under the terms of the mortgage loans underlying your certificates. To the extent that you are entitled to receive any portion of yield maintenance fees or prepayment premiums on the mortgage loans underlying your certificates, we will pass through such payments only to the extent actually collected.

Our guaranty runs directly to each series trust and not directly to certificateholders. As a result, certificateholders do not have any rights to bring proceedings directly against Fannie Mae to enforce our guaranty except in the limited circumstances described below under “**THE TRUST AGREEMENT—Certificateholder Rights.**”

If we were unable to perform our guaranty obligations, holders of each class of certificates of a series would receive from the series trust only the amounts paid on the underlying assets of the related series trust. Those amounts generally would be limited to borrower payments and any other recoveries on the underlying assets of the related series trust, such as insurance, condemnation and foreclosure proceeds. In that event, delinquencies and defaults on the mortgage loans or the underlying securities, as applicable, would directly affect the amounts that certificateholders would receive each month.

The certificates and payments of principal and interest on the 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. We alone are responsible for making payments under our guaranty.

Combination and Recombination

General

If provided in the related prospectus supplement, all or a portion of specified certificates may be exchanged for a proportionate interest in related combinable and recombinable (“RCR”) certificates in the combinations specified in the prospectus supplement. Similarly, all or a portion of the RCR certificates may be exchanged for specified certificates in the same manner. This process may occur repeatedly.

Holders of RCR certificates will be the beneficial owners of a proportionate interest in the related certificates and will receive a proportionate share of the distributions on the related certificates.

The classes of certificates and RCR certificates that are outstanding at any given time, and the outstanding principal balances (or notional principal balances) of these classes, will depend upon any related distributions of principal, as well as any exchanges that occur. Certificates and RCR certificates may be exchanged only in the proportions set forth in the related prospectus supplement.

Certain exchanges may result in an interim adjustment due to the different interest accrual periods (i.e., delay vs. no delay, no delay vs. delay) of the certificates being exchanged. The interim adjustment may result in Fannie Mae or the dealer submitting a claim for principal and interest payments.

Procedures

If a certificateholder wishes to exchange certificates, the certificateholder must notify our Structured Transactions Department through one of our “REMIC Dealer Group” dealers in writing or by telefax no later than two business days before the proposed exchange date. The exchange date can be any business day other than the first or last business day of the month, subject to our approval. The notice must include the outstanding principal balance of both the certificates to be exchanged and the certificates to be received, and the proposed exchange date. After receiving the certificateholder’s notice from the dealer, we will telephone the dealer with delivery and wire payment instructions. Notice becomes irrevocable on the second business day before the proposed exchange date.

In connection with each exchange, the certificateholder must pay us a fee equal to 1/32 of 1% of the outstanding principal balance (exclusive of any notional principal balance) of the certificates to be exchanged. In no event, however, will our fee be less than \$2,000.

We will make the first distribution on a certificate or an RCR certificate received in an exchange transaction on the distribution date in the month following the exchange. We will make that distribution to the certificateholder of record as of the close of business on the last day of the month of the exchange.

Additional Considerations

The characteristics of RCR certificates will reflect the characteristics of the certificates used to form those RCR certificates. You should consider a number of factors that will limit a certificateholder’s ability to exchange certificates for RCR certificates or vice versa:

- At the time of the proposed exchange, a certificateholder must own certificates of the related class or classes in the proportions necessary to make the desired exchange.
- A certificateholder that does not own the certificates may be unable to obtain the necessary certificates or RCR certificates.
- If, as a result of a proposed exchange, a certificateholder would hold a certificate or RCR certificate of a class in an amount less than the applicable minimum denomination for that class, the certificateholder will be unable to effect the proposed exchange.

- The certificateholder of certificates that are needed to make a desired exchange may refuse to sell them at a reasonable price (or any price) or may be unable to sell them.
- Certificates may have been purchased and placed into other financial structures and thus be unavailable for exchange.
- Principal distributions will decrease the amounts available for exchange over time.
- Only the combinations set forth in the related prospectus supplement are permitted.

Special Characteristics of the Residual Certificates

We will issue the certificates of each series that represent the “residual interest” in a REMIC in fully registered, certificated form. When we use the term “holder” or “certificateholder” in connection with a residual certificate, we mean the registered owner of the certificate. You may transfer and exchange residual certificates at the corporate trust office of our transfer agent. We will furnish more specific instructions regarding transfer and exchange of residual certificates in the prospectus supplement for the related series. If you transfer or exchange a residual certificate and the government imposes a tax or other charge, we may require that you reimburse us. We will make payments on the residual certificates of each series in the manner described in the related prospectus supplement.

We will not permit any transfer of a residual certificate to a “disqualified organization” or to anyone acting on behalf of a disqualified organization. The term “transfer” can include any transfer of record ownership or of beneficial ownership, whether as a result of a sale, gift, pledge, default or otherwise. The term “disqualified organization” includes the United States, any State or other political subdivision, any foreign government, any international organization, or any agency or instrumentality of any of them (other than certain taxable instrumentalities), any cooperative organization furnishing electric energy or providing telephone service to persons in rural areas, or any organization (other than a farmers’ cooperative) that is exempt from federal income tax, unless such organization is subject to a tax on unrelated business income.

In addition, we will not permit the transfer of a residual certificate to any person that is not a “U.S. Person” or a foreign person subject to United States income taxation on a net basis on income derived from that certificate without our written consent. The term “U.S. Person” means:

- a citizen or resident of the United States;
- a corporation, partnership or other entity treated as a corporation or partnership for United States federal income tax purposes organized in or under the laws of the United States, any State thereof or the District of Columbia (unless, in the case of a partnership, Treasury regulations provide otherwise);
- an estate the income of which is subject to U.S. federal income tax regardless of the source of its income; or
- a trust if a court within the United States can exercise primary supervision over its administration and one or more U.S. Persons have the authority to control all substantial decisions of the trust.

Each person or entity to which a residual certificate is transferred will be required to execute an affidavit, acceptable to us, stating that:

- the transferee is a U.S. Person or a foreign person subject to United States income taxation on a net basis on income derived from that certificate;
- if the transferee is a partnership for U.S. federal income tax purposes, each person or entity that holds an interest (directly, or indirectly through a pass-through entity) in the partnership

is a U.S. Person or a foreign person subject to United States income taxation on a net basis on income derived from that certificate;

- the transferee is not a disqualified organization;
- it is not acquiring the residual certificate for the account of a disqualified organization;
- it consents to any amendment of the related trust agreement that we deem necessary (upon the advice of our counsel) to ensure that the residual certificate will not be owned directly or indirectly by a disqualified organization;
- it is not acquiring the residual certificate to avoid or impede the assessment or collection of tax;
- it understands that it may incur tax liabilities in excess of any cash that it will receive on the residual certificate;
- it intends to pay taxes on the residual certificate as they become due;
- it will not cause income from the residual certificate to be attributed to a foreign permanent establishment or fixed base of the transferee or another taxpayer; and
- it will not transfer the residual certificate unless it has received from the new transferee an affidavit containing these same representations and it does not have actual knowledge that this other affidavit is false.

See **“MATERIAL FEDERAL INCOME TAX CONSEQUENCES—Taxation of Beneficial Owners of Residual Certificates—Sales and Other Dispositions of Residual Certificates—Residual Certificates Transferred to or Held by Disqualified Organizations”** in this prospectus. The transferee also must deliver a properly executed Internal Revenue Service Form W-9 (or, if applicable, a Form W-8ECI) in which the transferee provides its taxpayer identification number. In addition, if a pass-through entity (including a nominee) holds a residual certificate, it may be subject to additional taxes if a disqualified organization is a record holder in the entity.

Under regulations issued by the Treasury Department, the transfer of a “noneconomic residual interest” will be disregarded for all federal tax purposes if a significant purpose of the transfer is to impede the assessment or collection of tax. A residual certificate generally will be a noneconomic residual interest unless, at the time of the transfer, two conditions are met. First, the present value of the expected future payments on the residual certificate is no less than the product of the present value of the “anticipated excess inclusions” on that certificate and the highest corporate rate of tax for the year in which the transfer occurs. Second, the transferor reasonably expects that the transferee will receive payments from the applicable series trust in an amount sufficient to satisfy the liability for income tax on any “excess inclusions” at or after the time when the liability accrues. The term “anticipated excess inclusions” means excess inclusions that are anticipated to be allocated to each calendar quarter (or portion of a quarter) following the transfer of the residual certificate, determined as of the date the residual certificate is transferred and based on events that have occurred as of that date and on the prepayment assumptions. See **“MATERIAL FEDERAL INCOME TAX CONSEQUENCES—Taxation of Beneficial Owners of Regular Certificates—Treatment of Original Issue Discount”** and **“—Taxation of Beneficial Owners of Residual Certificates—Treatment of Excess Inclusions”** in this prospectus.

Under the regulations, the phrase “a significant purpose of the transfer to impede the assessment or collection of tax” means that the transferor of a residual certificate had “improper knowledge” at the time of the transfer. In other words, the transferor knew, or should have known, that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the related REMIC. A transferor is presumed not to have improper knowledge if four conditions are met. First, the transferor conducts, at the time of the transfer, a reasonable investigation of the financial condition of the transferee and, based on the results, finds that the transferee has historically paid its debts as they come due and finds no significant evidence to indicate that the transferee will not

continue to pay its debts as they come due in the future. Second, the transferee represents to the transferor that the transferee understands that it may incur tax liabilities in excess of any cash that it will receive on the residual certificate and that it intends to pay taxes on the residual certificate as they become due. Third, the transferee represents that it will not cause income from the residual certificate to be attributable to a foreign permanent establishment or fixed base of the transferee or another U.S. taxpayer. Fourth, the transfer satisfies either the “asset test” or the “formula test.” If you plan to transfer a residual certificate, you should consult your own tax advisor for further information.

A transfer satisfies the asset test if (i) the transferee’s gross assets exceed \$100 million and its net assets exceed \$10 million (in each case, at the time of the transfer and at the close of each of the transferee’s two fiscal years preceding the year of transfer), (ii) the transferee is an “eligible corporation” and it agrees in writing that any subsequent transfer of the residual certificate will be to an eligible corporation and will comply with the safe harbor and satisfy the asset test, and (iii) the facts and circumstances known to the transferor do not reasonably indicate that the taxes associated with the residual certificate will not be paid. A transfer satisfies the formula test if the present value of the anticipated tax liabilities associated with holding the residual certificate is less than or equal to the present value of the sum of (i) any consideration given to the transferee to acquire the certificate, (ii) expected future distributions on that certificate, and (iii) anticipated tax savings associated with holding that certificate as the related REMIC trust generates losses. The regulations contain additional details regarding their application and you should consult your own tax advisor regarding the application of the regulations to an actual transfer of a residual certificate.

YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS

Effective Yield

Your yield will depend in part upon whether you purchase a certificate at a discount from or a premium over its outstanding principal. In general, if you purchase a certificate at a discount from its outstanding principal and the series trust assets are prepaid at a rate that is slower than you expect, your yield on that certificate will be less than you expect. If you purchase a certificate at a premium over its outstanding principal and the series trust assets are prepaid at a rate that is faster than you expect, your yield on that certificate also will be less than you expect. ***You must make your own decision as to the prepayment assumptions you will use in deciding whether to purchase the certificates.***

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

Weighted Average Lives and Final Distribution Dates

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

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

The actual weighted average life of a certificate will be affected by the rate at which principal payments are actually made on the series trust assets. Principal payments include scheduled principal payments, voluntary principal prepayments, liquidations due to default, casualty and condemnation, guaranty payments by us or by other guarantors of the underlying securities, and repurchases that we or another party make. Each of these types of principal payments, to the extent set forth in the related prospectus supplement, will be applied to payment of principal of specified classes of certificates of the related series.

Each prospectus supplement will include a table showing the projected weighted average life of each class of certificates of the related series. The table also will show for each class of certificates the percentage of the original principal amount that would be outstanding on specified distribution dates. In each case, this table will be based on certain assumptions, including various prepayment assumptions, that we will specify in the prospectus supplement.

The final distribution date for the certificates of a particular class is the date by which we must pay the holders the full outstanding principal balance of the certificates of that class. We determine the final distribution dates for the classes of a given series based on the payments that we expect to receive on the series trust assets.

It is likely that we will pay the full outstanding principal balance of each class of certificates earlier, and perhaps much earlier, than its final distribution date. There are two reasons for this likelihood. First, the rate at which we pay principal on the certificates will be affected by the rate at which principal payments are made on the series trust assets. Second, some of the mortgage loans will have stated maturities that occur prior to the dates contained in the assumptions and have interest rates that are lower than the rates contained in the assumptions. We cannot assure that the outstanding principal balance of any class of certificates will be paid in full before its final distribution date.

For purposes of determining the weighted average life of a Notional certificate, references in this prospectus and the related prospectus supplement to distributions or payments of principal mean reductions of the notional principal balance. Similarly, for purposes of determining the final distribution date of a Notional certificate, references to payment of the full outstanding principal balance mean a reduction of the notional principal balance to zero.

We do **not** have an option in the nature of a clean-up call to purchase the series trust assets and thereby retire the certificates. A clean-up call is the early termination of a series trust when the unpaid principal balance of the series trust assets is reduced to a certain amount or is reduced to a certain percentage of the original unpaid principal balance of the series trust assets. In addition, we do **not** have an option in the nature of a clean-up call to purchase the mortgage loans backing any underlying securities and thereby to retire the underlying securities. However, in some cases, another party may have such rights. In any such case, the prospectus supplement for the related series will describe the terms and conditions of those rights.

Prepayment Models

It is common to measure how mortgage loans prepay relative to a prepayment model. The prospectus supplement for each series will indicate which model it uses.

“CPR” or the constant prepayment rate model is a prepayment model commonly used in commercial mortgage securitization transactions. It represents an assumed constant rate of prepayment each month (which is quoted on a per annum basis) relative to the then outstanding principal balance of a pool of mortgage loans for the life of such mortgage loans. Thus, “0% CPR” means no prepayments, “15% CPR” means an annual prepayment rate of 15%, and so forth.

“PSA” is another commonly used prepayment model that was developed by the Securities Industry and Financial Markets Association. It represents an assumed rate at which a pool of new mortgage loans will prepay. When we refer to “100% PSA,” we mean an annual prepayment rate of 0.2% of the then-unpaid principal balance of the pool in the first month after the origination of those mortgage loans and an additional 0.2% each month until the 30th month. For example, the assumed annual prepayment rate would be 0.4% in month 2, 0.6% in month 3, and so on, and would level out at 6% at month 30 for the remaining term. Beginning in month 30 and for all later months, “100% PSA” means a constant annual prepayment rate of 6%.

Multiples of PSA are calculated in the same way. Thus, “150% PSA” means an annual prepayment rate of 0.3% in month 1, 0.6% in month 2, 0.9% in month 3 and 9% in month 30 and afterwards. Similarly, “200% PSA” means an annual prepayment rate of 0.4% in month 1, 0.8% in month 2, 1.2% in month 3 and 12% in month 30 and afterwards.

These models cannot accurately predict the prepayment experience of the mortgage loans directly or indirectly backing any series of certificates, nor do they describe the historic performance of any particular pool of mortgage loans.

THE SERIES TRUST ASSETS

Each certificate in a series trust will evidence a beneficial ownership interest in amounts on deposit in the related certificate account and one or more of the following:

- certificates issued by Fannie Mae, representing all or part of the direct or indirect beneficial ownership of one or more pools of multifamily mortgage loans, including:
 - Fannie Mae Guaranteed Pass-Through Certificates backed by multifamily mortgage loans (“Multifamily MBS”),
 - Fannie Mae Guaranteed Multifamily REMIC Pass-Through Certificates (“Underlying REMIC Securities”)
 - Fannie Mae Guaranteed Stripped Mortgage-Backed Securities (“SMBS”), and
 - Fannie Mae Guaranteed MBS Pass-Through Securities (“Megas”);
- certificates issued by entities other than Fannie Mae representing all or a part of the direct or indirect beneficial ownership of one or more pools of multifamily mortgage loans; or
- mortgage loans or participation interests in mortgage loans secured by first priority or subordinate liens on fee or leasehold interests in multifamily properties consisting of five or more dwelling units.

Multifamily MBS

The Fannie Mae Multifamily MBS Prospectus dated as of September 1, 2007 (the “Multifamily MBS Prospectus”) describes the general characteristics of the Multifamily MBS that may back the certificates of a series. We make the Fannie Mae Multifamily MBS Prospectus available to investors in the manner described for the availability of this prospectus on page 1 of this prospectus. The general characteristics of the mortgage loans backing such MBS are described in the Multifamily MBS Prospectus. The prospectus supplement for each series that holds Multifamily MBS will contain more specific information about the related Multifamily MBS and the related mortgage loans.

Underlying REMIC Securities

This prospectus describes the general characteristics of any Underlying REMIC Securities that back the certificates of a series trust. The prospectus supplement for each series trust that holds

Underlying REMIC Securities will contain certain information about those Underlying REMIC Securities and the related mortgage loans.

SMBS

The Fannie Mae SMBS Prospectus describes the general characteristics of any Fannie Mae SMBS that backs the certificates of a series trust. We make the SMBS Prospectus available to investors in the manner described for the availability of this prospectus on page 1 of this prospectus. The prospectus supplement for each series trust that holds SMBS will contain certain information about those SMBS and the related mortgage loans.

Megas

The Fannie Mae Mega Prospectus describes the general characteristics of any Megas that back the certificates of a series trust. We make the Fannie Mae Mega Prospectus available to investors in the manner described for the availability of this prospectus on page 1 of this prospectus. The prospectus supplement for each series trust that holds Megas will contain certain information about those Megas and the related mortgage loans.

Other Fannie Mae Underlying Securities

The prospectus for other underlying securities issued by Fannie Mae that may back a series trust will describe the general features of such securities. The prospectus supplement for each series trust that holds other underlying securities issued by Fannie Mae will contain certain information about those underlying securities and the related mortgage loans.

Non-Fannie Mae Underlying Securities

The prospectus supplement for each series trust that holds underlying securities not issued by Fannie Mae will contain certain information about the related underlying securities, the mortgage loans backing those underlying securities, and the related trust documents. The prospectus supplement also will contain other information, including information about the entity that formed the related mortgage pool, the issuer of the underlying securities, and the aggregate outstanding balance and interest rate borne by each underlying security.

Mortgage Loans Directly Held in Series Trusts (Whole Loan REMICs)

Each mortgage loan directly held in a series trust is evidenced by a promissory note and secured by a deed of trust, mortgage or similar security instrument creating a first lien (or, if the related prospectus supplement so states, a subordinate lien) on a multifamily residential property. The mortgage loans bear interest at either a fixed or an adjustable rate. Unless the related prospectus supplement provides otherwise, a pool of adjustable rate mortgage loans will have interest rates that adjust periodically to equal the sum (which may be rounded) of a fixed margin and an index value described in the related prospectus supplement. A pool of mortgage loans directly held in a series trust may consist of both fixed and adjustable rate mortgage loans, as specified in the related prospectus supplement. Each mortgage loan requires the borrower to make monthly payments of principal and interest, except as provided otherwise in the related prospectus supplement. The mortgage loans may be originated for the purpose of purchasing or refinancing multifamily properties.

The mortgage loans may be either conventional mortgage loans (i.e. not insured or guaranteed by any United States government agency) or government mortgage loans that are insured by the Federal Housing Administration, referred to as the FHA, or partially guaranteed by the Department of Veterans Affairs, referred to as the VA, the Department of Housing and Urban Development, referred to as HUD, or the Rural Housing Service. The mortgage loans that we buy will be sold to us by institutions that meet certain criteria described in this prospectus under the heading

“ADDITIONAL CONSIDERATIONS FOR WHOLE LOAN REMICS.” We refer to these institutions as either “lenders” or “sellers”.

Final Data Statement

For any series trust backed by securities issued by Fannie Mae, after issuing the related certificates we will prepare a Final Data Statement containing certain information about the underlying securities.

For underlying Multifamily MBS, SMBS and Megas, the Final Data Statement will contain the pool number, the current weighted average coupon and the current weighted average maturity of the mortgage loans underlying each of the underlying Multifamily MBS, SMBS or Megas as of the related issue date. If the current weighted average coupon is not available, the Final Data Statement will contain the most recently published weighted average coupon. If the current weighted average maturity is not available, the Final Data Statement will contain a weighted average maturity calculated by subtracting from the most recently published weighted average maturity the number of months that have elapsed between the month in which the weighted average maturity was most recently published and the month of the related issue date. The Final Data Statement also will include the weighted averages of all the weighted average coupons and the weighted averages of all the weighted average maturities, based on the current unpaid principal balances of the mortgage loans underlying each of the Multifamily MBS, SMBS or Megas as of the related issue date.

For Underlying REMIC Securities, the Final Data Statement will contain the principal balances (or notional principal balances) of the Underlying REMIC Securities as of the related issue date.

You may obtain the Final Data Statement for a series of certificates by telephoning us at 1-800-237-8627. In addition, the Final Data Statement for a series of certificates is available on our Web site at www.fanniemae.com.

THE TRUST AGREEMENT

We summarize below certain provisions of the trust agreement for each series trust that are not discussed elsewhere in this prospectus. These summaries are, by definition, not complete. If there is ever a conflict between the information in this prospectus and the actual terms of the related trust agreement, the terms of the trust agreement will prevail.

Transfer of Assets to Each Series Trust

Underlying Securities

The trust agreement for each series trust that holds underlying securities will contain a mortgage security schedule that will identify the underlying securities that are being transferred to that series trust. The underlying securities will be registered in our name on the books of the Federal Reserve Bank of New York or other applicable book-entry system. As trustee, we will hold (directly or indirectly) the underlying securities for the benefit of the holders of the certificates of that series.

Mortgage Loans

The trust agreement for each series trust that directly holds mortgage loans will contain a mortgage loan schedule that will identify any mortgage loans that are being transferred to the trust. We or our custodian takes possession of the original note endorsed in blank (or a duplicate copy of the original note along with a lost note affidavit, in the case of notes that have been lost or are missing). If we use a custodian, the custodian must be one of our sellers or their affiliates, a mortgage banker or an institution that is supervised and regulated, or a subsidiary or affiliate of an institution that is supervised and regulated, by the Comptroller of the Currency, the Board of Governors of the Federal

Reserve System, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation or the National Credit Union Administration. Before issuing a series of certificates, we review the mortgage loan schedule for that series, and afterwards we may, from time to time, conduct random spot checks to confirm that the related documents are held by the custodian.

We have the right to change these document delivery and custody requirements at any time so long as we determine that the change will not materially and adversely affect certificateholders' interests. We have set up these requirements to protect certificateholders' interests in the mortgage loans contained in the related series trust. Nevertheless, because the law is unclear regarding a liquidation, reorganization or similar proceeding involving the assets of Fannie Mae, no assurance can be made regarding the status of the certificateholders' interests in the mortgage loans if a proceeding of that type should occur.

Repurchase of Assets from Each Series Trust

Each seller that sells underlying securities to us makes various representations and warranties about itself and the underlying securities. If these representations and warranties were not true when made, we can require the seller to repurchase the affected securities at any time pursuant to the trust agreement for the related series trust. If an underlying security is repurchased, its stated principal balance, together with interest accrued thereon, will be passed through to the related certificateholders on the distribution date in the month in which the repurchase occurs. For a discussion of how repurchases of underlying securities can affect the performance of the certificates, see **"RISK FACTORS—PREPAYMENT FACTORS—**We may withdraw some or all of the underlying securities backing the certificates due to a breach of representations and warranties, accelerating the rate of return of principal on your certificates" in this prospectus. For a description of the effect of any repurchase of assets from an underlying MBS trust, see **"RISK FACTORS—YIELD AND PREPAYMENT FACTORS—***Repurchase and Substitution Risk***—**Under the trust agreement, we may repurchase some or all of the loans from the pool backing your certificates due to a breach of representations and warranties, accelerating the rate of return of principal on your certificates" in the Fannie Mae Multifamily MBS Prospectus.

Each seller that sells mortgage loans for inclusion in a series trust that directly holds mortgage loans makes various representations and warranties about itself and the mortgage loans. If these representations and warranties were not true when made, we can require the seller to repurchase the affected mortgage loans at any time pursuant to the trust agreement for the related series trust. If a mortgage loan is repurchased, its stated principal balance, together with interest accrued thereon, will be passed through to the related certificateholders on the distribution date in the month in which the repurchase occurs. For a description of our repurchase rights relating to a breach of representations and warranties by a seller with respect to mortgage loans directly held in a series trust, see **"ADDITIONAL CONSIDERATIONS FOR WHOLE LOAN REMICs—Seller Representations and Warranties"** in this prospectus. For a discussion of how repurchases of mortgage loans can affect the performance of the certificates, see **"ADDITIONAL RISK FACTORS AFFECTING WHOLE LOAN REMIC CERTIFICATES—PREPAYMENT FACTORS—***Property / Credit / Repurchase Risk***—**We may withdraw some or all of the mortgage loans directly backing the certificates due to a breach of representations and warranties, accelerating the rate of return of principal on your certificates" in this prospectus.

Certificate Account

Funds collected on the series trust assets and used to pay certificateholders are held in a separate account from our own corporate funds. This separate account is called a certificate account and funds held in this account are held in trust for the benefit of certificateholders. The certificate account is the account from which certificateholders are paid. Amounts on deposit in the certificate account may be commingled with funds for all series trusts and are not separated on a trust by trust basis. As trustee, we are entitled to investment earnings on funds on deposit in the certificate

account. Certificateholders are not entitled to any investment earnings from the certificate account. We may invest funds in the certificate account in eligible investments set forth in the trust agreement, including our own debt instruments, prior to distribution to certificateholders.

Reports to Certificateholders

Unless otherwise provided in the related prospectus supplement, we will publish the “class factor” for each class of certificates backed by underlying securities issued by Fannie Mae on or about the 11th calendar day of each month. We will publish the class factor for each class of certificates backed directly by mortgage loans or by underlying securities not issued by Fannie Mae on or before each monthly distribution date. The class factors are made available each month on our Web site and in various financial publications. We, or an agent that we engage for this purpose, will make all necessary numerical calculations.

If you multiply the class factor for a certificate by the original principal balance (or notional principal balance) of that certificate, you will obtain the current principal balance (or notional principal balance) of that certificate, after giving effect to the current month’s principal payment and after adding the current month’s accrued interest to any Accrual or Partial Accrual class.

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

Collection and Other Servicing Procedures for Whole Loan REMICs

For each series trust that directly holds mortgage loans, we or another party identified in the related prospectus supplement for such series are responsible as the master servicer for certain duties. These duties may include entering into contracts with direct servicers to service the mortgage loans (unless the master servicer is directly servicing the mortgage loans), supervising and monitoring any direct servicers, ensuring the performance of certain functions if any primary servicer fails to do so, establishing certain procedures and records for each trust, and taking additional actions as set forth in the trust agreement. Direct servicers collect payments from borrowers, make servicing advances, foreclose upon defaulted mortgage loans, and take other actions as set forth in the trust agreement. Direct servicers may contract with subservicers to perform some or all of the servicing activities.

Certain Matters Regarding Our Duties as Trustee

We serve as trustee under the trust agreement. We may resign from our duties as trustee under the trust agreement upon providing 90 days’ advance notice to the guarantor. Our resignation would not become effective until a successor has assumed our duties. Even if our other duties as trustee under the trust agreement were to terminate, we still would be obligated under our guaranty.

Under the trust agreement, the trustee may consult with and rely on the advice of counsel, accountants and other advisors, and 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 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 series trust for actions we take in our capacity as trustee in connection with the administration of that series trust. Officers, directors, employees, and agents of the trustee are also indemnified by each series 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 certificateholders. We may be reimbursed for the legal expenses and costs of the action from the assets of the related series trust.

We may be removed as trustee only if a guarantor event of default has occurred with respect to a series trust. In that case, we may be removed and replaced by a successor trustee as to an affected series trust by certificateholders representing at least 51% of the voting rights of any related class.

Voting Rights

Unless otherwise provided in the related prospectus supplement, for purposes of giving any consent pursuant to the trust agreement, 2% of all voting rights will be allocated among the holders of the Notional classes in proportion to the then-outstanding notional principal balances of their respective certificates, and 98% of all voting rights will be allocated among the holders of all other classes in proportion to the then-outstanding certificate principal balances of their respective certificates. Among the holders of certificates in each class, voting rights will be allocated in proportion to the percentage interests in such classes evidenced by their respective certificates. However, solely for purposes of giving any consent pursuant to the trust agreement, any certificate beneficially held by the “transferor” for accounting purposes shall 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 certificateholder consent.

Voting Under Trust Documents for any Fannie Mae Underlying Securities

Unless the prospectus supplement provides otherwise, the holders of a certain minimum percentage ownership in underlying securities issued by Fannie Mae may give their consent to any matter requiring consent under the related underlying trust agreement. The trust agreement for a series trust, however, does not permit us, as trustee, to vote any such underlying securities held in a series trust unless we have received consistent direction from certificateholders whose principal balances (or notional principal balances) together equal at least 51% of the aggregate voting rights of all the related classes of certificates of that series. Following its receipt of such direction, the trustee will vote such underlying securities in their entirety in accordance with the direction.

Voting Under Trust Documents for Non-Fannie Mae Underlying Securities

The prospectus supplement for a series of certificates backed by underlying securities not issued by Fannie Mae will specify:

- whether the holders of such underlying securities have the right to vote under the trust documents pursuant to which such underlying securities were issued; and
- whether, and in what percentages, such holders are required to consent to certain amendments or other decisions relating to the underlying trust documents.

The prospectus supplement for a series also will state whether the trust agreement permits the related certificateholders to vote the underlying securities or to take any other action under any underlying trust documents. If certificateholders are entitled to such vote, the related prospectus supplement will specify the percentage of holders whose vote is required.

Guarantor Events of Default

Any of the following events will be considered a guarantor event of default under the trust agreement for a series of certificates:

- if 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 any affected class have given us written notice;
- if we fail in any material way to fulfill any of our other obligations under the trust agreement and our failure continues uncorrected for 60 days after certificateholders representing at least 25% of the voting rights of any class have given us written notice; or
- if we become insolvent, a conservator or receiver is appointed (either voluntarily or involuntarily) or we admit in writing that we are unable to pay our debts.

If one of the guarantor events of default occurs with respect to a series trust and continues uncorrected, certificateholders representing at least 51% of the voting rights of any class will have the right to terminate all of our rights and obligations as trustee with respect to that series trust. However, our guaranty obligations will continue to be in effect. The same proportion of certificateholders that has the right to terminate us as trustee also may appoint a successor to assume all of our terminated obligations. The successor trustee will take title to the assets included in the related trust fund. Any decision of certificateholders to terminate us and appoint a successor must be in writing.

Certificateholder Rights

A certificateholder generally does not have any right under the trust agreement to institute any proceeding against Fannie Mae 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 any class 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 any 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.

Amendment

We may amend the trust agreement for a series of certificates without notifying or obtaining the consent of the related certificateholders to do any of the following:

- correct an error, 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 prospectus supplement, or 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 agreement; and
- modify the trust agreement to maintain the legal status of each series trust, in whole or in part, as a REMIC.

No amendment to cure an ambiguity or to maintain the REMIC status of a series trust may be made if it would otherwise require certificateholder consent.

In addition, if certificateholders representing at least 51% of the voting rights of each class of certificates *give* their consent, we may amend the trust agreement relating to a series trust 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 series trust:

- change our guaranty obligations;
- reduce or delay payments to certificateholders;
- reduce the percentage requirement of certificateholders who must give their consent to any waiver or amendment;
- affect the REMIC status of the series trust (or the applicable portion thereof); or
- make a change to the activities of the trust that would (i) allow the seller of the series trust assets to us (or allow Fannie Mae, in the case of a series trust formed from assets in our portfolio) to regain control of those assets, (ii) cause the trust to cease to be a qualifying special purpose entity for accounting purposes, or (iii) affect the interests of a certificateholder in any way that would be viewed as significant.

Termination

The trust will terminate with respect to a series of certificates when all required interest and principal amounts have been distributed to certificateholders. In no event will a series trust continue beyond the expiration of 60 years from the issue date for that series trust.

We do **not** have an option, in the nature of a clean-up call, to purchase the mortgage loans or underlying securities, as applicable, and thereby to retire the certificates. In some cases, another party may have such a right. In that case, the related prospectus supplement will describe the terms and conditions of that right. In addition, we do **not** have an option, in the nature of a clean-up call, to purchase the mortgage loans backing any underlying securities.

Merger

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.

Notices to Certificateholders

The trust agreement provides that we may communicate with certificateholders in two ways. We may provide written notice (which includes e-mail) to certificateholders. In the alternative, we may provide notice to certificateholders in any other public manner we use to make our financial information available, including posting notices on our corporate Web site at www.fanniemae.com. We are providing our internet address solely for the information of prospective investors. We do not intend the internet address to be an active link. This means that we are not using this internet link to incorporate additional information into this prospectus or into any prospectus supplement.

ADDITIONAL CONSIDERATIONS FOR WHOLE LOAN REMICs

We summarize below certain characteristics of each series trust that directly holds mortgage loans (a whole loan REMIC), including our mortgage loan eligibility standards, our master servicing duties and direct servicing arrangements and the representations and warranties we require from our sellers.

Fannie Mae Purchase Program

The mortgage loans we purchase must meet standards required under the Charter Act. These standards require that the mortgage loans be, in our judgment, of a quality, type and class consistent

with the purchase standards imposed by private institutional mortgage investors. Consistent with those requirements, and with the purposes for which we were chartered, we establish eligibility criteria and policies for the mortgage loans we purchase, for the sellers from whom we purchase loans, and for the direct servicers who service our mortgage loans. See “**FANNIE MAE**” above for information regarding the Charter Act and the charter purpose.

We summarize below certain aspects of our programs for purchasing mortgage loans for inclusion in a given pool, whether they back certificates directly or back any underlying securities issued by us. Unless the related prospectus supplement provides otherwise, the following discussion also applies generally to mortgage loans that back any underlying securities not issued by Fannie Mae.

Lender Eligibility Standards

Generally, we purchase mortgage loans from the following types of lenders:

- federally and state-chartered savings and loan associations, mutual savings banks, commercial banks and similar financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration;
- state-insured financial institutions; and
- financial institutions, principally mortgage bankers, investment banks, insurance companies and finance companies that are Fannie Mae-approved mortgage sellers.

We determine whether to approve a particular financial institution as a Lender under our purchase program by applying certain criteria that generally include depth of mortgage origination experience and financial capacity.

We will enter into a standard Fannie Mae Mortgage Selling and Servicing Agreement with each Lender.

Mortgage Loan Eligibility Standards

Certain of the mortgage loans that we include in a pool will comply with the terms of our current Multifamily Negotiated Transactions Guide and/or Multifamily Delegated Underwriting and Servicing Guide, in each case as amended, supplemented or replaced from time to time (each, a “Guide”), and subject to our right to grant variances from the terms of the Guides from time to time. Other mortgage loans will be purchased from lenders that have originated and serviced the mortgage loans according to their own underwriting and servicing standards. The prospectus supplement for each series will describe the standards under which the mortgage loans in the related pool have been originated and serviced.

Each mortgage loan will be evidenced by a promissory note (each a “mortgage note”). The mortgage notes will be secured by first or (if the prospectus supplement so provides) subordinate mortgages, deeds of trust or similar security instruments creating either first or subordinate liens on the mortgagors’ fee or leasehold interests in the related mortgaged property. We refer to such instruments and any other documents securing a mortgage loan, together with the related mortgage note, as the “mortgage.” A pool of mortgage loans that directly backs MBS will consist entirely either of fixed-rate loans or ARM loans. Unless the related prospectus supplement provides otherwise, a pool of ARM loans will have interest rates that adjust periodically to equal the sum (which may be rounded) of a fixed margin and an index value described in the prospectus supplement. A pool of mortgage loans that directly backs certificates or certain underlying securities may consist of both fixed-rate loans and ARM loans (or other types of mortgage loans, as specified in the related prospectus supplement).

A mortgage pool may include FHA mortgage loans. Those loans are insured under various FHA programs, including the FHA 221 and 223 programs for financing certain multifamily rental

properties. FHA mortgage loans may not have interest rates or original principal amounts exceeding the applicable FHA limits at the time of origination.

Servicing Arrangements

Fannie Mae as Master Servicer

If we are the master servicer for a series of certificates, we generally contract with other entities to perform servicing functions for loans backing the certificates. We refer to these entities as our direct servicers. Often for whole loan backed series trusts, the primary servicer with which we contract is the lender that sold the loans to us.

Primary servicers must meet certain eligibility standards and performance obligations. All direct servicers are obligated to perform diligently all services and duties customary to servicing mortgage loans. We monitor the direct servicer's performance and generally have the right to remove any direct servicer at any time we consider its removal to be in the certificateholders' best interest. Duties performed by the primary servicer include general loan servicing responsibilities, collection and remittance of payments on the mortgage loans, administration of mortgage escrow accounts, collection of insurance claims and foreclosure, if necessary.

Any agreement between a primary servicer and us governing the servicing of the mortgage loans held by a series trust is a contract solely between the primary servicer and us. Certificateholders will not be deemed to be parties to any servicing agreement and will have no claims, rights, obligations, duties, or liabilities with respect to the primary servicer. We, in our capacity as trustee, are a third-party beneficiary of each of these agreements. This means that we may pursue remedies against direct servicers in our capacity as trustee.

We may resign from our duties as master servicer under the trust agreement upon providing 120 days' advance notice to the trustee and to the guarantor. The trustee would become master servicer until a successor has assumed our duties as master servicer. Even if our duties as master servicer under the trust agreement terminate, we would remain obligated under our guaranty as guarantor.

Non-Fannie Mae Master Servicer

If so provided in the applicable series trust agreement, a third party may be designated the master servicer for a series of certificates. The prospectus supplement for that series will describe the rights and responsibilities of that master servicer and summarize relevant terms of the servicing agreement pursuant to which the master servicer will service the mortgage loans backing the certificates of that series.

Servicing Compensation and Payment of Certain Expenses

Unless otherwise stated in the prospectus supplement, for a series trust that holds mortgage loans directly, each month we retain the portion of interest collected on the loans that is not required to be paid to the related certificateholders to pay various expenses of the trust, including the amount of the fee payable to a direct or master servicer and the fee payable to us for providing our guaranty. We also retain some or all of the following, to the extent described in the related prospectus supplement: prepayment premiums, assumption fees, late payment charges and other similar charges, to the extent they are collected from borrowers. We pass additional servicing compensation to our direct or master servicers as described in the related prospectus supplement. We or any master servicer, as applicable, pay all the expenses incurred in connection with the master servicing responsibilities for a trust, including (but not limited to) fees for any party with which we or such master servicer contract to service the mortgage loans. Neither we nor any master servicer is entitled to reimbursement for such expenses from the related trust fund except for the servicing

compensation and guaranty fees described above. We are entitled to the investment income from collections on the mortgage loans.

The servicing compensation payable to a primary servicer of mortgage loans backing underlying securities issued by Fannie Mae generally is similar to the servicing compensation described above in the preceding paragraph. For underlying securities issued by entities not affiliated with Fannie Mae, the applicable trust documents will describe the servicing compensation payable to the underlying servicer, as well as the use of certain proceeds of the mortgage loans backing such underlying securities to pay such compensation and expenses. The related prospectus supplement will summarize the applicable servicing provisions.

Seller Representations and Warranties

Our sellers make representations and warranties to us about the mortgage loans we purchase. We, in our corporate capacity, assign these representations and warranties to the applicable series trust for the benefit of the related certificateholders. In general, the representations and warranties relate to:

- compliance with our eligibility standards and with our underwriting guidelines;
- characteristics of the mortgage loans in each pool;
- compliance with applicable federal and state laws and regulations in the origination of the loans, including consumer protection laws, if applicable;
- compliance with all applicable laws and regulations related to authority to do business in the jurisdiction where a mortgaged property is located;
- our acquisition of loans free and clear of any liens;
- validity and enforceability of the loan documents; and
- the lien position of the mortgage.

We rely on these representations and warranties at the time of purchase to ensure that mortgage loans meet our eligibility standards. Before and/or after purchase, depending on our agreement with the seller, we perform random quality control reviews of selected mortgage loans to monitor compliance with our underwriting guidelines, our eligibility standards and applicable laws and regulations. We can require a seller or servicer to repurchase a loan at a price equal to its stated principal balance, together with interest accrued thereon, if we find a breach of warranties and representations. For a discussion of how these repurchases can affect the performance of the certificates, see “**ADDITIONAL RISK FACTORS AFFECTING WHOLE LOAN REMIC CERTIFICATES—PREPAYMENT FACTORS—Property / Credit / Repurchase Risk**—We may withdraw some or all of the mortgage loans directly backing the certificates due to a breach of representations and warranties, accelerating the rate of return of principal on your certificates” above.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

The certificates and payments on the certificates are not generally exempt from taxation. Therefore, you should consider the tax consequences of holding a certificate before you acquire one. The following discussion describes certain U.S. federal income tax consequences to beneficial owners of certificates. The discussion is general and does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. This discussion may not apply to your particular circumstances for one of the following, or other, reasons:

- This discussion is based on federal tax laws in effect as of the date of this prospectus. Changes to any of these laws after the date of this prospectus may affect the tax consequences discussed below.

- This discussion addresses only certificates acquired at original issuance and held as “capital assets” (generally, property held for investment).
- This discussion does not address tax consequences to beneficial owners subject to special rules, such as dealers in securities, certain traders in securities, banks, tax-exempt organizations, life insurance companies, persons that hold certificates as part of a hedging transaction or as a position in a straddle or conversion transaction, or persons whose functional currency is not the U.S. dollar.
- This discussion may be supplemented by a discussion in the applicable prospectus supplement.
- This discussion does not address taxes imposed by any state, local or foreign taxing jurisdiction.

For these reasons, you should consult your own tax advisors regarding the federal income tax consequences of holding and disposing of certificates as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

The topics in this discussion are addressed in the order of the following captions:

- REMIC Election and Special Tax Attributes
- Taxation of Beneficial Owners of Regular Certificates
- Taxation of Beneficial Owners of Residual Certificates
- Taxation of Beneficial Owners of RCR Certificates
- Taxes on a REMIC
- Reporting and Other Administrative Matters
- Backup Withholding
- Foreign Investors

U.S. Treasury Circular 230 Notice

The tax discussions contained under the headings “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES**” and “**ERISA CONSIDERATIONS**” in this prospectus were not intended or written to be used, and cannot be used, for the purpose of avoiding United States federal tax penalties. These discussions were written to support the promotion or marketing of the transactions or matters addressed in this prospectus and any related prospectus supplement. You should seek advice based on your particular circumstances from an independent tax advisor.

REMIC Election and Special Tax Attributes

We will elect to treat all or a portion of the assets comprising each series trust as at least one “real estate mortgage investment conduit” (“REMIC”) under the Internal Revenue Code of 1986, as amended (the “Code”). Qualification as a REMIC requires ongoing compliance with certain conditions. With respect to each series of certificates, our special tax counsel will deliver its opinion that (unless otherwise limited in the applicable prospectus supplement), assuming compliance with the related trust agreement, the applicable portion of each series trust will be treated as a REMIC for federal income tax purposes. The certificates of each class will be designated as “regular interests” (the “Regular Certificates”) in the REMIC constituted by the related series trust, except that a separate class will be designated as the “residual interest” (the “Residual Certificates”) in the REMIC constituted by the related series trust. The prospectus supplement for each series of certificates will state whether certificates of each class will constitute Regular Certificates or Residual Certificates.

Regular and Residual Certificates will be “regular or residual interests in a REMIC” within the meaning of section 7701(a)(19)(C)(xi) of the Code and “real estate assets” within the meaning of section 856(c)(5)(B) of the Code. If at any time during a calendar year less than 95% of the assets of a REMIC consist of “qualified mortgages,” then the portion of the Regular and Residual Certificates that are qualifying assets under those sections during the calendar year may be limited to the portion of the assets of the REMIC that are “qualified mortgages.” Similarly, income on the Regular and Residual Certificates will be treated as “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. For purposes of applying this limitation, a REMIC should be treated as owning the assets represented by the underlying securities. In general, an underlying security will be a “qualified mortgage” if the mortgage loans underlying that security are “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code. The assets of a REMIC will include, in addition to underlying securities representing mortgage loans, payments on underlying securities held pending distribution on the Regular and Residual Certificates and any reinvestment income thereon.

Regular and Residual Certificates held by a financial institution (as referred to in section 582(c)(2) of the Code) will be treated as evidences of indebtedness for purposes of section 582(c)(1) of the Code. Regular Certificates will also be “qualified mortgages” within the meaning of section 860G(a)(3) of the Code with respect to other REMICs and “permitted assets” with respect to financial asset securitization investment trusts.

Taxation of Beneficial Owners of Regular Certificates

For federal income tax purposes, the Regular Certificates will be treated as debt instruments issued by a REMIC on the date the certificates are first sold to the public (the “Settlement Date”) and not as ownership interests in a REMIC or its assets. Interest, original issue discount and market discount with respect to a Regular Certificate will represent ordinary income to the beneficial owner of the certificate (a “Regular Owner”). A Regular Owner must report interest on a Regular Certificate using an accrual method of accounting, regardless of whether it otherwise reports income using a cash method of accounting. Rules regarding original issue discount and market discount are discussed below.

Treatment of Original Issue Discount

Certain Regular Certificates may be issued with “original issue discount” (“OID”) within the meaning of section 1273(a) of the Code. A Regular Owner must include in gross income the sum of the “daily portions” of OID on its Regular Certificate for each day during its taxable year on which it held the certificate, generally in advance of receipt of the cash attributable to that income. We will supply to certificateholders, brokers and middlemen information with respect to the original issue discount accruing on the Regular Certificates. We will supply this information at the time and in the manner required by the Internal Revenue Service (the “IRS”).

Definition of Original Issue Discount. In general, a Regular Certificate will be considered to be issued with OID equal to the excess, if any, of its “stated redemption price at maturity” over its “issue price.” The issue price of a Regular Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Regular Certificates was sold. The issue price also includes any accrued interest attributable to the period before the Settlement Date. The stated redemption price at maturity of a Regular Certificate generally is its stated principal amount, plus an amount equal to the excess (if any) of the interest payable on the first distribution date over the interest that accrues for the period from the Settlement Date to the first distribution date. The stated redemption price at maturity of a Regular Certificate of a Notional class or an Accrual class, however, is equal to the sum of all distributions to be made under that Regular Certificate.

Notwithstanding the general definition, OID on a Regular Certificate will be treated as zero if the discount is less than 0.25% of the stated redemption price at maturity of the certificate multiplied by its weighted average life. The weighted average life of a Regular Certificate is apparently computed for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the certificate, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the Settlement Date until the date on which each such distribution is expected to be made under the assumption that the mortgage loans backing the certificates prepay at the rate specified in the applicable prospectus supplement (the “Prepayment Assumption”) by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the Regular Certificate’s stated redemption price at maturity. If OID is treated as zero under this rule, the actual amount of OID must be allocated to the principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized.

Daily Portions of Original Issue Discount. For Regular Certificates considered to be issued with OID, the daily portions of OID will be determined as follows. A calculation will first be made of the portion of OID that accrued during each “accrual period.” OID accruing during any accrual period will then be allocated ratably to each day during the period to determine the daily portion of OID.

Final regulations issued by the Treasury Department relating to the tax treatment of debt instruments with OID (the “OID Regulations”) provide that for purposes of measuring the accrual of OID on a debt instrument, a holder of the debt instrument may use an accrual period of any length, up to one year, as long as each distribution of principal or interest occurs on either the final day or the first day of an accrual period. Unless otherwise disclosed in the applicable prospectus supplement, we will report OID based on accrual periods of one month, beginning on a distribution date and ending on the day before the next distribution date.

The portion of OID treated as accruing for any accrual period will equal the excess, if any, of

- (i) the sum of (A) the present values of all the distributions remaining to be made on the Regular Certificate, if any, as of the end of the accrual period and (B) the distribution made on the certificate during the accrual period of amounts included in the stated redemption price at maturity, over
- (ii) the adjusted issue price of the certificate at the beginning of the accrual period.

The present value of the remaining distributions will be calculated based on the following:

- the yield to maturity of the Regular Certificate, calculated as of the Settlement Date, giving effect to the Prepayment Assumption,
- events (including actual prepayments) that have occurred prior to the end of the accrual period,
- the Prepayment Assumption, and
- in the case of a Regular Certificate calling for a variable rate of interest, an assumption that the value of the index upon which the variable rate is based remains the same as its value on the Settlement Date over the entire life of the certificate.

The adjusted issue price of a Regular Certificate at any time will equal the issue price of the certificate, increased by the aggregate amount of previously accrued OID with respect to the certificate, and reduced by the amount of any distributions made on the certificate as of that time of amounts included in the stated redemption price at maturity.

The Code requires that the Prepayment Assumption be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. The legislative history of this Code provision indicates that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. We anticipate that the

Prepayment Assumption for each series of Regular Certificates will be consistent with this standard. We make no representation, however, that the mortgage loans backing the certificates for a given series will prepay at the rate reflected in the Prepayment Assumption for that series or at any other rate. You must make your own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the certificates.

Subsequent Holders' Treatment of Original Issue Discount

If a Regular Certificate is issued with OID and a subsequent holder purchases the certificate at a cost of less than its remaining stated redemption price at maturity, that holder also will be required to include in income the daily portion of OID with respect to the certificate for each day it holds the certificate. If the cost of the certificate to the subsequent holder exceeds the adjusted issue price of the certificate, however, the holder can reduce the daily accruals by an amount equal to the product of (i) the daily portion and (ii) a constant fraction. The numerator of the constant fraction is the excess of the purchase price over the adjusted issue price of the certificate, and the denominator is the sum of the daily portions of OID on the certificate for all days on or after the day of purchase.

Interest and Original Issue Discount on Floating Rate and Inverse Floating Rate Classes

The OID Regulations define and provide special rules applicable to variable rate debt instruments ("VRDIs"). Most Floating Rate and Inverse Floating Rate classes will be VRDIs under the OID Regulations. To be a VRDI, a Regular Certificate generally must satisfy three requirements. First, the issue price (including accrued interest) must not exceed the total noncontingent principal payments by more than (i) 1.5% of the product of the total noncontingent principal payments and the weighted average life, or (ii) 15% of the total noncontingent principal payments, whichever is smaller. Second, the Regular Certificate must bear interest at a "qualified floating rate" or an "objective rate," or certain combinations of such rates and possibly a fixed rate. Third, under the terms of the Regular Certificate, the qualified floating rate or objective rate must be based on a current value of the applicable interest index. An interest index (such as LIBOR) and an interest index plus or minus a fixed rate generally are qualified floating rates. A floating or inverse floating rate equal to a positive or negative multiple of an interest index plus or minus a fixed rate is an objective rate and may be a qualified floating rate.

Under the OID Regulations, a debt instrument that provides for a variable rate of interest but that does not meet all three requirements is a contingent payment debt instrument. The regulations governing contingent payment debt instruments, however, do not apply to Regular Certificates. Therefore, in the absence of further guidance and unless otherwise stated in the applicable prospectus supplement, we will compute accruals of interest and OID on all Floating Rate and Inverse Floating Rate classes by applying the principles of the OID Regulations applicable to VRDIs.

Regular Certificates Purchased at a Premium

If a Regular Owner purchases a certificate for an amount (net of accrued interest) greater than its remaining stated redemption price at maturity, the Regular Owner generally will have premium with respect to the certificate (a "Premium Certificate") in the amount of the excess. Such a purchaser need not include in income any remaining OID and may elect, under section 171(c)(2) of the Code, to treat the premium as "amortizable bond premium."

If a Regular Owner makes this election, the amount of any interest payment that must be included in the Regular Owner's income for each period ending on a distribution date will be reduced by the portion of the premium allocable to the period based on the Premium Certificate's yield to maturity. In addition, the legislative history of the Tax Reform Act of 1986 states that premium should be amortized under principles analogous to those governing the accrual of market discount (as discussed below under "***Regular Certificates Purchased with Market Discount***"). The election

will also apply to all bonds (as well as all REMIC regular interests) the interest on which is not excludible from gross income (“fully taxable bonds”) held by the Regular Owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by it. A Regular Owner may revoke the election only with the consent of the IRS.

If the election is not made, (i) a Regular Owner must include the full amount of each interest payment in income as it accrues, and (ii) the premium must be allocated to the principal distributions on the Premium Certificate and, when each principal distribution is received, a loss equal to the premium allocated to the distribution will be recognized. Any tax benefit from the premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the Premium Certificate.

Regular Certificates Purchased with Market Discount

A Regular Owner that purchases a Regular Certificate at a price that is less than the remaining stated redemption price at maturity of the certificate (or in the case of a Regular Certificate issued with OID, less than the adjusted issue price of the certificate) has market discount with respect to the certificate in the amount of the difference. In general, three consequences arise if a Regular Owner acquires a Regular Certificate with market discount. First, the Regular Owner must treat any principal payment with respect to a Regular Certificate acquired with market discount as ordinary income to the extent of the market discount that accrued while the Regular Owner held the certificate. Second, the Regular Owner must treat gain on the disposition or retirement of such a certificate as ordinary income under the circumstances discussed below under “—***Sales and Other Dispositions of Regular Certificates.***” Third, a Regular Owner that incurs or continues indebtedness to acquire a Regular Certificate at a market discount may be required to defer the deduction of all or a portion of the interest on the indebtedness until the corresponding amount of market discount is included in income. Alternatively, a Regular Owner may elect to include market discount in income on a current basis as it accrues, in which case the three consequences discussed above will not apply. If a Regular Owner makes this election, the Regular Owner must also apply the election to all debt instruments the Regular Owner acquires on or after the beginning of the first taxable year to which the election applies. A Regular Owner may revoke the election only with the consent of the IRS.

The legislative history to the Tax Reform Act of 1986 states that market discount on a Regular Certificate may be treated as accruing in proportion to remaining accruals of OID, if any, or, if none, in proportion to remaining distributions of interest on a Regular Certificate. A beneficial owner may instead elect to determine the accrual of market discount under a constant yield method. We will make available to certificateholders information necessary to compute the accrual of market discount, in the manner and form as required by the IRS.

Notwithstanding the above rules, market discount on a Regular Certificate will be considered to be zero if the discount is less than 0.25% of the remaining stated redemption price at maturity of the certificate multiplied by its weighted average remaining life. Weighted average remaining life presumably would be calculated in a manner similar to weighted average life, taking into account payments (including prepayments) prior to the date of acquisition of the Regular Certificate by the subsequent purchaser. If market discount on a Regular Certificate is treated as zero under this rule, the actual amount of market discount must be allocated to the remaining principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized.

Special Election

For any Regular Certificate acquired on or after April 4, 1994, the OID Regulations permit a Regular Owner to elect to include in gross income all “interest” that accrues on the Regular Certificate by using a constant yield method. For purposes of the election, the term “interest” includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis*

market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. You should consult your own tax advisor regarding the time and manner of making and the scope of the election and the implementation of the constant yield method.

Regular Certificates with Nominal Distributions of Principal

Some Regular Certificates may provide for only nominal distributions of principal in comparison to distributions of interest. Under current law, it is unclear whether the rules generally applicable to debt instruments issued at a premium should apply to these certificates or whether each of these certificates should instead be treated as having been issued with OID equal to the excess of the total payments to be received on each certificate over its issue price. For purposes of information reporting, we intend to treat these certificates as having been issued with OID.

Sales and Other Dispositions of Regular Certificates

Upon the sale, exchange, retirement or other disposition of a Regular Certificate, the beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner's adjusted basis in the certificate. In addition, the Code requires the recognition of gain upon the "constructive sale of an appreciated financial position." In general, a constructive sale of an appreciated financial position occurs if a taxpayer enters into certain transactions or series of transactions with respect to a financial instrument that have the effect of substantially eliminating the taxpayer's risk of loss and opportunity for gain with respect to the financial instrument. These provisions only apply to certificates of a Notional class.

The adjusted basis of a Regular Certificate generally will equal the cost of the certificate to the beneficial owner, increased by any OID or market discount included in the beneficial owner's gross income with respect to the certificate and reduced by distributions previously received by the beneficial owner of amounts included in the certificate's stated redemption price at maturity and by any premium that has reduced the beneficial owner's interest income with respect to the certificate.

The gain or loss, if any, will be capital gain or loss, provided the certificate is held as a "capital asset" (generally, property held for investment) within the meaning of section 1221 of the Code and none of the following apply. First, gain that might otherwise be capital gain will be treated as ordinary income to the extent that the gain does not exceed the excess, if any, of (i) the amount that would have been includible in the income of the Regular Owner had income accrued at a rate equal to 110% of the "applicable Federal rate" (generally, an average of current yields on Treasury securities) as of the date of purchase over (ii) the amount actually includible in the Regular Owner's income. Second, gain recognized by a Regular Owner who purchased a Regular Certificate at a market discount will be taxable as ordinary income in an amount not exceeding the portion of the market discount that accrued during the period the certificate was held by the Regular Owner, reduced by any market discount includible in income under the rules described above under "***Regular Certificates Purchased with Market Discount.***" Third, any gain or loss resulting from a sale or exchange described in section 582(c) of the Code (which generally applies to banks) will be taxable as ordinary income or loss.

Termination

In general, no special tax consequences will apply to a Regular Owner upon the termination of a series trust by virtue of the final payment or liquidation of the last mortgage loan that backs the last underlying security remaining in the series trust.

Taxation of Beneficial Owners of Residual Certificates

Daily Portions

Except as indicated below, a beneficial owner of a Residual Certificate with respect to a REMIC (a “Residual Owner”) generally will be required to report its daily portion of the taxable income or net loss of the REMIC for each day during a calendar quarter that the Residual Owner owns the Residual Certificate. For this purpose, the daily portion is determined by allocating to each day in the calendar quarter its ratable portion of the taxable income or net loss of the REMIC for the quarter and then allocating that amount among the Residual Owners in accordance with their percentage interests on that day. Daily portions of income or loss allocated to a Residual Owner will be treated as ordinary income or loss. A Residual Owner must continue to report its daily portion of the taxable income or net loss of the REMIC until no certificates of any class are outstanding, even though the Residual Owner may have received full payment of any stated interest and principal on its Residual Certificate.

Taxable Income or Net Loss of a REMIC

The taxable income or net loss of a REMIC will be the income from the “qualified mortgages” it holds and any reinvestment earnings less deductions allowed to the REMIC. In general, an underlying security will be a “qualified mortgage” if the mortgage loans backing that security are “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code or if that security is a regular interest in another REMIC.

The taxable income or net loss for a given calendar quarter will be determined in the same manner as for an individual having the calendar year as the taxable year and using the accrual method of accounting, with the following modifications and limitations:

- A deduction will be allowed for accruals of interest (including any OID, but without regard to the investment interest limitation in section 163(d) of the Code) on the Regular Certificates (but not the Residual Certificates).
- Market discount equal to any excess of the total stated principal balances of the qualified mortgages over the REMIC’s basis in these mortgages generally will be included in income by the REMIC as it accrues under a constant yield method, taking into account the Prepayment Assumption.
- If a REMIC is treated as having acquired qualified mortgages at a premium, the premium also will be amortized using a constant yield method.
- No item of income, gain, loss or deduction allocable to a prohibited transaction (see “**—Taxes on a REMIC—Prohibited Transactions**” below) will be taken into account.
- A REMIC generally may not deduct any item that would not be allowed in calculating the taxable income of a partnership by virtue of section 703(a)(2) of the Code.
- The limitation on miscellaneous itemized deductions imposed on individuals by section 67 of the Code will not be applied at the REMIC level to any administrative fees, such as servicing and guaranty fees. (See, however, “**—Pass-Through of Servicing and Guaranty Fees to Individuals**” below.)
- No deduction is allowed for any expenses incurred in connection with the formation of a REMIC and the issuance of the Regular and Residual Certificates.
- Any gain or loss to a REMIC from the disposition of any asset, including a qualified mortgage or “permitted investment” as defined in section 860G(a)(5) of the Code, will be treated as ordinary gain or loss.

A REMIC's basis in qualified mortgages is the aggregate of the issue prices of all the Regular and Residual Certificates in the REMIC on the Settlement Date. If, however, the amount sold to the public of any class of Regular or Residual Certificates is not substantial, then the fair market value of all the Regular or Residual Certificates in that class as of the date of the prospectus supplement should be substituted for the issue price. If the deductions allowed to the REMIC exceed its gross income for a calendar quarter, the excess will be a net loss for the REMIC for that calendar quarter.

For purposes of determining the taxable income or net loss of a REMIC, OID will be calculated by taking into account the following. First, if all the regular interests of a REMIC are issued to another REMIC, the regular interests will be treated as a single debt instrument because they were issued to a single holder in a single transaction. Second, if a REMIC holds a regular interest as a qualified mortgage (an "Underlying Certificate"), the REMIC will elect to include in gross income all interest that accrues on the Underlying Certificate by using a constant yield method. See "**—Taxation of Beneficial Owners of Regular Certificates—Special Election**" above. Third, if a REMIC holds an Underlying Certificate, the accruals of OID on the Underlying Certificate will be determined using the same Prepayment Assumption used to calculate the accruals of OID on the related regular interests in the REMIC as specified in the applicable prospectus supplement. The IRS, however, could take the position that the proper Prepayment Assumption to be used is the Prepayment Assumption originally established for the Underlying Certificate.

A Residual Owner may be required to recognize taxable income without being entitled to receive a corresponding amount of cash. This could occur, for example, if the mortgage loans are considered to be purchased by the REMIC at a discount, some or all of the Regular Certificates are issued at a discount, and the discount included as a result of a prepayment on a mortgage loan that is used to pay principal on the Regular Certificates exceeds the REMIC's deduction for unaccrued original issue discount relating to the Regular Certificates. Taxable income may also be greater in earlier years because interest expense deductions, expressed as a percentage of the outstanding principal amount of the Regular Certificates, may increase over time as the earlier classes of Regular Certificates are paid, whereas interest income of the REMIC from each mortgage loan, expressed as a percentage of the outstanding principal amount of that mortgage loan, may remain constant over time.

Basis Rules and Distributions

A Residual Owner has an initial basis in its Residual Certificate equal to the amount paid for the Residual Certificate. The basis is increased by amounts included in the income of the Residual Owner and decreased by distributions and by any net loss taken into account with respect to the Residual Certificate. A distribution on a Residual Certificate to a Residual Owner is not included in gross income to the extent it does not exceed the Residual Owner's basis in the Residual Certificate (adjusted as described above) and, to the extent it exceeds the adjusted basis of the Residual Certificate, is treated as gain from the sale of the Residual Certificate.

A Residual Owner is not allowed to take into account any net loss for a calendar quarter to the extent the net loss exceeds the Residual Owner's adjusted basis in its Residual Certificate as of the close of that calendar quarter (determined without regard to that net loss). Any loss disallowed by reason of this limitation may be carried forward indefinitely to future calendar quarters and, subject to the same limitation, may be used only to offset income from the Residual Certificate.

Treatment of Excess Inclusions

Any excess inclusions with respect to a Residual Certificate are subject to certain special tax rules. With respect to a Residual Owner, the excess inclusion for any calendar quarter is defined as the excess (if any) of the daily portions of taxable income over the sum of the "daily accruals" for each day during the quarter that the Residual Certificate was held by the Residual Owner. (The determination of daily accruals is discussed below.) The Treasury Department has the authority to issue regulations that would treat all taxable income of a REMIC as excess inclusions if the Residual

Certificate does not have “significant value.” The Treasury Department has not yet exercised this authority, but may do so in the future.

Any excess inclusions cannot be offset by losses from other activities. For Residual Owners that are subject to tax only on unrelated business taxable income (as described in section 511 of the Code), an excess inclusion of the Residual Owner is treated as unrelated business taxable income. With respect to variable contracts (within the meaning of section 817 of the Code), a life insurance company cannot adjust its reserve to the extent of any excess inclusion, except as provided in regulations. If a Residual Owner is a member of an affiliated group filing a consolidated income tax return, the taxable income of the affiliated group cannot be less than the sum of the excess inclusions attributable to all residual interests in REMICs held by members of the affiliated group. For purposes of the alternative minimum tax, taxable income does not include excess inclusions, the alternative minimum taxable income cannot be less than excess inclusions, and excess inclusions are disregarded in computing the alternative tax net operating loss deduction. For a discussion of the effect of excess inclusions on certain foreign investors that own Residual Certificates, see “—**Foreign Investors—Residual Certificates**” below.

In the case of any Residual Certificates that are held by a real estate investment trust, the aggregate excess inclusions with respect to the Residual Certificates reduced (but not below zero) by the real estate investment trust taxable income (within the meaning of section 857(b)(2) of the Code, excluding any net capital gain) would, under regulations yet to be prescribed, be allocated among the shareholders of the trust in proportion to the dividends received by the shareholders from the trust, and any amount so allocated would be treated as an excess inclusion with respect to a Residual Certificate as if held directly by the shareholder. Similar rules would apply in the case of regulated investment companies, common trust funds and certain cooperatives that hold a Residual Certificate.

Determination of Daily Accruals. The daily accruals are determined by allocating to each day during a calendar quarter its ratable portion of the product of the “adjusted issue price” of the Residual Certificate at the beginning of the calendar quarter and 120% of the “Federal long-term rate” in effect on the Settlement Date, based on quarterly compounding and properly adjusted for the length of the quarter. The Federal long-term rate is a blend of current yields on Treasury securities having a maturity of more than nine years computed and published monthly by the IRS. The prospectus supplement will set forth 120% of the Federal long-term rate based on quarterly compounding that will be in effect on the Settlement Date, if the rate is available as of the date of the prospectus supplement and the related REMIC has a Residual Certificate with an issue price greater than zero.

The adjusted issue price of a Residual Certificate as of the beginning of any calendar quarter is equal to the issue price of the Residual Certificate, increased by the amount of daily accruals for all prior quarters and decreased by any distributions made with respect to the Residual Certificate before the beginning of the quarter. The issue price of a Residual Certificate generally is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Residual Certificates was sold.

Pass-Through of Servicing and Guaranty Fees to Individuals

A Residual Owner who is an individual will be required to include in income a share of the administrative fees of the REMIC, including the servicing and guaranty fees imposed at the level of the underlying securities. See, for example, “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES**” in our Multifamily MBS Prospectus. A deduction for such fees generally will be allowed to such a Residual Owner only to the extent that such fees, along with certain of the Residual Owner’s other miscellaneous itemized deductions, exceed two percent of the Residual Owner’s adjusted gross income. A Residual Owner’s share of such fees generally will be determined by (i) allocating the amount of such expenses for each calendar quarter on a *pro rata* basis to each day in the calendar

quarter, and (ii) allocating the daily amount among the Residual Owners in proportion to their respective holdings on that day. Similar rules apply in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Residual Certificate through an investment in a “pass-through entity.” Pass-through entities include partnerships, S corporations, grantor trusts, certain limited liability companies and non-publicly offered regulated investment companies, but do not include estates, trusts other than grantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies.

Section 68 of the Code may provide for certain limitations on itemized deductions otherwise allowable for a Residual Owner who is an individual. In addition, a Residual Owner may not be able to deduct any portion of such fees in computing its alternative minimum tax liability.

Sales and Other Dispositions of Residual Certificates

Upon the sale, exchange or other disposition of a Residual Certificate, the Residual Owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the Residual Owner’s adjusted basis in the certificate. The adjusted basis of a Residual Certificate is determined as described above under “***—Basis Rules and Distributions.***” Except as provided in section 582(c) of the Code, the gain or loss, if any, will be capital gain or loss, provided the certificate is held as a capital asset.

If a Residual Owner sells or otherwise disposes of its Residual Certificate at a loss, the loss will not be recognized if, within six months before or after the sale or other disposition of the Residual Certificate, the Residual Owner purchases another residual interest in any REMIC or any interest in a taxable mortgage pool (as defined in section 7701(i) of the Code) comparable to a residual interest in a REMIC. The disallowed loss would be allowed upon the sale or other disposition of the other residual interest (or comparable interest) if the rule referred to in the preceding sentence does not apply to that sale or other disposition. While this rule may be modified by Treasury regulations, no such regulations have yet been published.

Residual Certificates Transferred to or Held by Disqualified Organizations. Section 860E(e) of the Code imposes a substantial tax, payable by the transferor (or, if a transfer is through a broker, nominee, or other middleman as the transferee’s agent, payable by that agent) upon any transfer of a Residual Certificate to a “disqualified organization.” A transfer includes any transfer of record or beneficial ownership, whether pursuant to a purchase, a default under a secured lending agreement or otherwise. The term “disqualified organization” is defined above under “**DESCRIPTION OF THE CERTIFICATES—Special Characteristics of the Residual Certificates.**” A transferor of a Residual Certificate (or an agent of a transferee of a Residual Certificate, as the case may be) will be relieved of this tax liability if (i) the transferee furnishes to the transferor (or the transferee’s agent) an affidavit that the transferee is not a disqualified organization, and (ii) the transferor (or the transferee’s agent) does not have actual knowledge that the affidavit is false at the time of the transfer.

In addition, a tax may be imposed upon a pass-through entity (including a regulated investment company, real estate investment trust, common trust fund, partnership, trust, estate and nominee and certain cooperatives) that owns a Residual Certificate if the pass-through entity has a disqualified organization as a record holder. For this purpose, all interests in an electing large partnership are treated as held by disqualified organizations. No such tax will be imposed on a pass-through entity for a period with respect to an interest therein owned by a disqualified organization if (i) the record holder of the interest furnishes to the pass-through entity an affidavit that it is not a disqualified organization, (ii) during that period, the pass-through entity has no actual knowledge that the affidavit is false and (iii) the entity is not an electing large partnership.

Other Transfers of Residual Certificates. A transfer of a Residual Certificate that has tax avoidance potential is disregarded for federal income tax purposes if the transferee is not a U.S. Person (a “Non-U.S. Person”), unless the transferee’s income from the certificate is otherwise subject to

U.S. income tax. A Residual Certificate has tax avoidance potential unless, at the time of the transfer, the transferor reasonably expects that, for each excess inclusion, the REMIC will pay to the transferee an amount that will equal at least 30% of the excess inclusion, and that each amount will be paid at or after the time at which the excess inclusion accrues and not later than the close of the calendar year following the calendar year of accrual. Certain transfers by a Non-U.S. Person to a U.S. Person or another Non-U.S. Person are also disregarded if the transfer has the effect of allowing the transferor to avoid tax on accrued excess inclusions. See “**DESCRIPTION OF THE CERTIFICATES—Special Characteristics of the Residual Certificates**” for a discussion of additional provisions applicable to transfers of Residual Certificates.

Amounts Paid to a Transferee of a Residual Certificate. Treasury Department regulations provide that, to clearly reflect income, an inducement fee paid to a transferee of a noneconomic residual interest in a REMIC must be included in income over a period that is reasonably related to the period during which the applicable REMIC is expected to generate taxable income or net loss allocable to the transferee. The regulations set forth two safe harbor methods under which a taxpayer’s accounting for the inducement fee will be considered clearly to reflect income for these purposes. In addition, under the regulations an inducement fee shall be treated as income from sources within the United States. The regulations contain additional details regarding their application. You should consult your own tax advisor regarding the application of the regulations to the transfer of a Residual Certificate.

Termination

Although the matter is not entirely free from doubt, it appears that a Residual Owner will be entitled to a loss if:

- the REMIC terminates by virtue of the final payment or liquidation of the last mortgage loan that backs the last underlying security remaining in the REMIC and
- the Residual Owner’s adjusted basis in its Residual Certificate at the time the termination occurs exceeds the amount of cash distributed to the Residual Owner in liquidation of its interest.

The amount of the loss will equal the amount by which the Residual Owner’s adjusted basis exceeds the amount of cash distributed to the Residual Owner in liquidation of its interest.

Taxation of Beneficial Owners of RCR Certificates

The RCR classes will be created, sold and administered pursuant to an arrangement that will be classified as a grantor trust under subpart E, part I of subchapter J of the Code. The Regular Certificates that back the RCR certificates will be the assets of the trust, and the RCR certificates will represent an ownership interest in those Regular Certificates.

The RCR classes will represent the beneficial ownership of the underlying Regular Certificates. The ownership interest represented by RCR certificates will be one of two types. A certificate of a Strip RCR class (a “Strip RCR Certificate”) will represent the right to receive a disproportionate part of the principal or interest payments on one or more underlying Regular Certificates. A certificate of a Combination RCR class (a “Combination RCR Certificate”) will represent beneficial ownership of undivided interests in two or more underlying Regular Certificates.

Strip RCR Classes

The tax consequences to a beneficial owner of a Strip RCR Certificate will be determined under section 1286 of the Code, except as discussed below. Under section 1286, a beneficial owner of a Strip RCR Certificate will be treated as owning “stripped bonds” to the extent of its share of principal payments and “stripped coupons” to the extent of its share of interest payments on the underlying Regular Certificates. If a Strip RCR Certificate entitles the holder to payments of principal and

interest on an underlying Regular Certificate, the IRS could contend that the Strip RCR Certificate should be treated (i) as an interest in the underlying Regular Certificate to the extent that the Strip RCR Certificate represents an equal pro rata portion of principal and interest on the underlying Regular Certificate, and (ii) with respect to the remainder, as an installment obligation consisting of “stripped bonds” to the extent of its share of principal payments or “stripped coupons” to the extent of its share of interest payments. For purposes of information reporting, however, Fannie Mae intends to treat each Strip RCR Certificate as a single debt instrument, regardless of whether it entitles the holder to payments of principal and interest. You should consult your own tax advisors as to the proper treatment of a Strip RCR Certificate in this regard.

Under section 1286, the beneficial owner of a Strip RCR Certificate must treat the Strip RCR Certificate as a debt instrument originally issued on the date the owner acquires it and as having OID equal to the excess, if any, of its “stated redemption price at maturity” over the price paid by the owner to acquire it. The stated redemption price at maturity for a Strip RCR Certificate is determined in the same manner as described with respect to Regular Certificates. See “**—Taxation of Beneficial Owners of Regular Certificates—Treatment of Original Issue Discount**” above.

If a Strip RCR Certificate has OID, the beneficial owner must include the OID in its ordinary income for federal income tax purposes as the OID accrues, which may be prior to the receipt of the cash attributable to that income. Although the matter is not entirely clear, a beneficial owner should accrue OID using a method similar to that described with respect to the accrual of OID on a Regular Certificate under “**—Taxation of Beneficial Owners of Regular Certificates—Treatment of Original Issue Discount**” above. A beneficial owner, however, determines its yield to maturity based on its purchase price. For a particular beneficial owner, it is not clear whether the prepayment assumption used for calculating OID would be one determined at the time the Strip RCR Certificate is acquired or would be the original Prepayment Assumption for the underlying Regular Certificates. For purposes of information reporting, Fannie Mae will use the original yield to maturity of the Strip RCR Certificate, calculated based on the original Prepayment Assumption. You should consult your own tax advisors regarding the proper method for accruing OID on a Strip RCR Certificate.

The rules of section 1286 of the Code also apply if (i) a beneficial owner of Regular Certificates exchanges them for Strip RCR Certificates, (ii) the beneficial owner sells some, but not all, of the Strip RCR Certificates, and (iii) the combination of retained Strip RCR Certificates cannot be exchanged for the related Regular Certificates. As of the date of such a sale, the beneficial owner must allocate its basis in the Regular Certificates between the part of the Regular Certificates underlying the Strip RCR Certificates sold and the part of the Regular Certificates underlying the Strip RCR Certificates retained in proportion to their relative fair market values. Section 1286 of the Code treats the beneficial owner as purchasing the Strip RCR Certificates retained for the amount of the basis allocated to the retained certificates, and the beneficial owner must then accrue any OID with respect to the retained certificates as described above. Section 1286 does not apply, however, if a beneficial owner exchanges Regular Certificates for the related RCR certificates and retains all the RCR certificates, see “**—Exchanges**” below.

Upon the sale of a Strip RCR Certificate, a beneficial owner will realize gain or loss on the sale in an amount equal to the difference between the amount realized and its adjusted basis in the certificate. The owner’s adjusted basis generally is equal to the owner’s cost of the certificate (or portion of the cost of Regular Certificates allocable to the RCR certificate), increased by income previously included, and reduced (but not below zero) by distributions previously received and by any amortized premium. If the beneficial owner holds the certificate as a capital asset, any gain or loss realized will be capital gain or loss, except to the extent provided under “**—Taxation of Beneficial Owners of Regular Certificates—Sales and Other Dispositions of Regular Certificates**” above.

Although the matter is not free from doubt, if a beneficial owner acquires in one transaction (other than an exchange described below under “**—Exchanges**”) a combination of Strip RCR

Certificates that may be exchanged for underlying Regular Certificates, the owner should be treated as owning the underlying Regular Certificates, in which case section 1286 would not apply. If a beneficial owner acquires such a combination in separate transactions, the law is unclear as to whether the combination should be aggregated or each Strip RCR Certificate should be treated as a separate debt instrument. You should consult your tax advisors regarding the proper treatment of Strip RCR Certificates in this regard. For the treatment of Strip RCR Certificates received in exchange for Regular Certificates. See “—*Exchanges*” below.

Combination RCR Classes

A beneficial owner of a Combination RCR Certificate will be treated as the beneficial owner of a proportionate interest in the Regular Certificates underlying that Combination RCR Certificate. Except in the case of a beneficial owner that acquires a Combination RCR Certificate in an exchange described under “—*Exchanges*” below, a beneficial owner of a Combination RCR Certificate must allocate its cost to acquire that certificate among the underlying Regular Certificates in proportion to their relative fair market values at the time of acquisition. Such an owner should account for its ownership interest in each underlying Regular Certificate as described under “—**Taxation of Beneficial Owners of Regular Certificates**” above. When a beneficial owner sells a Combination RCR Certificate, the owner must allocate the sale proceeds among the underlying Regular Certificates in proportion to their relative fair market values at the time of sale.

Exchanges

If a beneficial owner exchanges one or more Regular Certificates for the related RCR Certificate or Certificates in the manner described under “**DESCRIPTION OF THE CERTIFICATES—Combination and Recombination**” in this prospectus, the exchange will not be taxable. Likewise, if a beneficial owner exchanges one or more RCR Certificates for the related Regular Certificate or Certificates in the manner described in that discussion, the exchange will not be a taxable exchange. In each of these cases, the beneficial owner will be treated as continuing to own after the exchange the same combination of interests in the related Regular Certificates (or the same interest in the related Regular Certificate) that it owned immediately prior to the exchange.

Taxes on a REMIC

A REMIC will not be subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below. It is not anticipated that a series trust will engage in any transactions that will give rise to a tax on a related REMIC. In any event, pursuant to our guaranty obligations, we will make distributions on the Regular Certificates and Residual Certificates without offset or deduction for any tax imposed on the related REMIC.

Prohibited Transactions

The Code imposes a tax on a REMIC equal to 100% of the net income derived from “prohibited transactions.” In general, the term “prohibited transaction” means the disposition of a qualified mortgage other than pursuant to certain specified exceptions, the receipt of investment income from a source other than a qualified mortgage or certain other permitted investments, the receipt of compensation for services, or the disposition of a “cash flow investment” as defined in Section 860G(a)(6) of the Code.

Contributions to a REMIC After the Startup Day

The Code imposes a tax on a REMIC equal to 100% of the value of any property contributed to the REMIC after the “startup day” (generally the same as the Settlement Date). Exceptions are provided for cash contributions to a REMIC if made (i) during the three-month period beginning on the startup

day, (ii) to a qualified reserve fund by a holder of a residual interest, (iii) in the nature of a guarantee, or (iv) to facilitate a qualified liquidation or clean-up call.

Net Income from Foreclosure Property

The Code imposes a tax on a REMIC equal to the highest corporate rate on “net income from foreclosure property.” The terms “foreclosure property” (which includes property acquired by deed in lieu of foreclosure) and “net income from foreclosure property” are defined by reference to the rules applicable to real estate investment trusts. Generally, foreclosure property would be treated as such until the close of the third taxable year following the taxable year in which the acquisition occurs, with possible extensions. Net income from foreclosure property generally means gain from the sale of foreclosure property that is inventory property and gross income from foreclosure property other than qualifying rents and other qualifying income for a real estate investment trust, net of deductions directly connected with the production of such income.

Reporting and Other Administrative Matters

For purposes of the administrative provisions of the Code, each REMIC will be treated as a partnership and the Residual Owners will be treated as partners. We will prepare, sign and file federal income tax returns for each REMIC, which returns are subject to audit by the IRS. We will also act as the tax matters partner for each REMIC, either as a beneficial owner of a Residual Certificate or as a fiduciary for the Residual Owner. Each Residual Owner, by the acceptance of its Residual Certificate, agrees that we will act as its fiduciary in the performance of any duties required of it in the event that it is the tax matters partner.

Within a reasonable time after the end of each calendar year, we will furnish to each certificateholder that received a distribution during that year a statement setting forth the portions of any distributions that constitute interest distributions, OID and any other information as is required by Treasury regulations and, with respect to certificateholders of Residual Certificates, information necessary to compute the daily portions of the taxable income (or net loss) of the REMIC for each day during that year.

If there is more than one Residual Owner for a taxable year, each Residual Owner is required to treat items on its return consistently with the treatment on the return of the REMIC, unless the Residual Owner either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the REMIC. The IRS may assert a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the REMIC level.

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

Backup Withholding

Distributions of interest and principal, as well as distributions of proceeds from the sale of Regular and Residual Certificates, may be subject to the “backup withholding tax” under section 3406 of the Code if recipients of the distributions fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from this tax. Any amounts deducted and withheld from a distribution to a recipient would be allowed as a credit

against the recipient's federal income tax. Certain penalties may be imposed by the IRS on a recipient of distributions required to supply information who does not do so in the proper manner.

Foreign Investors

Regular Certificates

Distributions made on a Regular Certificate to, or on behalf of, a Regular Owner that is a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, provided (a) the Regular Owner is not subject to U.S. tax as a result of a connection to the United States other than ownership of the certificate, (b) the Regular Owner signs a statement under penalties of perjury that certifies that the Regular Owner is a Non-U.S. Person, and provides the name and address of the Regular Owner, and (c) the last U.S. Person in the chain of payment to the Regular Owner receives the statement from the Regular Owner or a financial institution holding on its behalf and does not have actual knowledge that the statement is false. These rules do not apply to interest income allocable to a United States shareholder of a Regular Owner that is a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code. You also should be aware that the IRS might take the position that these rules do not apply to a Regular Owner that owns ten percent or more of the Residual Certificates or of the voting stock of Fannie Mae.

Residual Certificates

Amounts distributed to a Residual Owner that is a Non-U.S. Person generally will be treated as interest for purposes of applying the 30% (or lower treaty rate) withholding tax on income that is not effectively connected with a U.S. trade or business. Amounts not constituting excess inclusions that are distributed on a Residual Certificate to a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, subject to the same conditions applicable to distributions on Regular Certificates, as described above, but only to the extent that the obligations directly underlying the REMIC that issued the Residual Certificate (*e.g.*, mortgage loans or regular interests in another REMIC) were issued after July 18, 1984. In no case will any portion of REMIC income that constitutes an excess inclusion be entitled to any exemption from the withholding tax or a reduced treaty rate for withholding. See "**Taxation of Beneficial Owners of Residual Certificates—Treatment of Excess Inclusions**" above.

Temporary Regulations issued by the Treasury Department have modified the general rule that the taxable income of a REMIC is not includible in the income of a foreign person (or, if excess inclusions, subject to withholding tax) until paid or distributed. See "**Taxation of Beneficial Owners of Residual Certificates—Treatment of Excess Inclusions**" above. Under the Temporary Regulations, the amount of taxable income allocable to a foreign partner in a domestic partnership that is the beneficial owner of a Residual Certificate must be taken into account by the foreign partner on the last day of the partnership's taxable year, except to the extent that some or all of that amount is required to be taken into account at an earlier time as a result of a distribution to the foreign partner or a disposition of the foreign partner's indirect interest in the Residual Certificate. Similar rules apply to excess inclusions allocable to a foreign person that holds an interest in a real estate investment trust, regulated investment company, common trust fund or certain cooperatives.

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 certain certificates of a series, 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, the Treasury Department 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 certificates of a series. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any certificate. **You should consult your own legal advisors to determine whether and to what extent the certificates of a series constitute legal investments or are, or may become, subject to restrictions on investment and whether and to what extent the certificates of a series can be used as collateral for various types of borrowings.**

LEGAL OPINION

If you purchase certificates of a series, 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 certificates and the related 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 (such as employer-sponsored retirement plans) and upon other types of benefit plans and arrangements subject to section 4975 of the Code (such as individual retirement accounts). ERISA and the Code also impose these requirements on certain entities in which the benefit plans or arrangements that are subject to ERISA and the Code invest. We refer to these plans, arrangements and entities as “Plans.” Any person who is a fiduciary of a Plan is also subject to the requirements imposed by ERISA and the Code. Before a Plan invests in certificates, the Plan fiduciary must consider whether the governing instruments for the Plan would permit the investment, whether the certificates would be a prudent and appropriate investment for the Plan under its investment policy and whether such an investment might result in a prohibited transaction under ERISA or the Code for which no exemption is available.

The U.S. Department of Labor issued a final regulation covering the acquisition by a Plan of a “guaranteed governmental mortgage pool certificate,” defined to include certificates which are “backed by, or evidencing an interest in specified mortgages or participation interests therein” and are 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 mortgages underlying the certificate or cause the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgages in the pool. At the time the regulation was originally issued, certificates similar to the certificates did not exist. However, we have been advised by our counsel, Sidley Austin LLP, that, except to the extent otherwise specified in the prospectus supplement for a series trust, the certificates qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of 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 requirements of ERISA and the Code merely by reason of that Plan’s holding of certificates.

PLAN OF DISTRIBUTION

Pursuant to a Fannie Mae commitment, we generally will deliver the certificates of a series to one or more securities dealers in exchange for the assets specified in the related prospectus supplement. In certain cases, as specified in the related prospectus supplement, we will provide some or all of the assets of a particular series trust and will sell some or all of the related certificates to one or more dealers for the aggregate cash proceeds specified in the related prospectus supplement. Each dealer will offer the certificates as specified in the related prospectus supplement. Each dealer may,

in turn, offer the 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 dealers for each offering. We reserve the right to acquire certificates for our own account at the time they are issued or subsequently in the secondary market and may retain or dispose of any certificates that we acquire.

Before the Settlement Date for a series, we and the dealer may agree to offer classes in addition to those contemplated as of the date of the related prospectus supplement. In that event, we would increase the balance of the related underlying assets, but we expect that the additional underlying assets would have the same characteristics as described in the related prospectus supplement. The proportion that the original principal balance of each class bears to the aggregate original principal balance of the related group of underlying assets would remain the same. In addition, the dollar amounts shown in any principal balance schedule in the related prospectus supplement would be increased to correspond to the increase of the principal balances of the applicable classes.

A secondary market for each series of certificates may not develop. If one does develop, it may not continue during the entire term during which the certificates are outstanding. In addition, neither we nor any other party are obligated to make a market in the certificates. Certificateholders also should note that the certificates are not traded on any exchange and the market price of a particular issuance of certificates or a benchmark price may not be readily available.

CLASS DEFINITIONS AND ABBREVIATIONS

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
PRINCIPAL TYPES		
AD	Accretion Directed	Receives principal payments from the accrued and unpaid interest on one or more Accrual or Partial Accrual classes. It also may receive principal payments from principal paid on the underlying assets of the series trust.
AS	Accelerated Security	Receives principal payments more rapidly than the related NAS class during the period in which the NAS class is receiving limited or no principal payments, and thereafter receives principal payments on any distribution date only if certain payments are made on the related NAS class (except that an Accelerated Security class may receive principal payments at any time from the accrued and unpaid interest on related Accrual or Partial Accrual classes).
CPT	Component	Consists of two or more segments or “components.” The components of a Component class may have different principal payment characteristics but together constitute a single class. Each component of a Component class may be identified as falling into one or more of the categories in this chart.
JMP	Jump	Has principal payment priorities that change upon the occurrence of (i) multiple “trigger events” or (ii) any “trigger event” calculated with reference to a prepayment speed other than a single PSA or CPR speed or to a schedule that is not structured at a single PSA or CPR speed.
NAS	Non-Accelerated Security	Designed to receive limited or no principal payments prior to a designated date and thereafter to receive increased principal payments, including a specified percentage of principal prepayments (which percentage may increase or decrease over time).
NPR	No Payment Residual	A Residual class designed to receive no payments of principal.
NSJ	Non-Sticky Jump	Has principal payment priorities that change temporarily upon the occurrence of a single “trigger event” and is not a Jump class. A Non-Sticky Jump class “jumps” to its new priority on each distribution date when the trigger condition is met. It reverts to its original priority (<i>i.e.</i> , does not “stick” to the new priority) on each distribution date when the trigger condition is not met.
NTL	Notional	Has no principal balance and bears interest on its notional principal balance. The notional principal balance is used solely to determine interest distributions on an Interest Only class.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
PAC	PAC (or Planned Principal)	Designed to receive principal payments using a predetermined principal balance schedule (a "Planned Balance"). This schedule is derived by assuming two <i>constant</i> prepayment rates for the mortgage loans in the related series trust or backing the related underlying securities. These two rates are the endpoints for the "structuring range" of the PAC classes.
PT	Pass-Through	Designed to receive principal payments in a fixed proportion to actual or scheduled payments on the underlying assets of the series trust.
SC	Structured Collateral	Designed to receive principal payments based on the actual distributions on underlying assets representing "regular interests" in a separate REMIC.
SCH	Scheduled	Designed to receive principal payments using a predetermined principal balance schedule (a "Scheduled Balance") but is not designated as a PAC or TAC class. In many cases, this schedule is derived by assuming two <i>constant</i> prepayment rates for the mortgage loans in the series trust or backing the related underlying securities. These two rates are the endpoints for the "structuring range" of the Scheduled class.
SEG	Segment	Combined, in whole or in part, with one or more classes (or portions of classes) to form an "Aggregate Group" or a "Segment Group" for purposes of allocating certain principal distribution amounts.
SEQ	Sequential Pay	Receives principal payments in a prescribed sequence but without a predetermined schedule. In most cases, it receives payments of principal continuously from the first distribution date for that class until the class is retired. A single class that receives principal payments before or after all other classes in the same series of certificates may be identified as a Sequential Pay class.
SJ	Sticky Jump	Has principal payment priorities that change permanently upon the occurrence of a single "trigger event" and is not a Jump class. A Sticky Jump class "jumps" to its new priority on the first distribution date when the trigger condition is met and retains (<i>i.e.</i> , "sticks" to) that priority until the class is retired.
SP	Specified Payment	Designed to receive principal payments up to a specified dollar amount on one or more distribution dates.
SPS	Specified Payment Support	Receives principal payments on any distribution date only if a specified payment has been made on any related Specified Payment class (except that a Specified Payment Support class may receive principal payments at any time from the accrued and unpaid interest on related Accrual or Partial Accrual classes).

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
SUP	Support (or Companion)	Receives principal payments on any distribution date only if scheduled payments have been made on specified PAC, TAC and/or Scheduled classes (except that it may also receive principal payments from the accrued and unpaid interest on specified Accrual or Partial Accrual classes).
TAC	TAC (or Targeted Principal)	Designed to receive principal payments using a predetermined principal balance schedule (a "Targeted Balance"). In most cases, this schedule is derived by assuming a single <i>constant</i> prepayment rate for the mortgage loans in the series trust or backing the related underlying securities.
XAC	Index Allocation	Has a principal payment allocation that depends on the value of an index or formula.

INTEREST TYPES

AFC	Available Funds	Receives as interest certain interest and/or principal payments on the underlying assets of the series trust. These payments may be insufficient on any distribution date to cover fully the accrued and unpaid interest on the certificates of this class. In this case, the unpaid interest amount may be carried over to subsequent distribution dates (and any unpaid interest amount may itself accrue interest) until, as specified in the related prospectus supplement, payments are sufficient to cover all unpaid interest amounts. It is possible that these insufficiencies will remain unpaid and, if so, they will not be covered by our guaranty.
ARB	Ascending Rate	Has an interest rate that increases one or more times based upon a schedule determined before we issue the class.
CPT	Component	Consists of two or more segments or "components." The components of a Component class may have different interest payment characteristics but together constitute a single class. Each component of a Component class may be identified as falling into one or more categories in this chart.
DRB	Descending Rate	Has an interest rate that decreases one or more times based upon a schedule determined before we issue the class.
FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the class.
FLT	Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies directly with changes in the index.
IDC	Index Differential	Bears a floating interest rate computed in part on the basis of the difference (or other specified relationship) between two designated indices (e.g. LIBOR, Ten-Year Treasury Index).

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
INV	Inverse Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies inversely with changes in the index.
IO	Interest Only	Receives some or all of the interest payments made on the underlying assets of the series trust but no principal. Interest Only classes have a notional principal balance. A notional principal balance is the amount used as a reference to calculate the amount of interest due on an Interest Only class.
IRC	Interest Rate Cap	Receives payments of any accrued interest in excess of a specified rate based solely on benefits received under a third party derivative contract. As a result, payments of any such excess accrued interest will not be covered by the Fannie Mae guaranty.
NPR	No Payment Residual	A Residual class designed to receive no payments of interest.
PO	Principal Only	Does not bear interest and is entitled to receive only payments of principal.
PZ	Partial Accrual	Accretes a portion of its accrued interest. This accreted amount will be added to the principal balance of the class on each applicable distribution date, while the remainder of the accrued interest is distributed currently as interest. Accretion may continue until a specified event has occurred or until the Partial Accrual class is retired.
T	Toggle	Has an interest rate that changes significantly if the designated index meets one or more thresholds. For example, when the index meets a threshold, the interest rate may shift from one predetermined rate or formula to a different predetermined rate or formula. Accordingly, the change in interest rate may not be a continuous function of changes in the index.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period. A Weighted Average Coupon class may consist of components, some of which have different interest rates.
Z	Accrual	Accretes the amount of accrued interest otherwise distributable on this class. This accreted amount will be added as principal to the principal balance of the class on each applicable distribution date. Accretion may continue until some specified event has occurred or until the Accrual class is retired.
OTHER TYPES		
RDM	Redeemable	Certificates that are redeemable as specified in the related prospectus supplement.

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No one is authorized to give information or to make representations in connection with this offering other than those contained in this prospectus, any prospectus supplement and any other disclosure document referred to in a prospectus supplement. You must not rely on any unauthorized information or representation. This prospectus, any prospectus supplement and any other disclosure document referred to in a prospectus supplement do not constitute an offer or solicitation with regard to any securities other than the certificates or an offer or solicitation with regard to the certificates if it is illegal to make such an offer or solicitation to you under state law.

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

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Guaranteed Multifamily REMIC Pass-Through Certificates

MULTIFAMILY REMIC PROSPECTUS



September 1, 2007
