

## Single-Family REMIC Prospectus



### Guaranteed Single-Family REMIC Pass-Through Certificates

#### The Certificates

We, the Federal National Mortgage Association, or Fannie Mae, will issue the guaranteed single-family 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 trust. The assets of each series trust will include one or more of the following:

- securities issued by Fannie Mae that represent the direct or indirect ownership of residential mortgage loans secured by single-family (one- to four-unit) properties;
- securities guaranteed by Ginnie Mae that represent the direct or indirect ownership of residential mortgage loans secured by single-family properties; or
- securities issued by entities not affiliated with Fannie Mae or Ginnie Mae that represent the direct or indirect ownership of residential mortgage loans secured by single-family properties.

Each series of certificates will consist of two or more classes having various characteristics.

#### 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, as applicable, 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, each class that is not a “residual interest” will be a “regular interest” in a REMIC.

**Consider carefully the risk factors beginning on page 13. 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 August 1, 2012**

## TABLE OF CONTENTS

<p>INFORMATION ABOUT THIS PROSPECTUS AND PROSPECTUS SUPPLEMENTS . . . . . 2</p> <p>Prospectuses . . . . . 2</p> <p>Final Data Statements . . . . . 4</p> <p>Other Information . . . . . 4</p> <p>INCORPORATION BY REFERENCE . . . . . 4</p> <p>SUMMARY . . . . . 6</p> <p>RISK FACTORS . . . . . 13</p> <p>FANNIE MAE . . . . . 19</p> <p style="padding-left: 20px;">General . . . . . 19</p> <p style="padding-left: 20px;">Regulation and Conservatorship . . . . . 20</p> <p style="padding-left: 20px;">Possibility of Future Receivership . . . . . 21</p> <p style="padding-left: 20px;">Certificateholders’ Rights Under the Senior Preferred Stock Purchase Agreement . . . . . 21</p> <p>USE OF PROCEEDS . . . . . 22</p> <p>DESCRIPTION OF THE CERTIFICATES . . . . . 22</p> <p style="padding-left: 20px;">General . . . . . 22</p> <p style="padding-left: 20px;">Settlement . . . . . 22</p> <p style="padding-left: 20px;">Issuance in Book-Entry Form . . . . . 23</p> <p style="padding-left: 20px;">Issuance in Physical Certificate Form . . . . . 24</p> <p style="padding-left: 20px;">Denominations . . . . . 24</p> <p style="padding-left: 20px;">Class Definitions and Abbreviations . . . . . 24</p> <p style="padding-left: 20px;">Distributions on Certificates . . . . . 24</p> <p style="padding-left: 20px;">Combination and Recombination—RCR Certificates . . . . . 29</p> <p style="padding-left: 20px;">Special Characteristics of the Retail Certificates . . . . . 30</p> <p style="padding-left: 20px;">Special Characteristics of the Residual Certificates . . . . . 33</p> <p style="padding-left: 20px;">Reports to Certificateholders . . . . . 35</p> <p>THE TRUST DOCUMENTS . . . . . 36</p> <p style="padding-left: 20px;">Fannie Mae Guaranty . . . . . 36</p> <p style="padding-left: 20px;">Transfer of Series Trust Assets to Series Trusts . . . . . 36</p> <p style="padding-left: 20px;">Purchase or Substitution of Series Trust Assets . . . . . 37</p> <p style="padding-left: 20px;">Certificate Accounts . . . . . 38</p> <p style="padding-left: 20px;">Certain Matters Regarding Our Duties as Trustee . . . . . 38</p> <p style="padding-left: 20px;">Removal of Successor Trustee . . . . . 39</p> <p style="padding-left: 20px;">Guarantor Events of Default . . . . . 40</p> <p style="padding-left: 20px;">Certificateholders’ Rights Upon a Guarantor Event of Default . . . . . 40</p>	<p>Future Limitations on Certificateholders’ Rights Under the Trust Agreement . . . . . 40</p> <p>Voting Rights . . . . . 41</p> <p>Amendment . . . . . 42</p> <p>Termination . . . . . 42</p> <p>Merger . . . . . 43</p> <p>Notices to Certificateholders . . . . . 43</p> <p>YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS . . . . . 43</p> <p style="padding-left: 20px;">Effective Yield . . . . . 43</p> <p style="padding-left: 20px;">Weighted Average Lives and Final Distribution Dates . . . . . 43</p> <p style="padding-left: 20px;">Prepayment Models . . . . . 44</p> <p>THE SERIES TRUST ASSETS . . . . . 45</p> <p style="padding-left: 20px;">Fannie Mae Securities . . . . . 45</p> <p style="padding-left: 20px;">Ginnie Mae Securities . . . . . 46</p> <p style="padding-left: 20px;">Third Party Securities . . . . . 47</p> <p style="padding-left: 20px;">Final Data Statements . . . . . 47</p> <p>MATERIAL FEDERAL INCOME TAX CONSEQUENCES . . . . . 48</p> <p style="padding-left: 20px;">U.S. Treasury Circular 230 Notice . . . . . 49</p> <p style="padding-left: 20px;">REMIC Election and Special Tax Attributes . . . . . 49</p> <p style="padding-left: 20px;">Taxation of Beneficial Owners of Regular Certificates . . . . . 50</p> <p style="padding-left: 20px;">Taxation of Beneficial Owners of Residual Certificates . . . . . 55</p> <p style="padding-left: 20px;">Taxation of Beneficial Owners of RCR Certificates . . . . . 59</p> <p style="padding-left: 20px;">Taxes on a REMIC . . . . . 61</p> <p style="padding-left: 20px;">Reporting and Other Administrative Matters . . . . . 62</p> <p style="padding-left: 20px;">Backup Withholding . . . . . 62</p> <p style="padding-left: 20px;">Foreign Investors . . . . . 63</p> <p>PLAN OF DISTRIBUTION . . . . . 64</p> <p>ACCOUNTING CONSIDERATIONS . . . . . 64</p> <p>LEGAL INVESTMENT CONSIDERATIONS . . . . . 64</p> <p>ERISA CONSIDERATIONS . . . . . 65</p> <p>LEGAL OPINION . . . . . 65</p> <p>CLASS DEFINITIONS AND ABBREVIATIONS . . . . . A-1</p> <p>INDEX OF TERMS . . . . . B-1</p>
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## INFORMATION ABOUT THIS PROSPECTUS AND PROSPECTUS SUPPLEMENTS

The disclosure documents for any particular series of certificates include this prospectus, the related prospectus supplement (as amended by any supplement to the prospectus supplement) and any information incorporated into these documents by reference as discussed under the heading “**INCORPORATION BY REFERENCE.**”

### Prospectuses

#### *This Prospectus and the Prospectus Supplements*

We will provide information that supplements this prospectus in connection with each series of certificates. We will post this prospectus, the related prospectus supplement and the final data statement, if any, for each series of certificates on our Web site identified below. In addition, we will deliver these documents either electronically or in paper form to parties who request them in accordance with our procedures. We also provide corrections and updated information regarding each series of certificates and the mortgage-related assets held in the related series trust (the “series trust assets”) through our “PoolTalk”<sup>®</sup> application and at other locations on our Web site, including the Structured Transactions and Megas Web page. **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. We take no responsibility for any unauthorized information or representation.**

Each prospectus supplement will include information about the related series of certificates being offered and the series trust assets backing that particular series of certificates. Certain statistical information regarding the series trust assets and the mortgage loans backing the series trust assets (the “related mortgage loans”) may also be found in the final data statement, if any, for the series trust. See “**–Prospectuses for the Series Trust Assets**” and “**–Final Data Statements.**” Unless otherwise stated in this prospectus or the related prospectus supplement, information about the series trust assets will be given as of the issue date stated in the prospectus supplement, which is the first day of the month in which the related 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.

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

You may obtain copies of this prospectus, the related prospectus supplement and the related final data statement, if any, from our Web site at [www.fanniemae.com](http://www.fanniemae.com) or by writing to Fannie Mae, Attention: Fixed Income Securities, 3900 Wisconsin Avenue NW, Area 2H-3S, Washington, DC 20016 or calling the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-7115. The prospectus supplement is typically available no later than two business days before settlement of the related series of certificates. We are providing our Internet address solely for your information. Unless otherwise stated, information appearing on our Web site is not incorporated into this prospectus or into any prospectus supplement.

#### *Prospectuses for the Series Trust Assets*

The assets of each series trust will include one or more of the mortgage-backed securities listed below. The prospectus supplement for each series of certificates will specify the prospectus

or prospectuses related to the series trust assets. For more information about the series trust assets, see “**THE SERIES TRUST ASSETS**” in this prospectus.

#### *Description of Prospectuses*

With respect to a particular series of certificates, you should review the prospectus or prospectuses for the related series trust assets:

- for certificates directly or indirectly backed by Fannie Mae Guaranteed Mortgage Pass-Through Certificates (“MBS”) that represent beneficial ownership interests in distinct pools of mortgage loans secured by single-family properties, the prospectus for Fannie Mae Guaranteed Mortgage Pass-Through Certificates (Single-Family Residential Mortgage Loans), dated February 1, 2012 (the “MBS Prospectus”), or such earlier or later version of that prospectus as may be applicable;
- for certificates directly or indirectly backed by Fannie Mae Guaranteed Mega Certificates (“Mega certificates”) that represent indirect beneficial ownership interests in mortgage loans secured by single-family properties, the prospectus for Fannie Mae Guaranteed MBS Pass-Through Securities (Mega certificates), dated February 1, 2012 (the “Mega Prospectus”), or such earlier or later version of that prospectus as may be applicable;
- for certificates directly or indirectly backed by Fannie Mae Guaranteed SMBS Certificates (“SMBS”) that represent beneficial ownership interests in the mortgage-backed securities specified above, the prospectus for Guaranteed Stripped Mortgage-Backed Securities (SMBS certificates), dated February 1, 2012 (the “SMBS Prospectus”), or such earlier or later version of that prospectus as may be applicable;
- for certificates directly or indirectly backed by Fannie Mae Guaranteed REMIC Pass-Through Certificates (“Underlying REMIC certificates”) that represent direct or indirect beneficial ownership interests in mortgage loans secured by single-family properties, this prospectus or such earlier version of this prospectus as may be applicable (the “Underlying REMIC Prospectus”) and the related prospectus supplements;

(The securities specified above are referred to collectively as “Fannie Mae Securities.”)

- for certificates backed by the following securities issued by Ginnie Mae (collectively, the “Ginnie Mae Securities”), the Ginnie Mae prospectus that may be applicable (the “Ginnie Mae Prospectus”) and the related prospectus supplements:
  - “Fully modified pass-through” mortgage securities guaranteed as to timely payment of principal and interest by Ginnie Mae (“Ginnie Mae certificates”);
  - Securities guaranteed as to timely payment of principal and interest by Ginnie Mae and backed by Ginnie Mae certificates (“Ginnie Mae Platinum certificates”);
  - REMIC securities guaranteed as to timely payment of principal and interest by Ginnie Mae and backed by Ginnie Mae certificates, Ginnie Mae Platinum certificates and previously issued Ginnie Mae REMIC certificates (“Ginnie Mae REMIC certificates”); and
- for certificates directly or indirectly backed by securities issued by entities not affiliated with Fannie Mae or Ginnie Mae (collectively, the “Third Party Securities”), the prospectus for such mortgage-backed securities that may be applicable (the “Third Party Prospectus”) and the related prospectus supplements.

#### *Availability of Prospectuses*

If a series of certificates is backed by Fannie Mae Securities, the applicable prospectus and related prospectus supplement is available from our Web site at [www.fanniemae.com](http://www.fanniemae.com), or by writ-

ing to Fannie Mae, Attention: Fixed Income Securities, 3900 Wisconsin Avenue NW, Area 2H-3S, Washington, DC 20016 or calling the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-7115.

If a series of certificates is backed by Ginnie Mae Securities, the forms of prospectus that are used for Ginnie Mae Securities may be found at [www.ginniemae.gov/investors/prospectus.asp?Section=Investors](http://www.ginniemae.gov/investors/prospectus.asp?Section=Investors).

If a series of certificates is backed by Third Party Securities, the related prospectus supplement will provide a location at which investors may obtain each related Third Party Prospectus and prospectus supplement.

### **Final Data Statements**

Once the series trust for a particular series of certificates has been formed and the related certificates have been issued, we generally publish a final data statement for the series trust that includes certain final information about the series trust assets, including CUSIP numbers, trust numbers, issue dates and balances on the settlement date. A final data statement prepared for a series of certificates will be posted on our Web site on or about the settlement date of the related series of certificates. We typically do not publish a separate final data statement for a series trust that is a re-securitization of Underlying REMIC Certificates or certain SMBS; in that case, an exhibit to the related prospectus supplement serves as the final data statement.

### **Other Information**

We generally update certain information about the certificates, the series trust and the series trust assets on an ongoing monthly basis through our “PoolTalk” application and at other locations on our Web site, including the Structured Transactions and Megas page.

We have filed with the Securities and Exchange Commission (“SEC”) the reports required by Rule 15Ga-1 under the Securities Exchange Act of 1934, as amended (each, an “ABS 15G report”). An ABS 15G report discloses information concerning each fulfilled and unfulfilled repurchase request that we have made to third parties for breaches of representations and warranties concerning the mortgage loans backing most of our outstanding mortgage-related securities. We update the ABS 15G report each quarter. Our ABS 15G reports are available from the SEC’s Web site, [www.sec.gov](http://www.sec.gov), and at the SEC’s Public Reference Room at 100 F Street NE, Washington, DC 20549.

### **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 the related prospectus supplements (including any supplement to the related prospectus supplements) together with these documents.

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

We incorporate by reference the following documents we have filed, or may file, with the SEC:

- our annual report on Form 10-K for the fiscal year ended December 31, 2011, as amended on Form 10-K/A (the “2011 Form 10-K”);
- all other reports we have filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 since the end of the fiscal year covered by the 2011 Form 10-K until the date of this prospectus, including our quarterly reports on Form 10-Q and our current reports on Form 8-K, but excluding any information we “furnish” to the SEC on Form 8-K; and

- all proxy statements that we file with the SEC and all documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and before the completion of the offering of the related series of certificates, excluding any information we “furnish” to the SEC on Form 8-K.

We make available free of charge through our Web site our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and all other SEC reports and amendments to those reports as soon as reasonably practicable after we electronically file the material with, or furnish it to, the SEC. Materials that we file with the SEC are also available from the SEC’s Web site, [www.sec.gov](http://www.sec.gov), and at the SEC’s Public Reference Room at 100 F Street NE, Washington, DC 20549.

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

Title of Security ..... Guaranteed Single-Family REMIC Pass-Through Certificates.

Issuer and Guarantor ..... Fannie Mae, a government-sponsored enterprise that was chartered by the U.S. Congress in 1938 under the name “Federal National Mortgage Association” to support liquidity and stability in the secondary mortgage market, where existing mortgage loans are purchased and sold. The address of our principal office is 3900 Wisconsin Avenue NW, Washington, DC 20016; the telephone number is (202) 752-7000.

Fannie Mae has been under conservatorship since September 6, 2008. The conservator, the Federal Housing Finance Agency, succeeded to all rights, titles, powers and privileges of Fannie Mae and of any shareholder, officer or director of the company with respect to the company and its assets. For additional information on conservatorship, see “**FANNIE MAE—Regulation and Conservatorship.**”

Our regulators include the Federal Housing Finance Agency, the U.S. Department of Housing and Urban Development, the SEC, and the U.S. Department of the Treasury. The Office of Federal Housing Enterprise Oversight, the predecessor of the Federal Housing Finance Agency, was our safety and soundness regulator prior to enactment of the Federal Housing Finance Regulatory Reform Act of 2008.

On September 7, 2008, we entered into a senior preferred stock purchase agreement with the U.S. Department of the Treasury pursuant to which we issued to it one million shares of senior preferred stock and a warrant to purchase, for a nominal price, shares of common stock equal to 79.9% of the outstanding common stock of Fannie Mae. **Nevertheless, 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.**

Sponsor and Depositor ..... We are the sponsor of each series of certificates, and the depositor of the series trust assets into the related series trust.

Description of Certificates . . . . .	Each certificate will represent a beneficial ownership interest in a series trust holding the series trust assets. 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. We will issue the residual certificates in physical form. The prospectus supplement for each series of certificates will contain additional information about the series trust assets.
Minimum Denomination . . . . .	<p>Except as 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:</p> <ul style="list-style-type: none"> <li>• interest only classes;</li> <li>• principal only classes;</li> <li>• inverse floating rate classes;</li> <li>• non-sticky jump and sticky jump classes; and</li> <li>• toggle classes.</li> </ul> <p>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.</p>
Classes of Certificates . . . . .	Each series of certificates will include two or more classes. The holder of a certificate of a particular class will be entitled to the distributions of principal, interest, or principal and interest as described in the prospectus supplement for that series. Some classes may entitle their holders to receive specified portions of the principal, interest, or principal and interest paid on the series trust assets during a specified period of time (e.g., for the first 60 distribution dates).
Issue Date . . . . .	The first day of the month in which the certificates of a particular series are issued.
Distribution Date . . . . .	Unless otherwise stated, the 25th day of each month is the date designated for payments to certificateholders. If that day is not a business day, payments will be made on the next business day. The first distribution date for a series of certificates will occur in the month following the month in which the certificates are issued. For example, if an issue date is March 1, the first distribution date is April 25 or, if April 25 is not a business day, the first business day following April 25.



Settlement Date .....	A business day determined by Fannie Mae in the month in which the certificates are issued and, unless otherwise stated, not later than the last business day of the month in which the issue date occurs.
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.
Use of Proceeds .....	We usually issue certificates in exchange for the series trust assets that will back the certificates. In some instances, we may issue certificates in exchange for series trust assets that we already own and that will back the certificates, in which case we sell the certificates for cash proceeds that are generally used for purchasing other mortgage loans or for general corporate purposes.
Interest .....	<p>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. The monthly interest payment on a certificate will equal the interest accrued during the related interest accrual period.</p> <p>Because our guaranty requires us to supplement amounts received by the series trust as required to permit timely payment by the series trust of the interest amounts specified above, the amount of interest distributed to holders of interest-bearing classes of certificates on a distribution date will not be affected by any loss mitigation measure taken with respect to, or other loan modification made to, a mortgage loan backing a series trust asset while it remains in the trust.</p>
Principal .....	The prospectus supplement for each series of certificates 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 we specify otherwise in the related prospectus supplement, we will make principal payments on all certificates of any single class (other than a Retail Class) on a <i>pro rata</i> basis on the monthly distribution date. For a description of principal payments on Retail Classes, see <b>“DESCRIPTION OF THE CERTIFICATES—Special Characteristics of the Retail Certificates”</b> in this prospectus.

Because our guaranty requires us to supplement amounts received by the series trust as required to permit timely payment by the series trust of the principal amounts specified above, the amount of principal distributed to holders of certificates on a distribution date will be calculated without regard to any loss mitigation measure taken with respect to, or other loan modification made to, a loan backing a series trust asset while it remains in the series trust.

Distributions on 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.

Class Factor .....

Unless we specify otherwise in the related prospectus supplement, we publish the class factor for each class of certificates backed by Fannie Mae Securities on or about the 11th calendar day of each month. We publish the class factor for each class of certificates backed by Ginnie Mae Securities or by Third Party Securities on or before each monthly distribution date. Except in the case of classes of Retail Certificates, if you multiply the applicable class factor by the original principal balance (or notional principal balance) of that class of certificates, you will obtain the current principal balance (or notional principal balance) of that class, after giving effect to any principal payment (or notional principal balance reduction) to be made on the distribution date in that month. The most current class factor is generally available through PoolTalk on our Web site.

Guaranty .....

We guarantee to each series trust that we will supplement amounts received by the related series trust as required to permit payment of interest and principal, as applicable, on the certificates on each distribution date to the extent described in the related prospectus supplement. In addition, we guarantee to the related series trust that we will supplement amounts received by the series trust as required to make 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 the series trust and not directly to certificateholders. Certificateholders have limited rights to bring proceedings directly against us to enforce our guaranty. See **“THE TRUST DOCUMENTS—Certificateholders’ Rights Upon a Guarantor Event of Default.”** While we are in the current conservatorship, the conservator does not have the right to repudiate our guaranty to the series trust. However, if we are placed into receivership, or if we emerge from conservatorship and are then again placed into conservatorship, the receiver or conservator, as applicable, will have the right to repudiate our guaranty to the series trust. See **“RISK FACTORS—RISKS RELATING TO CREDIT.”**

Certificateholders have limited rights to bring proceedings against the U.S. Department of the Treasury if we fail to pay under our guaranty. The total amount that may be recovered from Treasury is subject to limits imposed in the senior preferred stock purchase agreement. For a description of certificateholders’ rights to proceed against Treasury, see **“FANNIE MAE—Certificateholders’ Rights Under the Senior Preferred Stock Purchase Agreement.”**

Final Data Statements .....	The final data statement for each series of certificates identifies the series trust assets for that series and provides certain data about the series trust assets and about the series itself. The final data statement is posted on our Web site on or about the settlement date for that series. If a series is a re-securitization of Underlying REMIC Certificates or certain SMBS, we typically do not publish a separate final data statement; in that case, an exhibit to the related prospectus supplement serves as the final data statement.
Series Trust Assets .....	Each series of certificates will be backed by series trust assets consisting of one or more of the following: Fannie Mae Securities, Ginnie Mae Securities and Third Party Securities. See <b>“THE SERIES TRUST ASSETS”</b> in this prospectus.
Business Day .....	Any day other than a Saturday or Sunday, a day when the fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York is closed, or a day when the Federal Reserve Bank is closed in a district where a certificate account is located if the related withdrawal is being made from that certificate account. For a class on which interest is calculated using the London Interbank Offering Rate, a business day is any day on which banks are open for dealing in foreign currency and exchange in London and New York City.

Trust Documents .....	Each series of certificates is issued in accordance with the provisions of our 2010 REMIC Master Trust Agreement, effective May 1, 2010, as supplemented by an issue supplement for that series. We summarize certain pertinent provisions of the trust agreement in this prospectus. You should refer to the trust agreement and the related issue supplement for a complete description of your rights and obligations, as well as those of Fannie Mae in its various capacities. The trust agreement may be found on our Web site.
Trustee .....	We serve as the trustee for each series trust pursuant to the terms of the trust agreement and the related issue supplement.
Paying Agent .....	An entity designated by us to perform the functions of a paying agent. The Federal Reserve Bank of New York currently serves as our paying agent for 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 Residual Certificates.
Fiscal Agent .....	An entity designated by us to perform certain administrative functions for our REMIC trusts. The Federal Reserve Bank of New York, The Depository Trust Company and U.S. Bank National Association currently serve as fiscal agents for the certificates.
Termination .....	In general, a series trust will terminate once the trustee has distributed all required principal and interest payments to the related certificateholders. In no event will any series trust continue beyond the last day of the 60th year following the issue date of the related certificates. We do not have any option to cause an early termination of a series trust simply because the unpaid principal balance of the related pool declines to a stated percentage of the unpaid principal balance of the pool at the issue date. If specified in the related prospectus supplement, however, a third party may have the option to terminate a series trust early by purchasing all of the assets remaining in the trust.
Federal Income 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 “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 particular series constitute legal investments for you.

ERISA Considerations . . . . . For the reasons discussed under “**ERISA CONSIDERATIONS**” in this prospectus, an investment by a plan subject to the Employee Retirement Income Security Act (“ERISA”) in the certificates of a series trust will not cause the assets of the plan to include the mortgage loans indirectly backing the certificates or the assets of Fannie Mae for purposes of the fiduciary provisions of ERISA or the prohibited transaction provisions of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended.

## RISK FACTORS

We have listed below some of the principal risk factors associated with an investment in the certificates. Moreover, you should carefully consider the risk factors relating to Fannie Mae that are found in our annual report on Form 10-K and our quarterly reports on Form 10-Q, which we incorporate by reference into this prospectus. The risk factors related to Fannie Mae include risks that may affect your investment in and the value of the certificates.

If the series trust assets of a particular series of certificates include Fannie Mae Securities, you should carefully consider the additional risk factors related to the mortgage loans backing the Fannie Mae Securities that are found in the MBS Prospectus, the Mega Prospectus, the SMBS Prospectus and the Underlying REMIC Prospectus, as applicable. If the series trust assets for a particular series of certificates include Ginnie Mae Securities or Third Party Securities, you should also carefully consider the risk factors that are found in the disclosure documents related to those securities including, as applicable, the Ginnie Mae Prospectus and the Third Party Prospectus. In addition, we may disclose additional risk factors associated with a specific series of certificates in the related prospectus supplement.

You should review all of these risk factors before investing in the certificates. Because each investor has different investment needs and a different risk tolerance, you should consult your own financial or legal advisor to determine whether the certificates are a suitable investment for you.

### RISKS RELATING TO INVESTMENT DECISIONS

#### ***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 being offered and the information contained in this prospectus, the related prospectus supplement, any supplements to the prospectus supplement and the final data statement, if any;
- understand thoroughly the terms of the certificates and the related series trust assets;
- be able to evaluate (either alone or with the help of a financial or legal advisor) the economic, interest rate and other factors that may affect your investment;
- have sufficient financial resources and liquidity to bear all risks associated with the certificates and the related series trust assets; and
- investigate any legal investment restrictions that may apply to you.

You should exercise particular caution if your circumstances do not permit you to hold the certificates until maturity.

#### ***Some investors may be unable to buy certain classes of certificates.***

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. Investors who buy certificates in violation of such laws may be compelled to divest the certificates. You should obtain legal advice to determine whether you may purchase the certificates of any series or class.

## RISKS RELATING TO YIELD AND PREPAYMENT

### *Yield*

***Yields on and weighted average lives of the certificates are affected by actual characteristics of the mortgage loans backing the series trust assets.***

Unless otherwise provided in the related prospectus supplement, we assume that the mortgage loans backing the series trust assets have certain characteristics. However, the actual mortgage loans are likely to have characteristics that are different from those that we assume. As a result, your yield 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 loan characteristics may affect the weighted average lives of the related classes of certificates.

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

The actual yield on certificates is likely to be lower than you expect:

- if you buy certificates at a premium and principal payments on the related mortgage loans are faster than you expect;
- if you buy certificates at a discount and principal payments on the related mortgage loans are slower than you expect; or
- if you buy interest-only certificates and principal payments on the related mortgage loans are faster than you expect.

Moreover, in the case of certificates purchased at a premium, you may lose money on your investment if prepayments on the related mortgage loans occur at a rapid rate.

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

Certain classes of certificates are “Delay Classes” of securities, because they do not receive interest immediately following each interest accrual period. As a result, Delay Classes have lower yields and lower market values than they would have if they were “No Delay Classes” with no such delay.

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

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

***Basis risk may adversely affect the yield on your certificates.***

If the interest rate of your certificates adjusts according to an index, and the interest rates of the 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 may adversely affect the yield on your certificates.***

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

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

The rate of principal payment on your certificates is uncertain as it depends upon the rate of principal payments on the related series trust assets. As you receive payments of principal of your certificates, you may be unable to reinvest the principal payments at the same yields as the yields received on your certificates.

***The yields on WAC classes of certificates will be affected by changes in the weighted average interest rates of the related series trust assets.***

If you own a weighted average coupon (“WAC”) class of certificates, your yield could be affected by changes in the weighted average of the interest rates on the related series trust assets. The interest rate on each WAC class will be calculated each month as described in the related prospectus supplement and generally may vary each month due to changes in the weighted average of the interest rates on the related series trust assets. Series trust assets with higher interest rates may be more likely to be prepaid or refinanced than series trust assets with lower interest rates, which would reduce your yield on the related WAC class. Moreover, if you purchase a certificate of a WAC class, the timing of changes in the weighted average of the interest rates of the related series trust assets may significantly affect your yield, even if the weighted average of those rates generally is consistent with your expectations. In general, the earlier the change in the level of the weighted average interest rate, the greater the effect on your yield to maturity. As a result, if the weighted average interest rate during any period is lower than you expect, a corresponding increase in that rate during a later period may not fully offset the effect of the earlier rate on your yield.

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

We will make all payments of principal and interest, as applicable, 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.

***Information concerning certain characteristics of the related mortgage loans may be limited.***

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



## Prepayment

***We may withdraw some or all of the series trust assets due to a breach of representations or warranties, accelerating the rate at which you receive your return of principal (or the rate at which the notional principal balance of your certificates is reduced).***

Each seller that sells series trust assets to us makes various representations and warranties about itself and the series trust assets. If these representations and warranties were not true when made, we can require the seller to purchase the affected series trust assets at any time. When a series trust asset is purchased from the series trust, its stated principal balance, together with accrued interest, is passed through to the related certificateholders on the first distribution date after the date of the purchase. Thus, a breach of a representation and warranty may accelerate the rate of payments of principal (or the rate of notional principal balance reductions) on your certificates. The affected series trust assets could include some or all of the series trust assets in a series trust. See “**THE TRUST DOCUMENTS—Purchase or Substitution of Series Trust Assets.**”

***The certificates are affected by the prepayment and other risk factors to which the series trust assets are subject.***

Because the certificates of a particular series are affected by the prepayment and other risk factors to which the series trust assets are subject, investors should read and understand the risk factors found in the disclosure documents for the related MBS, SMBS, Megas and Underlying REMIC certificates, as applicable, or, if Ginnie Mae Securities or Third Party Securities are held in the series trust, in the disclosure documents related to those securities.

## RISKS RELATING TO LIQUIDITY

***There may be no market for the certificates, and we cannot assure you that a market will develop and continue.***

We cannot be sure that each series of certificates, when issued, will have a ready market or, if a market does develop, that the market will remain active during the entire term for which your 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 your certificates include the following:

- our financial condition and rating;
- our future structure, organization and the level of government support for the company;
- whether we are in conservatorship or receivership;
- any increase or decrease in the level of governmental commitments to engage in market purchases of our certificates;
- the method, frequency and complexity of calculating principal or interest on the certificates;
- the characteristics of the related series trust assets;
- past and expected prepayment levels of the series trust assets and of comparable assets;
- the availability of current information about the series trust assets and related mortgage loans;
- the outstanding principal amount (or notional 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;
- the minimum denominations of the certificates;
- any significant reduction in our securitization volume due to a decline in mortgage loan originations by key sellers that have experienced liquidity or other major difficulties;
- any legal restriction or tax treatment that limits demand for the certificates;
- the availability of comparable or complementary securities;
- market uncertainty;
- the level of interest rates generally, the volatility with which prevailing interest rates are changing, and the direction in which interest rates are, or appear to be, trending; and
- the financial condition and rating of the sellers and the direct servicers of the related mortgage loans.

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. Those 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 these 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 these 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 balances and comparable maturities. Other securities issued at a substantial discount or premium from their principal balances (such as certificates issued with significantly below-market or above-market interest rates) also have higher volatility. In general, 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 balances and comparable maturities.

***There may be restrictions on your ability to include your certificate in another Fannie Mae securitization.***

When we deposit series trust assets into a trust and issue a series of certificates backed by those series trust assets, we refer to the process as a resecuritization. If we discover discrepancies in the data related to a class or series of certificates or to the related series trust assets, and if the discrepancies cannot be resolved promptly, certificates (including the certificates offered by this prospectus) of that class or series may be restricted from resecuritization until the data discrepancies have been resolved. While a certificate is so restricted, it is still eligible to be sold, transferred or otherwise hypothecated; it cannot, however, be resecuritized into another Fannie Mae mortgage-backed security. A list of pools whose certificates are restricted from resecuritization may be located on our Web site by clicking on “Securities Ineligible for Resecuritization” on the Structured Transactions and Megas page and is updated monthly. If the data discrepancies are resolved, the certificates will be removed from the restricted certificate list and become eligible for resecuritizations.

***The requirements limiting our mortgage portfolio assets may adversely affect the liquidity of your certificates.***

Our mortgage portfolio assets include a substantial amount of our certificates. We have traditionally been an active purchaser of our certificates for a number of reasons, including helping to provide market liquidity for the certificates. The requirements limiting our mortgage portfolio assets may restrict our ability to purchase our certificates, which may impair the liquidity of your certificates. See our most recent Form 10-K for a description of the required cap on, and reduction in, our mortgage assets.

## **RISKS RELATING TO CREDIT**

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

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

***If we failed to pay under our guaranty, the amount distributed to certificateholders could be reduced, and the timing of distributions could be affected.***

Borrowers may fail to make timely payments on the related mortgage loans. In addition, an entity that is under contract to perform mortgage loan servicing functions for us (a “direct servicer”) may fail to remit borrower payments to us. In either case, we are responsible for making payments to the series trust under our guaranty. However, we could fail to make the payments required under our guaranty to the series trust if (i) our financial condition prevented us from fulfilling our guaranty obligations with respect to the series trust, or (ii) we were placed into a new conservatorship or into receivership and could not or did not fulfill our guaranty obligations. In that case, certificateholders would receive from the series trust only the amounts paid on the series trust assets, which are generally limited to borrower payments and other recoveries on the related mortgage loans. As a result, delinquencies and defaults on the related mortgage loans or a direct servicer’s failure to remit borrower payments to the series trust would adversely affect the amounts that certificateholders received each month.

***As conservator, the Federal Housing Finance Agency (“FHFA”) has certain rights to transfer our assets and liabilities, including our guaranty.***

For so long as we remain in the current conservatorship, FHFA, as conservator, has the right to transfer or sell any of our assets or liabilities, including our guaranty obligations, without any approval, assignment or consent from us or any other party. However, during the current conservatorship, FHFA has no authority to repudiate any contracts entered into after we were placed into conservatorship, including our guaranty related to the certificates we issue during the current conservatorship. The Federal Housing Finance Regulatory Reform Act of 2008 (the “2008 Reform Act”) does not restrict the rights of holders of certificates issued during the current conservatorship.

***If FHFA were to place us into receivership directly from the current conservatorship, or if we emerge from conservatorship and at a later date FHFA were to place us into a new conservatorship or into receivership, FHFA would have certain rights to transfer our assets and liabilities and to repudiate our existing contracts.***

If FHFA were to place us into receivership directly from the current conservatorship, or if we emerge from the current conservatorship and at a later date FHFA were to place us into a new conservatorship or into receivership, FHFA would have all of the authority of a new conservator or a receiver, which would allow it to exercise certain powers that could adversely affect certificateholders, as described below.

*Transfer of Guaranty Obligations.* FHFA would have the right to transfer or sell any of our assets or liabilities, including our guaranty obligations, without any approval, assignment or consent from us or any other party. If FHFA, as conservator or receiver, were to transfer our guaranty obligations to another party, certificateholders would have to rely on that party for satisfaction of the guaranty obligations and would be exposed to the credit risk of that party.

*Repudiation of Contracts.* Under the circumstances described in the next sentence, FHFA could repudiate any contract entered into by us before it was appointed as a new conservator or as receiver, including our guaranty obligations to the series trusts described in this prospectus. FHFA may repudiate a contract, including our guaranty, if it determines in its sole discretion that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of Fannie Mae's affairs. The 2008 Reform Act requires that any exercise by FHFA of its right to repudiate any contract occur within a reasonable period following its appointment as a new conservator or receiver.

If FHFA, as a new conservator or as receiver, were to repudiate our guaranty obligations, the conservatorship or receivership estate would be liable for damages as of the date of the new conservatorship or the receivership under the 2008 Reform Act. However, any such liability could be satisfied only to the extent that our assets were available for that purpose. Thereafter, certificateholders would receive from each related series trust only the amounts paid on the series trust assets, which are generally limited to borrower payments and other recoveries on the related mortgage loans. As a result, delinquencies and defaults on the related mortgage loans or a direct servicer's failure to remit borrower payments to the series trust would adversely affect the amounts that certificateholders would receive each month. In addition, trust administration fees would be paid from mortgage loan payments before any distributions would be made to certificateholders. As a result, any damages paid as the result of the repudiation of our guaranty obligations may not be sufficient to offset any shortfalls experienced by certificateholders.

*Rights of Certificateholders.* Holders of certificates issued before and during the current conservatorship, including the certificates offered by this prospectus, are granted certain rights under the trust documents (as defined under "**DESCRIPTION OF THE CERTIFICATES**"). If we are placed into a new conservatorship or into a receivership, however, these rights may not be enforceable against FHFA or enforcement of those rights may be delayed. The trust documents provide that upon the occurrence of a guarantor event of default, which includes the appointment of a new conservator or a receiver, certificateholders have the right to replace Fannie Mae as trustee if the requisite percentage of certificateholders consents. Nevertheless, the 2008 Reform Act may prevent certificateholders from enforcing their rights to replace Fannie Mae as trustee if the event of default arises solely because a new conservator or receiver has been appointed.

If we are placed into a new conservatorship or receivership and do not or cannot fulfill our guaranty obligations, certificateholders could become unsecured creditors of Fannie Mae with respect to claims made under our guaranty. Certificateholders have certain limited rights to proceed against the U.S. Department of the Treasury ("Treasury") if we fail to pay under our guaranty. However, the total amount that may be recovered from Treasury is subject to limits imposed in the senior preferred stock purchase agreement. See "**FANNIE MAE—Certificateholders' Rights Under the Senior Preferred Stock Purchase Agreement.**"

## FANNIE MAE

### General

Fannie Mae is a government-sponsored enterprise that was chartered by Congress in 1938 to support liquidity, stability and affordability in the secondary mortgage market, where existing mortgage-backed assets are purchased and sold. Our charter does not permit us to originate loans and lend money directly to consumers in the primary mortgage market. Our most significant

activities are securitizing mortgage loans originated by lenders into Fannie Mae mortgage-backed securities and purchasing mortgage loans and mortgage-backed securities for our mortgage portfolio.

We obtain funds to purchase mortgage-backed assets for our mortgage portfolio by issuing a variety of debt securities in the domestic and international capital markets. We also make other investments that increase the supply of affordable housing.

As discussed below, we are currently in conservatorship.

## **Regulation and Conservatorship**

FHFA is an independent agency of the federal government with general supervisory and regulatory authority over Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. FHFA was established in July 2008, assuming the duties of our former safety and soundness regulator, the Office of Federal Housing Enterprise Oversight, and our former mission regulator, the U.S. Department of Housing and Urban Development (“HUD”). HUD remains our regulator with respect to fair lending matters. Our regulators also include the SEC and Treasury.

On September 6, 2008, the Director of FHFA appointed FHFA as our conservator pursuant to its authority under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the 2008 Reform Act. Upon its appointment, FHFA immediately succeeded to all of the rights, titles, powers and privileges of Fannie Mae and those of any stockholder, officer or director of Fannie Mae with respect to us and our assets. The conservatorship is a statutory process designed to preserve and conserve our assets and property and put the company in a sound and solvent condition.

The conservatorship has no specified termination date, and there continues to be uncertainty regarding the future of our company, including how long we will continue to exist, the extent of our role in the market, what form we will have, and what ownership interest in us, if any, will be held by our current common and preferred stockholders after the conservatorship is terminated. For more information on the risks to our business relating to the conservatorship and uncertainties regarding the future of our company and business, please see “**RISK FACTORS**” in our most recent Form 10-K.

In September 2008, Fannie Mae, through FHFA as our conservator, entered into two agreements with Treasury. The first agreement is the senior preferred stock purchase agreement, under which we issued one million shares of senior preferred stock to Treasury and which provided us with Treasury’s commitment to provide us with funding under specified conditions (the “commitment”). The senior preferred stock purchase agreement was amended on September 26, 2008, May 6, 2009, and December 24, 2009 (as amended, the “senior preferred stock purchase agreement”).

The December 24, 2009 amendment to the senior preferred stock purchase agreement modified the maximum amount of Treasury’s funding commitment, providing that the maximum amount will increase as necessary to accommodate any “net worth deficits” (the amount by which our total liabilities exceed our total assets) for calendar quarters in 2010 through 2012. For any net worth deficits after December 31, 2012, Treasury’s maximum remaining funding commitment at any determination date will be the “available amount,” which equals \$124.8 billion (\$200 billion less our cumulative draws through March 31, 2010, which related to calendar years 2008 and 2009) *less* the *smaller* of *either* (a) our positive net worth as of December 31, 2012, *or* (b) our cumulative draws from Treasury for the calendar quarters in 2010 through 2012.

The other agreement with Treasury is a warrant to purchase, for a nominal price, shares of common stock equal to 79.9% of the outstanding common stock of Fannie Mae (the “warrant”) on a

fully-diluted basis. The senior preferred stock and the warrant were issued as an initial commitment fee for Treasury's commitment. The senior preferred stock purchase agreement and the warrant contain covenants that significantly restrict our operations and that are described in our 2011 Form 10-K.

We generally may draw funds under the commitment on a quarterly basis when our total liabilities exceed our total assets on our consolidated balance sheet prepared in accordance with GAAP as of the end of the preceding quarter. All funds drawn under the commitment are added to the liquidation preference on the senior preferred stock, which currently has a 10% annual dividend rate. If we do not pay the dividend quarterly and in cash, the dividend rate will increase to 12% annually, and the unpaid dividend would accrue and be added to the liquidation preference of the senior preferred stock.

We are dependent upon the continued support of Treasury to eliminate our net worth deficit, which avoids our being placed into receivership. Based on consideration of all of the relevant conditions and events affecting our operations, including our dependence on the U.S. Government, we continue to operate as a going concern and in accordance with our delegation of authority from FHFA. We remain liable for all of our obligations, including our guaranty obligations, associated with the certificates and other mortgage-backed securities issued by us. The senior preferred stock purchase agreement is intended to enhance our ability to meet our obligations. Certificateholders have certain limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. For a description of certificateholders' rights to proceed against Treasury, see "**—Certificateholders' Rights Under the Senior Preferred Stock Purchase Agreement.**"

### **Possibility of Future Receivership**

FHFA must place us into receivership if the Director of FHFA makes a written determination that our assets are less than our obligations (i.e., a net worth deficit) or if we have not been paying our debts, in either case, for a period of 60 days after the deadline for the filing with the SEC of our annual report on Form 10-K or our quarterly report on Form 10-Q, as applicable. Although Treasury committed to providing us with funds in accordance with the terms of the senior preferred stock purchase agreement, Treasury may not provide these funds to us within the required 60 days if it has exhausted its borrowing authority or if there is a government shutdown. In addition, we could be put into receivership at the discretion of the Director of FHFA at any time for other reasons, including conditions that FHFA has already asserted existed at the time the former Director of FHFA placed us into conservatorship.

A receivership would terminate the conservatorship. The appointment of FHFA as our receiver would not only grant FHFA the powers that it currently has as our conservator, but would also terminate all rights and claims that certificateholders may have against our assets or under our charter arising from their status as certificateholders, other than their right to payment, resolution or other satisfaction of their claims as permitted under the 2008 Reform Act. Unlike a conservatorship, the purpose of which is to conserve our assets and return us to a sound and solvent condition, the purpose of a receivership is to liquidate our assets and resolve claims against us.

### **Certificateholders' Rights Under the Senior Preferred Stock Purchase Agreement**

Certificateholders are granted certain rights under the trust documents (as defined below) if a guarantor event of default occurs. See "**THE TRUST DOCUMENTS—Certificateholders' Rights Upon a Guarantor Event of Default.**" Moreover, under the senior preferred stock purchase agreement, certificateholders are given certain limited rights against Treasury if (i) we default on our guaranty obligations, (ii) Treasury fails to perform its obligations under its funding commitment, and (iii) we and/or the conservator are not diligently pursuing remedies in respect of that failure.

In that case, the holders of the affected certificates may file a claim for relief in the U.S. Court of Federal Claims, requiring Treasury to fund up to the lesser of:

- the amount necessary to cure the payment default; *or*
- the “available amount” under the agreement as of the last day of the immediately preceding fiscal quarter.

## **USE OF PROCEEDS**

We usually issue certificates in swap transactions in which the certificates are issued in exchange for the series trust assets that will directly back the certificates. In some instances, we may issue certificates in exchange for series trust assets that we already own and that will back the certificates. In those transactions, we generally 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**

This prospectus relates to certificates issued on and after August 1, 2012, which are issued under our 2010 REMIC Master Trust Agreement, effective May 1, 2010 (as amended or replaced from time to time, the “trust agreement”). For information about certificates issued before August 1, 2012, see the Single-Family REMIC prospectus that was in effect at the time those certificates were issued. There is a specific issue supplement to the trust agreement for each series of certificates. We refer to the trust agreement and the related issue supplement for a series of certificates as the “trust documents.”

### **General**

We will create a series trust for each series of certificates under the trust documents for that series. We will execute the applicable trust documents in our corporate capacity and as trustee. We will issue the guaranteed REMIC pass-through certificates for each series pursuant to the related trust documents.

The certificates represent undivided beneficial ownership interests in a distinct pool of assets held in a series trust created under the trust documents, which are described in more detail below. We will hold the series trust assets, in our capacity as trustee under the trust documents, for the benefit of all the holders of certificates of the same series. The certificates represent the entire beneficial ownership of the series trust created by the trust documents.

Each series of certificates will consist of two or more classes of guaranteed certificates. This prospectus contains a general description of the rights of the classes of certificates of each series. The prospectus supplement for each series of certificates 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 prospectus supplement provides otherwise.

### **Settlement**

Settlement is expected to occur on the business day determined by Fannie Mae in the month in which the certificates are issued and, unless otherwise stated, not later than the last business day of the month in which the certificates are issued.

## **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 (the “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. Each class of certificates will be assigned a CUSIP number and will trade separately under that number. 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 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. If a certificateholder is not also the beneficial owner of a certificate, the certificateholder 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 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 certificates. Each certificateholder and any financial intermediaries are responsible for remitting distributions to the beneficial owners of the 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 are responsible for directing the payments to the investors in certificates that they represent.

### **Issuance in Physical Certificate Form**

We will issue the certificates that represent "residual interests" in a REMIC in the form of physical certificates. U.S. Bank National Association currently serves as the paying agent for the Residual Certificates.

### **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 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 stated in the related 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 next business day. 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 is March 1, the first distribution date for that series will be April 25 or, if April 25 is not a business day, the first business day following April 25. A business day is any day other than a Saturday or Sunday, a day when a fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York or DTC, as applicable, is closed, or, with respect to any required withdrawal for remittance to a paying agent, a day when the Federal Reserve Bank is closed in a district where a certificate account is maintained if the related withdrawal is being made from that certificate account. We will pay the certificateholder that is listed as of the record date as the holder in the records of any Federal Reserve Bank or DTC, as applicable. Unless otherwise specified in the related prospectus supplement, the record date is the close of business on the last day of the month immediately before 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:

#### **Interest Accrual Period**

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 during each applicable interest accrual period 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 Class, a Partial Accrual Class or other class as stated in the related prospectus supplement, interest that accrues during an interest accrual period will be paid to certificateholders on the related distribution date.

The prospectus supplement for certificates of an Accrual Class or a Partial Accrual Class 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 25, interest will accrue during the interest accrual period related to the April 25 distribution date based on the March 25 principal balance of the respective class after giving effect to the conversion of interest to principal of that class and to the payment on March 25 of any principal of that class.

#### ***Interest Accrual Basis***

Unless we specify otherwise in the related prospectus supplement, we will calculate the amount of interest due each month on the certificates on the assumption that each month consists of 30 days and each year consists of 360 days. If the prospectus supplement specifies that 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***

Unless we specify otherwise in the applicable prospectus supplement, the “index determination date” for a Floating Rate Class or an 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 calculate LIBOR on each index determination date using either the BBA

Method or the LIBO Method, both as defined below. For purposes of calculating LIBOR, unless otherwise stated in the related prospectus supplement, 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. Unless otherwise stated in the related prospectus supplement, we will use the BBA Method.

*BBA Method.* Under the BBA Method, LIBOR is calculated on each index determination date based on the interest settlement rate<sup>(1)</sup> of the British Bankers’ Association (“BBA”) for one-month U.S. dollar deposits.

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%).
- If there are not at least two reference banks making quotations, 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<sup>(2)</sup>, whichever is higher. If we are unable to determine the reserve interest rate for the initial index determination date, 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.

Our calculation of the rate of interest of each LIBOR-based class on each index determination date will be final and binding, absent manifest error.

**COFI Index.** The Eleventh District Cost of Funds or “COFI Index” published by the Federal Home Loan Bank of San Francisco represents the monthly weighted average cost of funds for savings institutions in Arizona, California and Nevada that are members of the Eleventh Federal

<sup>(1)</sup> The “interest settlement rate” is found on Reuters Screen LIBOR01 Page as of 11:00 a.m. (London time) on that date. It is currently 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.

<sup>(2)</sup> 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 Euro-currency market.

Home Loan Bank District.<sup>(3)</sup> The COFI Index for a given month reflects the interest costs paid by these member institutions on all types of funds that they held (such as savings deposits, time deposits, advances from the Federal Home Loan Bank of San Francisco, repurchase agreements and all other borrowings). The COFI Index is calculated by dividing the cost of funds by the average of the total funds outstanding at the end of that month and the prior month. That result is then annualized and adjusted to reflect the actual number of days in that month. Before these calculations are made, it is sometimes necessary to adjust the component figures to neutralize the effect of events such as a member institution leaving the Eleventh District or acquiring an institution outside the Eleventh District. The COFI Index is also weighted to reflect the relative amounts of each type of funds that the member institutions held at the end of that month.

Because these funds mature at various times and their costs can react in different ways to changing conditions, the COFI Index does not necessarily reflect current market rates on new liabilities with similar maturities. In fact, the COFI Index sometimes does not even move in the same direction as current market rates, because as longer-term deposits and borrowings mature and are renewed at current rates, the COFI Index is still affected by the differential between the old and new rates on these deposits and borrowings.

If a class of certificates accrues interest based on the COFI Index (a “COFI Class”) and the COFI Index value for a given month is announced on or before the tenth day of the second following month, we will determine the interest rate for the interest accrual period that begins in that second following month based on that COFI Index value. If the COFI Index value is not announced until later, the interest rate for that interest accrual period will be based on the COFI Index value for the third preceding month.

- If, on the tenth day of the month in which any interest accrual period begins, the most recently announced COFI Index value relates to a month before the third preceding month, then for all future interest accrual periods, we will determine the interest rate of each COFI Class based on the Federal Cost of Funds Index value for the third preceding month (or the fourth preceding month if the Federal Cost of Funds Index was not published by the tenth day of that interest accrual period). The “Federal Cost of Funds Index” means the index made available by the Federal Home Loan Mortgage Corporation (“Freddie Mac”) on or about the 20th day of each month.<sup>(4)</sup>
- If, on the tenth day of the month in which any interest accrual period begins, the most recently published Federal Cost of Funds Index value relates to a month before the fourth preceding month, then for all future interest accrual periods, we will determine the interest rate of each COFI Class based on LIBOR (calculated under the BBA Method).

Any change from the COFI Index will result in a change in the index level and could increase the volatility of the index level. This is especially true when LIBOR is the alternative index. Our calculation of the rate of interest of each COFI Class on each index determination date will be final and binding, absent manifest error.

**Treasury Index.** If a class of certificates accrues interest based on a Treasury Index, we will determine the Treasury Index for Treasury securities of the maturity and for the dates specified in the related prospectus supplement. Generally, the “Treasury Index” for any period means the yield for the specified date (or the average of the yield for each business day in the specified

<sup>(3)</sup> The COFI Index is published in the monthly Federal Home Loan Bank of San Francisco (FHLBSF) Bulletin. You can obtain a copy by writing to the Office of Public Information, Federal Home Loan Bank of San Francisco, P.O. Box 7948, 600 California Street, San Francisco, CA 94120, by calling (415) 616-1000 or (415) 616-2600, or by accessing the FHLBSF Web site at [www.fhlbsf.com](http://www.fhlbsf.com). We do not intend this Internet address to be an active link.

<sup>(4)</sup> The Federal Cost of Funds Index is published by Freddie Mac monthly. You can access the Federal Cost of Funds Index or COFI Index at the Freddie Mac Web site at [www.freddiemac.com](http://www.freddiemac.com). We do not intend this Internet address to be an active link.

period), expressed as a percentage, on U.S. Treasury securities adjusted to the “constant maturity” specified in the prospectus supplement (or, if the prospectus supplement does not specify a “constant maturity,” U.S. Treasury securities trading in the secondary market having the maturity specified in the prospectus supplement). In either case, this yield is made available by the Federal Reserve Board on a weekly basis.<sup>(5)</sup>

Yields on U.S. Treasury securities at “constant maturity” are derived from the U.S. Treasury’s daily yield curve. This curve relates to the yield on a security to its time of maturity and is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations reported by five leading U.S. Government securities dealers to the Federal Reserve Bank of New York. This method provides a yield for a given maturity even if no security with that exact maturity is outstanding. Our calculation of each Treasury Index-based interest rate on each index determination date will be final and binding, absent manifest error.

**Prime Rate.** If a class of certificates accrues interest based on the Prime Rate, we will determine the Prime Rate on each index determination date. Unless the prospectus supplement for a series specifies otherwise, “Prime Rate” means the Prime Rate as published in the “Money Rates” section of *The Wall Street Journal* on the related index determination date. If *The Wall Street Journal* is not then published, we will choose another newspaper of general circulation. If a prime rate range is given, we will use the average of the range. Our calculation of each Prime Rate-based interest rate on each index determination date will be final and binding, absent manifest error.

**SIFMA Muni Swaps Index.** If a class of certificates accrues interest based on the SIFMA Muni Swaps Index, we will be responsible for determining the interest rate using the most recently published SIFMA Muni Swaps Index value on each index determination date. The “SIFMA Muni Swaps Index” means the Securities Industry and Financial Markets Association Municipal Swaps Index, a seven-day high-grade market index comprised of tax-exempt variable-rate demand obligations produced by Municipal Markets Data, a Thomson Financial Services Company. Our calculation of each SIFMA Muni Swaps Index-based interest rate on each index determination date will be final and binding, absent manifest error.

### **Principal Distributions**

On each distribution date for a particular series of certificates, we will pay the holders of each class with a principal balance the amount of principal specified in the related prospectus supplement. We will pay the holders of each class the outstanding principal balance of that 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 distribution amount for each distribution date. We will make principal payments on each class of certificates of a series entitled to principal (other than Retail Certificates) on a *pro rata* basis among all the certificates of that class, unless the related prospectus supplement provides other-

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<sup>(5)</sup> These indices are published by the Board of Governors of the Federal Reserve System in Federal Reserve Statistical Release: Selected Interest Rates No. H.15(519) (the “Statistical Release”). The Statistical Release usually appears on Monday (or Tuesday, if Monday is not a business day) of every week. If we have not yet received the Statistical Release for a week, we will use the Statistical Release from the prior week. You can obtain a copy of the Statistical Release by accessing the Federal Reserve Web site at [www.federalreserve.gov/releases](http://www.federalreserve.gov/releases) or by writing the Publications Department at the Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551, by calling (202) 452-3245. We do not intend this Internet address to be an active link. Markets Data, a Thomson Financial Services Company. Our calculation of each SIFMA Muni Swaps Index-based interest rate on each index determination date will be final and binding, absent manifest error.

wise. For a description of principal payments on Retail Certificates, see “**Special Characteristics of the Retail Certificates.**”

## **Combination and Recombination—RCR Certificates**

### ***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 recombining (“RCR”) certificates in the combinations specified in the prospectus supplement. Moreover, 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 series trust assets and will receive a proportionate share of the distributions on the related certificates.

The classes of specified 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 distributions of principal (or notional principal balance reductions) on the related classes and RCR Certificates, as well as any exchanges that occur. Specified 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 specified certificates being exchanged. The interim adjustment may result in Fannie Mae or the dealer submitting a claim for principal and interest payments.

### ***Exchange 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 electronically) no later than two business days before the proposed exchange date. The exchange date can be any business day of the month, subject to our approval. The notice must include the original principal balance of both the certificates to be exchanged and the certificates to be received, and the proposed exchange date. Cancellation of an exchange requires Fannie Mae’s consent.

In connection with each exchange, the certificateholder must pay us an exchange fee. Certificateholders should contact the Structured Transactions Group at [structured\\_transactions@fanniemae.com](mailto:structured_transactions@fanniemae.com) or (202) 752-7875 for a determination of the exchange fee. In no event 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 the following factors, which may limit your ability to effect exchanges of certificates and RCR Certificates:

- At the time of the proposed exchange, a certificateholder must own certificates of the related class or classes in the proportions and minimum denominations 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 the proposed exchange would result in a certificateholder holding 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 holder of certificates needed to make a desired exchange may refuse to sell them at a reasonable price (or any price).
- 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 Retail Certificates**

From time to time we issue series of certificates that are designated for sale to retail investors (“Retail Class”). We will issue each Retail Class in an integral number of \$1,000 units (“Retail Class Units”). Unless otherwise provided in the related prospectus supplement, each Retail Class will be represented by a single certificate (“Retail Certificate”) maintained on the book-entry system of DTC.

#### ***Retail Interest Payments***

We will pay interest on the Retail Certificates on each distribution date in an amount equal to one month’s interest at the applicable annual interest rate set forth in the related prospectus supplement, accrued on their outstanding principal balances immediately before that distribution date. See “–**Distributions on Certificates–Interest Distributions.**”

#### ***Retail Principal Payments***

On each applicable distribution date, we will pay principal on a Retail Class (a “Retail Principal Payment”) in increments of \$1,000, based on the priorities and limitations described in this prospectus and the related prospectus supplement. Either a paying agent that we engage or DTC will determine the portion of the Retail Principal Payment to be paid to particular Retail Class Units held for the account of DTC participants. Financial intermediaries and DTC participants will, in turn, determine the portion of the Retail Principal Payment to be paid to particular Retail Class Units held for the account of each investor that they represent.

#### ***Rounding of Retail Principal Payments***

On each distribution date on which principal is to be paid on a class of Retail Certificates, the payment amount will be rounded to the nearest \$1,000 increment. When we first make a Retail Principal Payment to a class of Retail Certificates, we will round that payment upward to the nearest \$1,000 by withdrawing the necessary amount from the related Retail cash deposit (a non-interest bearing cash deposit of \$999.99 for each Retail Class). After the initial Retail Principal Payment, we will apply the amount available as principal of the class as follows: first, to replenish the related Retail cash deposit and, second, as a Retail Principal Payment (rounded to the nearest \$1,000).

We will repeat this procedure on each distribution date until the principal balance of the class of Retail Certificates is reduced to zero. On any distribution date, a Retail Principal Payment may be slightly more or less than it would be in the absence of rounding, but any such difference will never exceed \$999.99. The total amount of all Retail Principal Payments made through any distribution date will never be less than it would have been in the absence of rounding.

#### ***Retail Principal Payment Requests***

If you are an investor in Retail Certificates, you may request that principal of your Retail Class unit or units be paid to you in increments of \$1,000 on the earliest possible distribution date

(each, a “Retail Principal Payment Request”). You must submit a Retail Principal Payment Request to the financial intermediary that maintains the account reflecting your ownership interest in the Retail Class. If the financial intermediary is not a DTC participant, it must notify the related DTC participant of the request. The DTC participant must then make the request to DTC in writing, as required by DTC.

DTC will establish procedures for determining the order in which it receives requests. When DTC receives a request, it will note the date and time the request was received and forward it to the paying agent. The paying agent will not be liable for any delay in delivery to it of Retail Principal Payment Requests or for the withdrawal of requests.

The paying agent will maintain a list of DTC participants representing investors that have submitted Retail Principal Payment Requests. The list will include the order of receipt and the amounts of such requests. The paying agent will notify DTC and the applicable DTC participants as to which requests to honor on each distribution date. DTC will honor Retail Principal Payment Requests according to the procedures, and subject to the priorities and limitations, described below. Either the paying agent or DTC will establish the procedures for determining such priorities and limitations. The decisions of the paying agent and DTC concerning such matters will be final and binding on all affected persons.

***Priority for Fulfilling Retail Principal Payment Requests.*** DTC can honor a Retail Principal Payment Request on any distribution date only if it receives the request and forwards it to the paying agent by the record date. Priority will be given to investors on whose behalf Retail Principal Payment Requests have been duly received and not withdrawn. DTC will honor requests in the following order of priority:

- (i) DTC will honor requests on behalf of Deceased Owners (as defined below) in the order it receives them, until it has honored each such request in an initial amount up to \$100,000 of original principal balance per Deceased Owner; and
- (ii) DTC will honor requests on behalf of Living Owners (as defined below) in the order it receives them, until it has honored each such request in an initial amount up to \$10,000 of original principal balance per Living Owner.

After that, DTC will honor requests on behalf of:

- (x) Deceased Owners, as provided in clause (i), up to an additional \$100,000 of original principal balance; and
- (y) Living Owners as provided in clause (ii), up to an additional \$10,000 of original principal balance.

DTC will repeat this sequence of priorities until it has honored all Retail Principal Payment Requests.

If a Retail Principal Payment Request is submitted on behalf of a Living Owner who becomes a Deceased Owner, that request takes on the priority of a newly submitted request on behalf of a Deceased Owner. DTC must receive appropriate evidence of death and any required tax waivers and forward these items to the paying agent on or before the related record date.

On any distribution date, if the Retail Principal Payment Requests for a class of Retail Certificates exceed the aggregate amount of principal available for payment, those requests will automatically be honored on later distribution dates, without the investor making any additional Retail Principal Payment Requests, all in accordance with the procedures of the paying agent.

***Types of Beneficial Owners.*** A “Deceased Owner” is a beneficial owner of Retail Certificates who was living when that interest was acquired and whose authorized representative provides



DTC with evidence of death satisfactory to the paying agent and any tax waivers requested by the paying agent. A “Living Owner” is any beneficial owner of Retail Certificates other than a Deceased Owner.

- Retail Certificates beneficially owned by tenants by the entirety, joint tenants or tenants in common (each, a “Tenant”) are considered beneficially owned by a single owner. The death of an individual Tenant will be considered the death of the beneficial owner. In the event of such a death, the Retail Certificates beneficially owned by the Tenants will be eligible for the priority in principal payment described above.
- Retail Certificates beneficially owned by a trust will be considered beneficially owned by each beneficiary of the trust. However, a trust’s beneficiaries as a group will not be considered to own more than the principal amount of Retail Certificates owned by the related trust.
- The death of a beneficiary of a trust will be considered the death of a beneficial owner of a share of the related Retail Certificates that corresponds to that beneficiary’s interest in the trust.
- The death of a Tenant in a tenancy that is the beneficiary of a trust will be considered the death of the beneficiary of the trust.
- The death of a person who had been entitled to substantially all of the beneficial ownership interests in any Retail Certificates will be considered the death of the beneficial owner of those Retail Certificates, regardless of the owner identified in the relevant records, if that beneficial interest can be established to the paying agent’s satisfaction.

Beneficial interests are considered to exist in the case of street name or nominee ownership, ownership by a trustee, ownership under the Uniform Gifts to Minors Act and community property or other joint ownership arrangements between spouses. Beneficial interests will include the power to sell, transfer or otherwise dispose of Retail Certificates and the right to receive the related proceeds, as well as interest and principal payments on the Retail Certificates.

***Excess Retail Principal Payment by Random Lot.*** On any distribution date, if a Retail Principal Payment for a class of Retail Certificates exceeds the amount evidenced by the Retail Principal Payment Requests received by the paying agent, the Retail Certificates in respect of which principal payments are to be made (in increments of \$1,000) will be determined under the random lot procedures of DTC and the established procedures of the DTC participants and financial intermediaries. Accordingly, a DTC participant or financial intermediary may choose to allot the excess portion of the Retail Principal Payment to the accounts of some investors (which could include that DTC participant or financial intermediary) without allotting such distributions to the accounts of other investors.

#### *Withdrawing a Retail Principal Payment Request*

To withdraw a Retail Principal Payment Request, you must notify the financial intermediary that maintains the account reflecting your interest in the class. If the financial intermediary is not a DTC participant, it must notify the related DTC participant, which will forward the withdrawal to the paying agent, on a form that DTC requires. DTC can honor the withdrawal of a request on any distribution date only if the DTC participant receives the withdrawal and forwards it to the paying agent by the record date. A Retail Principal Payment Request will be considered withdrawn upon the transfer of beneficial ownership of the related Retail Certificate, but only if the paying agent receives notification of the withdrawal on the proper form.

#### ***Tax Information for Retail Certificates***

As required by federal law, we will provide to depository participants and financial intermediaries information that will allow beneficial owners of the Retail Certificates to calculate

properly the taxable income attributable to the Retail Certificates. Financial intermediaries, in turn, will be obligated to supply such information to individuals and other beneficial owners who are not “exempt recipients.” Beneficial owners should be aware, however, that such information need not be furnished before March 15 of any calendar year following a calendar year in which income accrues on a Retail Certificate. The Retail Certificates may be issued with “original issue discount” within the meaning of Section 1273(a) of the Internal Revenue Code of 1986, as amended (the “Code”) or at a premium for federal income tax purposes. You should be aware that the beneficial owners of Retail Certificates must include in gross income original issue discount, if any, as it accrues under a method that generally results in recognition of some taxable income in advance of receipt of the cash attributable to such income. You also should be aware that beneficial owners of Retail Certificates should treat any premium, any original issue discount and any market discount with respect to such certificates in the same manner as beneficial owners of other “regular interests” in a REMIC. See “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES—Taxation of Beneficial Owners of Regular Certificates**” in this prospectus. Because the Retail Certificates will not receive payments of principal on a *pro rata* basis, however, a payment in full of a Retail Certificate may be treated as a prepayment for purposes of the premium, original issue discount and market discount rules. Additional tax consequences affecting beneficial owners of the Retail Certificates are discussed under “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES—Taxation of Beneficial Owners of Regular Certificates**” in this prospectus.

### **Special Characteristics of the Residual Certificates**

We will issue the certificates of each series that represent the “residual interest” in a REMIC (a “Residual Certificate”) 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 Residual 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 Residual 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 Residual 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 documents 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 Treasury, 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 the 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 Residual Certificate, (ii) expected future distributions on that Residual Certificate, and (iii) anticipated tax savings associated with holding that Residual 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.

## **Reports to Certificateholders**

### ***Monthly Factor***

Unless otherwise provided in the related prospectus supplement, we will publish the “class factor” for each outstanding class of certificates backed by Fannie Mae Securities on or about the 11th calendar day of each month. We will publish the class factor for each class of certificates backed by Ginnie Mae Securities or Third Party Securities 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 (other than a Retail 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 (or notional principal balance adjustment) and after adding the current month’s accrued interest to any Accrual Class or Partial Accrual Class.

In the case of Retail Certificates, if you multiply the class factor by the aggregate original principal balance of that Retail Class, you will obtain the current aggregate principal balance of the

Retail Certificates of that class, after giving effect to the current month's principal payment. As a result, the class factor for each Retail Class will reflect the reduction in aggregate principal balance of that class taken as a whole, and will not reflect the reduction in principal balance of the Retail Certificates of that class owned by any particular investor. For purposes of determining the class factor for each Retail Class, we will disregard any rounding of the principal payment on that class.

### ***Tax Information***

We will post on our Web site, or otherwise make available, information required by the federal income tax laws. See “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES—Backup Withholding**.”

## **THE TRUST DOCUMENTS**

The certificates offered hereby are issued pursuant to the terms of the trust documents. We have summarized below certain provisions of the trust documents. This summary is not complete and may be modified by provisions described in the prospectus supplement for a particular series of certificates. If there is any conflict between the information in this prospectus and the provisions of the trust documents, the terms of the trust documents will govern. You may obtain a copy of the trust documents from our Web site at [www.fanniemae.com](http://www.fanniemae.com) or from our Washington, DC office.

### **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, as applicable, on the certificates to the extent described in the related prospectus supplement. We also guarantee to each series trust that we will supplement amounts received by the series trust as required to make 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 trust.

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

Our guaranty runs directly to each series trust and not directly to certificateholders. As a result, certificateholders have limited rights to bring proceedings directly against Fannie Mae to enforce our guaranty. See “**—Certificateholders’ Rights Upon a Guarantor Event of Default**.” Certificateholders also have certain limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. The total amount that may be recovered from Treasury is subject to limits imposed by the senior preferred stock purchase agreement. For a description of certificateholders’ rights to proceed against Treasury, see “**FANNIE MAE—Certificateholders’ Rights Under the Senior Preferred Stock Purchase Agreement**.”

**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.**

### **Transfer of Series Trust Assets to Series Trusts**

The trust documents for each series trust require that at the time of issuance of the certificates, the assets comprising the related series trust assets will be assigned to us as trustee. The trust

documents will contain a security schedule that identifies the series trust assets in that series trust. The series trust assets will be registered in our name as trustee 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 series trust assets for the benefit of the holders of the certificates of that series.

## **Purchase or Substitution of Series Trust Assets**

### ***Purchase***

The trust agreement provides that we may purchase series trust assets from the related series trust under the following circumstances:

- Each seller or transferor that sells or transfers to us series trust assets that are included in a series trust makes certain representations and warranties about itself and the series trust assets. If we discover a breach of a representation or warranty, we may, within 90 days after our discovery of the breach, purchase the affected series trust asset from the related series trust. However, we may not purchase from the related series trust any series trust asset that is a principal only security or interest only security.
- If we determine, or a court or a governmental agency authorized to oversee our mortgage business determines, that our acquisition of any series trust asset was not authorized or if a court or governmental agency requires the purchase of that series trust asset from a series trust, we will purchase the affected series trust asset from the related series trust as soon as practicable.

In each instance, the purchase price will be the principal balance of the affected series trust asset plus accrued interest. The principal balance will be passed through to the related certificateholders on the first distribution date after the date of the purchase.

For a discussion of how purchases of series trust assets may affect the performance of the certificates, see “**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—We may withdraw some or all of the series trust assets due to a breach of representations or warranties, accelerating the rate at which you receive your return of principal (or the rate at which the notional principal balance of your certificates is reduced)**” in this prospectus. For a discussion of how purchases from MBS trusts of mortgage loans backing the series trust assets may affect the performance of the certificates, see “**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Sale of Property/Credit/Purchase Risk—We may require the purchase of some or all of the mortgage loans from your pool due to a breach of representations and warranties, accelerating the rate of principal payment on your certificates**” in the MBS prospectus.

### ***Substitution***

The trust agreement also provides that, instead of purchasing series trust assets as to which a breach of a representation or warranty has occurred, we may remove the affected series trust assets from the related series trust and substitute one or more other series trust assets, provided that the following criteria are met:

- The substitute series trust assets have the agreed-upon characteristics for series trust assets to be included in the related series trust (subject to customarily permitted tolerances);
- The substitute series trust assets have an aggregate principal balance, as of the date of substitution, equal to the unpaid principal balance of the series trust assets being removed; and
- The substitution occurs within two years after the settlement date of the related series of certificates.

## **Certificate Accounts**

The direct servicers of our mortgage loans remit borrower collections to us monthly for distribution to certificateholders. These funds are deposited into a certificate account at an eligible depository. Funds held in the certificate account are held by us as trustee in trust for the benefit of certificateholders pending distribution to certificateholders. Amounts in any certificate account are held separately from our general corporate funds but are commingled with funds for other Fannie Mae trusts and are not separated on a trust-by-trust basis. We may invest funds in any certificate account in specified eligible investments, including our own debt instruments. We currently invest substantially all funds in certificate accounts in our own debt instruments. If we were unable or unwilling to continue to do so, the timing of incremental intra-day distributions made on each distribution date could be affected. We are entitled to retain all earnings on funds on deposit in each certificate account as a trust administration fee. See “**—Certain Matters Regarding Our Duties as Trustee**” for a description of the trust administration fee. Direct servicers and certificateholders are not entitled to any earnings generated from funds in a certificate account and are not liable for any losses in a certificate account.

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

We serve as trustee under the trust agreement and receive a fee for our services to each series trust, which is payable from the interest and other earnings on the related certificate accounts. Under the trust agreement, the trustee may consult with and rely on the advice of counsel, accountants and other advisors. The trustee will not be responsible for errors in judgment or for anything it does or does not do in good faith if it so relies. This standard of care also applies to our directors, officers, employees and agents. We are not required, in our capacity as trustee, to risk our funds or incur any liability if we do not believe those funds are recoverable or if we do not believe adequate indemnity exists against a particular risk. This does not affect our obligations to each series trust as guarantor under the Fannie Mae guaranty.

The trustee is not personally liable with respect to any action taken, permitted or omitted to be taken by it in good faith with respect to a series trust in accordance with the direction of the holders of certificates representing at least 5% of the voting rights of any class of that series as to the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred upon the trustee, under the trust documents.

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 series trust. Nevertheless, neither we nor they will be protected against any liability if it results from willful misfeasance, bad faith, gross negligence or willful disregard of our duties.

So long as no guarantor event of default has occurred and is continuing with respect to a series, the trustee is not required to investigate the facts or matters found in any document presented to it unless (i) either the guarantor or the holders of certificates representing at least 25% of the voting rights of any class of that series request it to do so, and (ii) if the trustee is not reasonably assured by the security afforded to it under the trust documents, the guarantor or such holders, as applicable, within a reasonable time have provided the trustee with reasonable indemnification for costs, expenses, or liabilities likely to be incurred by it in its investigation. In addition, 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 resign from our duties as trustee under the trust agreement with respect to a series trust upon providing 90 days’ advance notice to the guarantor. Our resignation would not become effective until a successor has assumed our duties. We may be removed as trustee only if a “guarantor event of default” has occurred and is continuing with respect to a series trust. See

**“— Guarantor Events of Default.”** In that case, at the direction of the holders of certificates of any class of that series representing at least 51% of the voting rights of that class, we will resign or may be removed as the trustee with respect to the related series trust, and, to the extent permitted by law, all of our rights and obligations as trustee with respect to that series trust will be terminated when we are notified in writing of such termination. Moreover, the holders of certificates of any class of that series representing at least 51% of the voting rights of that class may appoint a successor trustee to assume all of our duties as trustee. Even after our termination as trustee, we will continue to be liable for our obligations as trustee of that series trust that arose before the termination and will continue to be obligated under our guaranty.

### **Removal of Successor Trustee**

If Fannie Mae is no longer serving as the trustee and a successor trustee has been appointed, the successor trustee may be removed under the related trust documents upon any of the following “trustee events of default”:

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

If a trustee event of default occurs with respect to a series trust and continues uncorrected, the guarantor (or if a guarantor event of default has occurred and is continuing, the issuer) may, and if directed by holders of certificates of any class of that series representing at least 51% of the voting rights of that class, will, remove the successor trustee and appoint a new successor trustee. Notwithstanding the termination of the successor trustee, its liability under the trust documents related to the series trust arising before the termination will continue after the termination.

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



## **Guarantor Events of Default**

With respect to any series trust, any of the following events will be considered a “guarantor event of default” under the related trust documents for that series trust:

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

## **Certificateholders’ Rights Upon a Guarantor Event of Default**

Certificateholders generally have no right under the trust documents to institute any proceeding against us with respect to the trust documents unless a guarantor event of default has occurred and is continuing. If a guarantor event of default has occurred and is continuing with respect to a series trust, a certificateholder may institute such a proceeding only if:

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

The trustee will be under no obligation to take any action or to institute, conduct or defend any litigation under the trust documents 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.

## **Future Limitations on Certificateholders’ Rights Under the Trust Agreement**

Certificateholders’ rights may be limited during a receivership or future conservatorship. If we are placed into receivership or if we emerge from the current conservatorship and are placed into conservatorship once again, certificateholders’ rights to remove us as trustee or master servicer may be restricted. In addition, if we are placed into receivership or are again placed into conservatorship, FHFA will have the authority to repudiate or transfer our guaranty obligations as well as our other obligations under the trust documents for each series trust. If that occurred, certificateholders would have only the right to proceed against Treasury that is described in “**FANNIE MAE—Certificateholders’ Rights Under the Senior Preferred Stock Purchase Agreement.**” See also “**RISK FACTORS—RISKS RELATING TO CREDIT.**”

## **Voting Rights**

### ***Voting Under the Trust Documents***

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

- 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 the then-outstanding certificate principal balances (or notional principal balances) of their respective certificates.

Certificates that are beneficially held by a transferor or the affiliates or agents of a transferor may be voted by the transferor or the affiliates or agents of the transferor, as the case may be, without restriction.

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

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

### ***Voting Under Trust Documents for Fannie Mae Securities***

Unless otherwise provided in the trust documents and the related prospectus supplement for a series of certificates backed by Fannie Mae Securities, the holders of a specified minimum percentage ownership in the Fannie Mae Securities may consent to any matter requiring consent under the trust documents for the related Fannie Mae Securities. The trust agreement for a series trust, however, does not permit us, as trustee, to vote any Fannie Mae Securities held in the series trust unless we have received consistent direction from holders of the affected classes of certificates of that series representing at least 51% of the aggregate voting rights of all the affected classes of certificates of that series. If the trustee receives the required direction, the trustee will vote the Fannie Mae Securities in their entirety in accordance with the direction.

### ***Voting Under Trust Documents for Ginnie Mae Securities or Third Party Securities***

The prospectus supplement for a series of certificates backed by Ginnie Mae Securities or Third Party Securities will specify:

- whether the holders of the Ginnie Mae Securities or Third Party Securities have the right to vote under the trust documents pursuant to which the Ginnie Mae Securities or Third Party Securities were issued; and

- whether, and in what percentages, the holders of the Ginnie Mae Securities or Third Party Securities are required to consent to certain amendments or other decisions relating to the trust documents for the Ginnie Mae Securities or Third Party Securities.

The prospectus supplement for a series of certificates backed by Ginnie Mae Securities or Third Party Securities will state whether the related trust documents permit the related certificateholders to vote the Ginnie Mae Securities or Third Party Securities or to take any other action under the trust documents for those securities. If certificateholders are entitled to vote the Ginnie Mae Securities or Third Party Securities or take any other action, the prospectus supplement for the related series trust will specify the percentage of holders of Ginnie Mae Securities or Third Party Securities whose vote is required.

## **Amendment**

### ***No Consent Required***

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

- correct an error or correct, modify or supplement any provision in the trust documents that is inconsistent with any other provision of the trust documents or this prospectus or any related prospectus supplement;
- cure an ambiguity or supplement a provision of the trust documents, provided that the cure of an ambiguity or supplement of a provision is not otherwise inconsistent with the trust documents; or
- modify the trust documents as necessary to maintain the legal status of a series trust, in whole or in part, as a REMIC.

An amendment to cure an ambiguity in or supplement a provision of the trust documents or to modify the trust documents to maintain the REMIC status of a series trust that would otherwise require the consent of 100% of the certificateholders cannot be made without that consent.

### ***100% Consent Required***

We may amend the trust documents for a series of certificates to take any of the following actions only with the consent of 100% of the certificateholders of that series of certificates:

- terminate or modify our guaranty obligations;
- reduce or delay payments to certificateholders;
- reduce the percentage of certificateholders required to consent to any waiver or amendment;
- take an action that affects the REMIC status of the series trust (or the applicable portion of the series trust).

### ***51% Consent Required***

If the holders of certificates of each class of a series representing at least 51% of the voting rights of each such class give their consent, we may amend the trust documents for the related series trust or waive any provision of the trust documents for the related series trust for any reason other than the reasons set forth in “***No Consent Required***” and “***100% Consent Required***.”

## **Termination**

A series trust will terminate with respect to a series of certificates when the unpaid principal balance of the series trust assets is reduced to zero and all distributions are passed through to the

related certificateholders. In no event will any series trust continue beyond the last day of the 60th year following the issue date of that trust.

We do **not** have any clean up call option with respect to the series trust assets; that is, we cannot terminate any series trust solely because the unpaid principal balance of the series trust assets is reduced to a specified amount or is reduced to a specified percentage of the original unpaid principal balance of the series trust assets. Moreover, we do **not** have any clean up call to purchase the mortgage loans backing any series trust assets and then to retire the series trust assets. 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.

### **Merger**

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

### **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 or provide notice to certificateholders in any other public manner we use to make our financial information available, including posting notices on our Web site at [www.fanniemae.com](http://www.fanniemae.com). We are providing our internet address solely for your information. Unless otherwise stated, information appearing on our Web site is not incorporated into this prospectus or into any prospectus supplement.

## **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, the yield on your certificate will be lower 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, the yield on your certificate also will be lower 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 lower 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 may include scheduled principal payments; voluntary principal prepayments; liquidations due to default, casualty and condemnation; guaranty payments by us or by other guarantors of the series trust assets; and repurchases that we or another party make under the circumstances discussed under “**THE TRUST DOCUMENTS—Purchase or Substitution of Series Trust Assets.**” 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.

For certificates backed by Fannie Mae Securities, more detailed information about principal payments on the series trust assets may be found under the heading “**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS**” in the MBS Prospectus, the SMBS Prospectus, the Mega Prospectus, or the Underlying REMIC Prospectus, as applicable. For certificates backed by Ginnie Mae Securities, see the discussion relating to yield, maturity and prepayment considerations in the applicable disclosure documents including the Ginnie Mae Prospectus for those Ginnie Mae Securities. For certificates backed by Third Party Securities, see the discussion relating to yield, maturity and prepayment considerations in the applicable disclosure documents, including the Third Party Prospectus for those Third Party Securities.

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.

For two reasons, 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. 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 indirectly backing the certificates 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.

## **Prepayment Models**

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

Prepayment speed assumptions or “PSA” is a commonly used prepayment model that was developed by the Securities Industry and Financial Markets Association. PSA 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.

Another model that is commonly used is the constant prepayment rate model (“CPR”). CPR represents the annual rate of prepayments relative to the then-outstanding principal balance of a pool of new mortgage loans. Thus, “0% CPR” means no prepayments, “15% CPR” means an annual prepayment rate of 15% and so forth.

*These models cannot accurately predict the prepayment experience of the mortgage loans indirectly backing any series of certificates, nor do they describe the historical 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 in the related series trust assets, which will consist of one or more Fannie Mae Securities, Ginnie Mae Securities or Third Party Securities. The series trust assets will be directly or indirectly backed by pools of mortgage loans secured by single-family properties. This prospectus describes certain common features of certificates, the series trust assets and the mortgage loans directly or indirectly backing the series trust assets. Information concerning the series trust assets held in a particular series trust may be found in the prospectus supplement or offering circular supplement applicable to those series trust assets. Before investing in a series of certificates, investors should read all of the related disclosure documents.

### **Fannie Mae Securities**

#### ***MBS***

The applicable Single-Family MBS Prospectus describes the general characteristics of any MBS that back the certificates. We make the MBS Prospectus available to investors in the manner described for the availability of this prospectus on page 2 of this prospectus. The general characteristics of the mortgage loans backing the MBS are also described in the MBS Prospectus. The prospectus supplement for each series trust that holds MBS will contain certain information about the related MBS and the mortgage loans backing the MBS.

#### ***Megas***

The applicable Mega Prospectus describes the general characteristics of any Megas that back the certificates. We make the Mega Prospectus available to investors in the manner described for the availability of this prospectus on page 2 of this prospectus. The prospectus supplement for each series trust that holds Megas will contain certain information about the related Megas and the mortgage loans indirectly backing the Megas.

#### ***SMBS***

The applicable SMBS Prospectus describes the general characteristics of any SMBS that back the certificates. We make the SMBS Prospectus available to investors in the manner described for

the availability of this prospectus on page 2 of this prospectus. The prospectus supplement for each series trust that holds SMBS will contain certain information about the related SMBS and the mortgage loans backing the SMBS.

### ***Underlying REMIC Certificates***

The applicable REMIC Prospectus describes the general characteristics of the Underlying REMIC certificates. The prospectus supplement for each series trust that holds Underlying REMIC certificates will contain certain information about the related Underlying REMIC certificates and the mortgage loans directly or indirectly backing the Underlying REMIC certificates.

### ***Other Fannie Mae Securities***

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

## **Ginnie Mae Securities**

### ***Ginnie Mae***

Ginnie Mae is a wholly-owned corporate instrumentality of the United States within HUD. Section 306(g) of Title III of the National Housing Act of 1934, as amended (the “Housing Act”), authorizes Ginnie Mae to guarantee the timely payment of principal and interest on certificates that are backed by a pool of mortgage loans insured or guaranteed by the Federal Housing Administration (“FHA”), the Veterans Administration (“VA”) or the Department of Agriculture through its Rural Housing Guaranteed Loan Program (“Rural Development”).

Section 306(g) of the Housing Act provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” To meet these guaranty obligations, Ginnie Mae may borrow from Treasury without limitation.

### ***Ginnie Mae Single Family Programs***

Each Ginnie Mae certificate represents ownership interests in a pool of single-family mortgage loans and will be a “fully modified pass-through” mortgage-backed security issued and serviced by a mortgage banking company or other financial concern approved by Ginnie Mae as a seller-servicer of FHA-insured mortgage loans. The mortgage loans backing each Ginnie Mae certificate will be insured or guaranteed by the FHA, VA or Rural Development. Ginnie Mae certificates are issued under the Ginnie Mae I program (“Ginnie Mae I certificates”) and the Ginnie Mae II program (“Ginnie Mae II certificates”). Holders of Ginnie Mae I certificates and Ginnie Mae II certificates have essentially the same rights, although there are certain differences between the two programs.

### ***Ginnie Mae I Program***

A single Ginnie Mae issuer assembles a pool of mortgage loans (originated within two years of issuance) against which it issues and markets Ginnie Mae I certificates. All mortgage loans underlying a particular Ginnie Mae I certificate must be of the same type (for example, level payment, single-family mortgage loans) and have the same fixed annual interest rate. The annual pass-through rate on each Ginnie Mae I certificate will be 0.50% less than the annual interest rate on the mortgage loans included in the related pool. Registered holders of Ginnie Mae I certificates receive payments of principal and interest on the 15th of each month or, if the 15th is not a business day, on the first business day after the 15th.

### *Ginnie Mae II Program*

Mortgage pools may be formed by aggregating packages of mortgage loans (originated within two years of issuance) of more than one Ginnie Mae issuer. Under this option, loan packages submitted by various Ginnie Mae issuers for a particular issue date and pass-through rate are aggregated into a single pool that backs a single issue of Ginnie Mae II certificates. Each Ginnie Mae II certificate issued under a multiple issuer pool is backed by a proportionate interest in the entire pool rather than solely by the loan package contributed by any one Ginnie Mae issuer. In addition, single issuer pools also may be formed under the Ginnie Mae II program. Each Ginnie Mae II certificate pool consists entirely of fixed-rate mortgage loans or entirely of adjustable-rate mortgage loans. Registered holders of Ginnie Mae II certificates receive payment of principal and interest on the 20th of each month or, if the 20th is not a business day, on the first business day after the 20th.

Fixed-rate mortgage loans backing any particular Ginnie Mae II certificate must be of the same type but may have annual interest rates that vary by up to 1.00%. For fixed-rate Ginnie Mae II certificates issued before July 1, 2003, the annual pass-through rate will range from 0.50% to 1.50% less than the highest annual interest rate on any mortgage loan included in the pool of mortgage loans that backs the Ginnie Mae II certificate. For fixed-rate Ginnie Mae II certificates issued on or after July 1, 2003, the annual pass-through rate will range from 0.25% to 0.75% less than the highest annual interest rate on any mortgage loan included in the pool of mortgage loans that backs the Ginnie Mae II certificate.

### ***Additional Information***

For additional information about Ginnie Mae certificates issued under the Ginnie Mae I program and the Ginnie Mae II program, see the applicable forms of Ginnie Mae prospectus that may be found on the Ginnie Mae Web site at [www.ginniemae.gov/investors/prospectus.asp?Section=Investors](http://www.ginniemae.gov/investors/prospectus.asp?Section=Investors).

The prospectus supplement for each series trust that holds Ginnie Mae Securities will contain certain information about the related Ginnie Mae Securities and the guaranteed mortgage loans backing those Ginnie Mae Securities. The prospectus supplement also will contain information about Ginnie Mae and the aggregate outstanding balance and interest rate borne by each Ginnie Mae security backing the certificates.

### **Third Party Securities**

The prospectus supplement for each series trust that holds Third Party Securities will contain certain information about the related Third Party Securities, the mortgage loans backing those Third Party 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 Third Party Securities, and the aggregate outstanding balance and interest rate borne by each Third Party security backing the certificates.

### **Final Data Statements**

Unless the applicable prospectus supplement provides otherwise, and except as noted below, we prepare a final data statement for each series trust backed by Fannie Mae Securities or Ginnie Mae Securities. If we prepare a final data statement, it will be available on or about the settlement date of the series of certificates.

If the series trust assets include MBS, Megas and certain SMBS, the final data statement will contain the pool number, the current weighted average coupon and the current weighted average maturity of the mortgage loans backing each of the MBS, Megas or certain SMBS as of the issue date of the certificates. 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 that we have 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 backing each of the MBS, Megas or SMBS as of the issue date of the certificates.

If a series is a re-securitization of Underlying REMIC Certificates or certain SMBS, we typically do not publish a separate final data statement; in that case, an exhibit to the related prospectus supplement serves as the final data statement.

If the series trust assets include Ginnie Mae Securities, other than Ginnie Mae REMIC certificates, the final data statement will contain information generally comparable to the information provided for MBS, Megas and SMBS (to the extent available).

The final data statement for each series of certificates is available on our Web site at [www.fanniemae.com](http://www.fanniemae.com). In addition, you may obtain the final data statement for a series of certificates by calling us at 1-800-237-8627.

## **MATERIAL FEDERAL INCOME TAX CONSEQUENCES**

The certificates and payments on the certificates generally are subject to 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 various reasons including the following:

- This discussion reflects 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 by beneficial owners 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.
- The discussion does not address tax consequences of the purchase, ownership or disposition of a certificate by a partnership. If a partnership holds a certificate, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership.
- This discussion may be supplemented by a discussion in any 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.

For purposes of this discussion, the term “mortgage loan,” in the case of a participation interest, means the interest in the underlying mortgage loan represented by that participation interest; and in applying a federal income tax rule that depends on the origination date of a mortgage loan or the characteristics of a mortgage loan at its origination, the term “mortgage loan” means the underlying mortgage loan and not the participation interest.

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

- U.S. Treasury Circular 230 Notice
- 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 in this prospectus (including the sections entitled “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES**” and “**ERISA CONSIDERATIONS**”) and any applicable prospectus supplement 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. 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 the 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 the 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 series trust assets. In general, a series trust asset will be a “qualified mortgage” if the mortgage loans backing the series trust asset 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 series trust assets representing mortgage loans, payments on series trust assets 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.

### **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.

For taxable years beginning after December 31, 2012, certain non-corporate beneficial owners will be subject to an increased rate of tax on some or all of their “net investment income,” which generally will include interest, original issue discount and market discount realized on a Regular Certificate, and any net gain recognized upon a disposition of a Regular Certificate. You should consult your tax advisor regarding the applicability of this tax in respect of your Regular Certificates.

#### ***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 Regular 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 OID 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 Regular 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 Regular 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 related series trust assets 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.

Treasury regulations relating to the tax treatment of debt instruments with OID (the “OID Regulations”) provide that a holder of a 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. We intend to report OID based on accrual periods of one month. Each of these accrual periods will begin on a distribution date and end 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 Regular Certificate during the accrual period of amounts included in the stated redemption price at maturity, over
- (ii) the adjusted issue price of the Regular 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 Regular 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 Regular Certificate, and reduced by the amount of any distributions made on the Regular 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 indirectly 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 Regular 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 Regular Certificate for each day it holds the Regular Certificate. If the cost of the Regular Certificate to the subsequent holder exceeds the adjusted issue price of the Regular 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 Regular Certificate, and the denominator is the sum of the daily portions of OID on the Regular 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 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 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 Regular Certificate (or in the case of a Regular Certificate issued with OID, less than the adjusted issue price of the Regular Certificate) has market discount with respect to the Regular 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 Regular Certificate. Second, the Regular Owner must treat gain on the disposition or retirement of such a Regular Certificate as ordinary income under the circumstances discussed under “***—Sales and Other Dispositions of Regular Certificates.***” Third, a Regular Owner that incurs or continues indebtedness to acquire a Regular Certificate at 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 Regular Owners 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 Regular 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 Regular Certificates or whether each of these Regular Certificates should instead be treated as having been issued with OID equal to the excess of the total payments to be received on each Regular Certificate over its issue price. For purposes of information reporting, we intend to treat these Regular 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 Regular 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 Regular Certificates of a Notional Class.

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

The gain or loss, if any, will be capital gain or loss, provided the Regular 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 Regular Certificate was held by the Regular Owner, reduced by any market discount includible in income under the rules described 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 related series trust asset.

## 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, a series trust asset will be a “qualified mortgage” if the mortgage loans backing that series trust asset are “principally secured by an interest in real property” within the meaning of Section 860G(a)(3) of the Code or if that series trust asset 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**”) 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.**”)
- 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.**” 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 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.**”

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 real estate investment trust in proportion to the dividends received by the shareholders from the real estate investment 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 series trust assets. See, for example, “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES**” in our 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 2% 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 Residual Certificate. The adjusted basis of a Residual Certificate is determined as described 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 Residual 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 or any interest in a taxable mortgage pool (as defined in Section 7701(i) of the Code) comparable to a residual interest. 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 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, 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 Residual 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 regulations provide that, to clearly reflect income, an inducement fee paid to a transferee of a noneconomic residual interest 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 series trust asset 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 series 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.**”

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.**” 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 Strip RCR Certificates, and the beneficial owner must then accrue any OID with respect to the retained Strip RCR 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.**”

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 Strip RCR Certificates. The owner's adjusted basis generally is equal to the owner's cost of the Strip RCR Certificates (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.**"

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.**"

### ***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,**" 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.**" 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—RCR Certificates**" 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 to the series trust in an amount sufficient that the series trust may 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.

### **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 (i) 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 Regular Certificate, (ii) 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 (iii) 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 10% 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.**"

Temporary Regulations issued by Treasury 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.**" 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.

Beneficial owners who are Non-U.S. Persons should be aware of recent legislation and IRS guidance that would impose a 30-percent United States withholding tax on certain payments (which could include payments in respect of a Regular Certificate beginning on January 1, 2014, and gross proceeds from the sale or other disposition of a Regular Certificate beginning on January 1, 2015) made to a non-U.S. entity that fails to disclose the identity of its direct or indirect "substantial U.S. owners" or to certify that it has no such owners. Various exceptions are provided under the legislation and additional exceptions may be provided in future guidance. You should consult your own tax advisor regarding the potential application and impact of this legislation based on your particular circumstances.



## PLAN OF DISTRIBUTION

Pursuant to a Fannie Mae commitment, we generally will deliver the certificates of a particular series to one or more securities dealers or other approved counterparties in exchange for the series trust assets specified in the related prospectus supplement. In certain cases, as specified in the related prospectus supplement, we may directly provide from our portfolio some or all of the series trust 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 lender, dealer, other institutional investor or counterparty for each offering. We reserve the right to acquire certificates for our own account at the time they are issued or later 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 of certificates 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 series trust assets, but we expect that the additional series trust assets would have the same characteristics as those 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 series trust 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 of certificates.

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 class of certificates or a benchmark price may not be readily available. See **“RISK FACTORS—RISKS RELATING TO LIQUIDITY.”**

## ACCOUNTING CONSIDERATIONS

The accounting treatment that applies to an investor’s purchase and holding of certificates of a particular series may vary depending upon a number of different factors. Moreover, accounting principles, and how they are interpreted and applied, may change from time to time. Before you purchase any certificates, you should consult your own accountants regarding the proper accounting treatment for the certificates.

## 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 or in certificates generally, 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 National Credit Union Administration, Treasury or other federal or state agencies with similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing or pledging certificates of a particular 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 constitute legal investments or are or may become subject to restrictions on investment and whether and to what extent the certificates can be used as collateral for various types of borrowings.**

### **ERISA CONSIDERATIONS**

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

The U.S. Department of Labor issued a regulation covering the acquisition by a plan of a “guaranteed governmental mortgage pool certificate,” defined to include a certificate that is backed by, or evidences an interest in, a specified mortgage loan or a participation interest in a mortgage loan and that is guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a plan in a guaranteed governmental mortgage pool certificate does not cause the assets of the plan to include the mortgage loans underlying the certificate or cause the sponsor, trustee and other servicers of the related mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA or Section 4975 of the Code in providing services with respect to the mortgage loans in the pool. Our counsel, Sidley Austin LLP, has advised us that, except to the extent otherwise specified in a 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 series trust assets or the assets of Fannie Mae to be subject to the fiduciary requirements of ERISA or to the prohibited transaction provisions of ERISA or Section 4975 of the Code merely by reason of a plan’s holding of certificates. However, investors should consult with their own counsel regarding the ERISA eligibility of certificates they may purchase.

### **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 documents.

CLASS DEFINITIONS AND ABBREVIATIONS

Abbreviation	Category of Class	Definition
<b>PRINCIPAL TYPES</b>		
AD	Accretion Directed	Receives principal payments from the accrued and unpaid interest on one or more Accrual or Partial Accrual Classes. It will also receive principal payments from principal paid on the related series trust assets.
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.
CPT	Component	Consists of two or more “components” of a single class. 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.
GMC	Guaranteed Maturity	Has a guaranteed maturity date that is earlier than the latest date by which that class would be retired solely from payments on the related series trust assets.
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.

<b>Abbreviation</b>	<b>Category of Class</b>	<b>Definition</b>
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.
PAC	Planned Amortization Class	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 backing the related series trust assets. These two rates are the endpoints for the “structuring range” of the PAC Class.
PT	Pass-Through	Designed to receive principal payments in a fixed proportion to payments on the related series trust assets.
SC	Structured Collateral	Designed to receive principal payments based on the actual distributions on series trust assets representing “regular interests” in a separate series trust.
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 backing the related series trust assets. 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 a “Segment Group” for purposes of allocating certain principal distribution amounts or schedule/support structure inside an overriding structure.
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.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
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.
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.
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 backing the related series trust assets.
XAC	Index Allocation	Has a principal payment allocation that depends on the value of an index or calculated formula.
<b>INTEREST TYPES</b>		
AFC	Available Funds	Receives as interest certain interest and/or principal payments on the related series trust assets, which 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, including any interest accrued thereon, will remain unpaid and, <b>if so, they will not be covered by the Fannie Mae guaranty.</b>
ARB	Ascending Rate	Has an interest rate that increases one or more times based upon a predetermined schedule.
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 predetermined schedule.
EXE	Excess	Receives any interest paid on the series trust assets in excess of the amount of interest required to be paid on all other classes of certificates in the series. Excess classes sometimes have specified principal balances but no specified interest rate.
FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the class.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
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 or inverse floating interest rate computed in part based on the difference (or other specified relationship) between two designated indices (e.g. LIBOR, Ten-Year Treasury Index).
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 related series trust assets 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, <b>payments of any such excess accrued interest will not be covered by the Fannie Mae guaranty.</b>
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 based on a trigger. 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.
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.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
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.
<b>OTHER TYPES</b>		
RDM	Redeemable	Certificates that are redeemable as specified in the related prospectus supplement.
RTL	Retail	Designated for sale to retail investors. Retail Classes frequently are sold in small “units” or other increments and issued in book-entry form through the facilities of DTC. Retail Classes are entitled to receive distributions of principal in accordance with special priorities and allocation procedures.

INDEX OF TERMS

0% CPR .....	45	Federal Reserve Banks .....	23
15% CPR .....	45	FHA .....	46
100% PSA .....	45	FHFA .....	18
150% PSA .....	45	final data statement .....	4, 10
200% PSA .....	45	final distribution date .....	8
2008 Reform Act .....	18	fiscal agent .....	11
2011 Form 10-K .....	4	Floating Rate Class .....	A-4
ABS 15G report .....	4	foreclosure property .....	62
Accrual Class .....	A-5	formula test .....	35
accrual period .....	51	Freddie Mac .....	27
adjusted issue price .....	57	fully modified pass-through .....	3, 46
amortizable bond premium .....	52	fully taxable bonds .....	53
anticipated excess inclusions .....	34	Ginnie Mae certificates .....	3
applicable Federal rate .....	54	Ginnie Mae I certificates .....	46
asset test .....	35	Ginnie Mae II certificates .....	46
available amount .....	20	Ginnie Mae Platinum certificates .....	3
backup withholding tax .....	62	Ginnie Mae Prospectus .....	3
BBA .....	26	Ginnie Mae REMIC certificates .....	3
BBA Method .....	26	Ginnie Mae Securities .....	3
beneficial owner .....	23	guaranteed governmental mortgage pool certificate .....	65
business day .....	10	guarantor event of default .....	40
capital assets .....	48	guaranty .....	9
cash flow investment .....	62	holder .....	33
certificateholder .....	33	Housing Act .....	46
class factor .....	9, 35	HUD .....	20
clearing agency .....	23	improper knowledge .....	35
clearing corporation .....	23	index determination date .....	25
Code .....	33, 49	interest .....	53
COFI Class .....	27	interest on obligations secured by mortgages on real property .....	49
COFI Index .....	26	interest settlement rate .....	26
Combination RCR Certificate .....	59	Inverse Floating Rate Class .....	A-4
commitment .....	20	investor .....	23
constant maturity .....	28	IRS .....	50
constructive sale of an appreciated financial position .....	54	issue date .....	7
controlled foreign corporation .....	63	issue price .....	50
CPR .....	45	LIBO Method .....	26
daily accruals .....	56	LIBOR .....	25
daily portions .....	50	Living Owner .....	32
Deceased Owner .....	31	MBS .....	3
Delay Class .....	14	MBS Prospectus .....	3
depositor .....	6	Mega certificates .....	3
direct servicer .....	18	Mega Prospectus .....	3
disqualified organization .....	33	mortgage loan .....	49
distribution date .....	7	net income from foreclosure property .....	62
DTC .....	23	net investment income .....	50
eligible corporation .....	35	net worth deficit .....	20
ERISA .....	12	No Delay Class .....	14
excess inclusions .....	34	noneconomic residual interest .....	34
exempt recipients .....	33	Non-U.S. Person .....	59
Fannie Mae Securities .....	3, 45	Notional Class .....	A-2
Federal Cost of Funds Index .....	27		
Federal long-term rate .....	57		



objective rate .....	52	Retail Principal Payment .....	30
OID .....	50	Retail Principal Payment Request ...	31
OID Regulations .....	51	Rural Development .....	46
original issue discount .....	33	Scheduled Balance .....	A-2
Partial Accrual Class .....	A-4	SEC .....	4
pass-through entity .....	34, 58	Segment Group .....	A-2
paying agent .....	11	senior preferred stock purchase	
permitted investment .....	55	agreement .....	6, 20
plan .....	65	series trust assets .....	2, 10
Planned Balance .....	A-2	Settlement Date .....	8, 50
PoolTalk .....	2, 4	SIFMA Muni Swaps Index .....	28
Premium Certificate .....	52	SMBS .....	3
Prepayment Assumption .....	51	SMBS Prospectus .....	3
Prime Rate .....	28	sponsor .....	6
principally secured by an interest in		startup day .....	62
real property .....	50, 55	stated redemption price at	
prohibited transaction .....	61	maturity .....	50
PSA .....	44	Statistical Release .....	28
qualified floating rate .....	52	Strip RCR Certificate .....	59
qualified mortgages .....	11, 50	stripped bonds .....	60
RCR .....	29	stripped coupons .....	60
RCR Certificates .....	29	Targeted Balance .....	A-3
real estate assets .....	11	Tenant .....	32
record date .....	24	Third Party Prospectus .....	3
reference bank .....	26	Third Party Securities .....	3
Regular Certificates .....	49	transfer .....	33
regular interest .....	1	Treasury .....	19
related mortgage loans .....	2	Treasury Index .....	27
REMIC .....	49	trust agreement .....	11, 22
regular or residual interests in a		trust documents .....	11, 22
REMIC .....	11	trustee .....	11
Regular Owner .....	50	trustee events of default .....	39
reserve interest rate .....	26	Underlying Certificate .....	56
Residual Certificates .....	33, 49	Underlying REMIC certificates .....	3
residual interest .....	1, 33	Underlying REMIC Prospectus .....	3
Residual Owner .....	55	U.S. Person .....	33
Retail cash deposit .....	30	VA .....	46
Retail Certificate .....	30	VRDIs .....	52
Retail Class .....	30	WAC .....	15
Retail Class Units .....	30	warrant .....	6, 20
		weighted average life .....	43

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No one is authorized to give information or to make representations in connection with the certificates other than the information and representations contained in or incorporated into this prospectus and the additional disclosure documents. We take no responsibility for any unauthorized information or representation. This prospectus and the additional disclosure documents do not constitute 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. By delivering this prospectus and the additional disclosure documents at any time, no one implies that the information contained in the prospectus or additional disclosure documents is correct after the date hereof or thereof.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the certificates or determined if this prospectus or any additional disclosure document is truthful and complete. Any representation to the contrary is a criminal offense.

Additional prospectuses and information regarding outstanding series trusts are available on our Web site at [www.fanniemae.com](http://www.fanniemae.com) and upon request by calling us at 1-800-237-8627 or (202) 752-7115.

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# Guaranteed Single-Family REMIC Pass-Through Certificates

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## SINGLE-FAMILY REMIC PROSPECTUS

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### TABLE OF CONTENTS

INFORMATION ABOUT THIS PROSPECTUS AND PROSPECTUS SUPPLEMENTS .....	2
INCORPORATION BY REFERENCE .....	4
SUMMARY .....	6
RISK FACTORS .....	13
FANNIE MAE .....	19
USE OF PROCEEDS .....	22
DESCRIPTION OF THE CERTIFICATES .....	22
THE TRUST DOCUMENTS .....	36
YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS .....	43
THE SERIES TRUST ASSETS .....	45
MATERIAL FEDERAL INCOME TAX CONSEQUENCES .....	48
PLAN OF DISTRIBUTION .....	64
ACCOUNTING CONSIDERATIONS .....	64
LEGAL INVESTMENT CONSIDERATIONS .....	64
ERISA CONSIDERATIONS .....	65
LEGAL OPINION .....	65
Exhibit A: CLASS DEFINITIONS AND ABBREVIATIONS .....	A-1
Exhibit B: INDEX OF TERMS .....	B-1



August 1, 2012

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