

## SMBS Prospectus



### Guaranteed Stripped Mortgage-Backed Securities (SMBS Certificates)

#### The SMBS Certificates

We, the Federal National Mortgage Association or Fannie Mae, will issue the guaranteed Stripped Mortgage-Backed Securities, or SMBS, certificates. Each series of SMBS certificates will have its own identification number and will represent beneficial ownership interests in the assets of a trust. The assets of each trust include Fannie Mae mortgage-backed securities, certain excess servicing amounts payable on residential mortgage loans that back certain Fannie Mae mortgage-backed securities, or Ginnie Mae mortgage-backed securities.

The mortgage-backed securities may include one or more of the following:

- Fannie Mae Guaranteed Mortgage Pass-Through Certificates that represent beneficial ownership interests in distinct pools of mortgage loans secured by single-family properties or multifamily properties;
- Fannie Mae Guaranteed Mega Certificates that represent indirect beneficial ownership interests in mortgage loans secured by single-family properties or multifamily properties;
- Fannie Mae Guaranteed REMIC Pass-Through Certificates that represent direct or indirect beneficial ownership interests in mortgage loans secured by single-family properties; and
- Fannie Mae Guaranteed SMBS Certificates that represent beneficial ownership interests in the mortgage-backed securities specified above; and
- securities issued and/or guaranteed by Ginnie Mae that represent direct or indirect beneficial ownership interests in mortgage loans secured by single-family properties.

#### Fannie Mae Guaranty

We guarantee to each trust that we will supplement amounts received by the trust as required to permit timely payments of principal and interest, as applicable, on the SMBS certificates to the extent described in the related prospectus supplement. **We alone are responsible for making payments under our guaranty. The SMBS certificates and payments of principal or interest, as applicable, on the SMBS certificates are not guaranteed by the United States, and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.**

**Consider carefully the risk factors beginning on page 14. Unless you understand and are able to tolerate these risks, you should not invest in the SMBS certificates.**

**The SMBS 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 SMBS 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 April 1, 2014.**

**TABLE OF CONTENTS**

|   |    |   |     |
|---|----|---|-----|
| DISCLOSURE DOCUMENTS FOR<br>ISSUANCES OF SMBS<br>CERTIFICATES .....                             | 3  | Certificate Accounts .....  | 38  |
| Prospectuses .....  | 3  | Certain Matters Regarding Our<br>Duties as Trustee .....                                    | 38  |
| Final Data Statements .....   | 5  | Removal of Successor Trustee .....  | 39  |
| INCORPORATION BY REFERENCE ...  | 6  | Guarantor Events of Default .....   | 40  |
| SUMMARY .....   | 7  | SMBS Certificateholders' Rights Upon<br>a Guarantor Event of Default .....                  | 40  |
| RISK FACTORS .....  | 14 | Future Limitations on SMBS<br>Certificateholders' Rights Under the<br>Trust Agreement ..... | 40  |
| FANNIE MAE .....  | 21 | Voting Under the Trust Documents ...  | 40  |
| General .....   | 21 | Voting Under the Trust Documents for<br>Underlying Securities .....                         | 42  |
| Regulation and Conservatorship .....  | 22 | Amendment .....   | 42  |
| Possibility of Future Receivership .....  | 23 | Termination .....   | 43  |
| SMBS Certificateholders' Rights Under<br>the Senior Preferred Stock Purchase<br>Agreement ..... | 24 | Merger .....  | 43  |
| USE OF PROCEEDS .....   | 24 | MATERIAL FEDERAL INCOME TAX<br>CONSEQUENCES .....   | 43  |
| DESCRIPTION OF THE SMBS<br>CERTIFICATES .....   | 24 | U.S. Treasury Circular 230 Notice ....  | 44  |
| General .....   | 24 | Characterization of Trusts and SMBS<br>Certificates .....                                   | 44  |
| Settlement .....  | 25 | Stripped Bonds and Stripped<br>Coupons .....  | 44  |
| Issuance in Book-Entry Form .....   | 25 | Accrual of OID .....  | 45  |
| Denominations .....   | 26 | Qualified Stated Interest .....   | 46  |
| Class Definitions and Abbreviations ...   | 26 | Administrative Expenses .....   | 47  |
| Distributions on SMBS Certificates ...  | 26 | Special Tax Characteristics of SMBS<br>Certificates .....                                   | 47  |
| Exchange of Certificates .....  | 29 | Exchanges of SMBS Certificates .....  | 48  |
| Reports to SMBS Certificateholders ...  | 31 | Sales and Other Dispositions of SMBS<br>Certificates .....                                  | 48  |
| YIELD, MATURITY AND PREPAYMENT<br>CONSIDERATIONS .....  | 31 | Medicare Tax .....  | 48  |
| Effective Yield .....   | 31 | Trusts with a Single Class .....  | 48  |
| Maturity and Prepayment<br>Considerations .....   | 32 | Information Reporting and Backup<br>Withholding .....                                       | 48  |
| Weighted Average Lives and Final<br>Distribution Dates .....                                    | 32 | Non-U.S. Persons .....  | 49  |
| Prepayment Models .....   | 33 | PLAN OF DISTRIBUTION .....  | 50  |
| THE TRUST ASSETS .....  | 33 | ACCOUNTING CONSIDERATIONS ...   | 50  |
| General .....   | 33 | LEGAL INVESTMENT<br>CONSIDERATIONS .....  | 50  |
| Fannie Mae Underlying Securities ....   | 34 | ERISA CONSIDERATIONS .....  | 51  |
| Ginnie Mae and Ginnie Mae<br>Underlying Securities .....  | 35 | LEGAL OPINION .....   | 51  |
| Final Data Statements .....   | 36 | EXHIBIT A: CLASS DEFINITIONS<br>AND ABBREVIATIONS .....                                     | A-1 |
| THE TRUST DOCUMENTS .....   | 37 |   |     |
| Fannie Mae Guaranty .....   | 37 |   |     |
| Transfer of Assets to a Trust .....   | 37 |   |     |
| Purchase of Assets from a Trust .....   | 37 |   |     |

## DISCLOSURE DOCUMENTS FOR ISSUANCES OF SMBS CERTIFICATES

The disclosure documents for any particular series of SMBS certificates are this prospectus, the related prospectus supplement and the related final data statement, together with 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 SMBS certificates. We will post this prospectus, the related prospectus supplement and the related final data statement for each series of SMBS 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. **In determining whether to purchase the SMBS certificates of a particular series in an initial offering, you should rely ONLY on the information in this prospectus, the related prospectus supplement, the final data statement and any information that we have otherwise incorporated into these documents by reference. We take no responsibility for any unauthorized information or representation.**

We provide updated information and corrections regarding each series of SMBS certificates and the mortgage-related assets held in the related SMBS trust (the “trust assets”) through our “PoolTalk”<sup>®</sup> application, our Multifamily Securities Locator Service<sup>™</sup> application, or at other locations on our Web site.

Each prospectus supplement will include information about the series of SMBS certificates being offered and the trust assets backing that particular series of SMBS certificates. The trust assets may be Fannie Mae mortgage-backed securities (“Fannie Mae underlying securities”), Ginnie Mae mortgage-backed securities (“Ginnie Mae underlying securities,” and together with the Fannie Mae underlying securities, the “underlying securities”), or excess servicing amounts payable on residential mortgage loans that back certain Fannie Mae underlying securities (“excess yield amounts”). Certain statistical information regarding the SMBS certificates, the trust assets and the mortgage loans backing the trust assets (the “related mortgage loans”) may also be found in the final data statement for the trust and, if the trust assets are underlying securities, in the prospectus supplements or other applicable disclosure documents for the underlying securities. See “**Final Data Statements**” and “**Prospectuses for the Trust Assets.**” Information about trust assets that are underlying securities and the related mortgage loans is generally given as of the issue date of the underlying securities. Information about trust assets that are excess yield amounts is generally given as of the issue date of the SMBS certificates, which is the first day of the month in which the SMBS certificates are issued. Because each prospectus supplement will contain specific information about a particular series of SMBS 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 SMBS certificates are not traded on any exchange, and the market price of a particular series or class of SMBS certificates or a benchmark price may not be readily available.

We file with the Securities and Exchange Commission (“SEC”) a quarterly report (each, an “ABS 15G report”) required by Rule 15Ga-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Each ABS 15G report discloses information concerning each fulfilled and unfulfilled repurchase request that we have made to third parties for breaches of the

representations and warranties concerning the mortgage loans that directly or indirectly back most of our outstanding mortgage-related securities. The ABS 15G reports are available on 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. All references to the SEC's Web site address are provided solely for your information. Information appearing on the SEC's Web site is not incorporated into this prospectus or into any prospectus supplement.

This prospectus, the related prospectus supplement and the related final data statement are available on our Web site at [www.fanniemae.com](http://www.fanniemae.com). You may also obtain copies of these documents without charge by emailing us at [fixedincome\\_marketing@fanniemae.com](mailto:fixedincome_marketing@fanniemae.com); calling the Fannie Mae Fixed-Income Helpline at 1-800-BEST MBS (1-800-237-8627) or, for international callers, +1 202-752-5858; or writing to Fannie Mae, Attention: Fixed-Income Securities, 3900 Wisconsin Avenue NW, Area 2H-3S, Washington, DC 20016. The prospectus supplement is typically available on or before the settlement date of the related series of SMBS certificates. All references to our Web site address are provided 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 Trust Assets***

The trust assets will include either underlying securities or certain excess yield amounts but not both. With respect to a particular series of SMBS certificates, you should review the following:

- for SMBS certificates directly or indirectly backed by Fannie Mae Guaranteed Mortgage Pass-Through Certificates ("MBS") that represent beneficial ownership interests in distinct pools of single-family mortgage loans ("single-family MBS"), the Fannie Mae Guaranteed Mortgage Pass-Through Certificates (Single-Family Residential Mortgage Loans) Prospectus, dated March 1, 2013, or such earlier or later version of that prospectus as may be applicable (the "Single-Family MBS Prospectus"), and the related prospectus supplements;
- for SMBS certificates directly or indirectly backed by MBS that represent beneficial ownership interests in distinct pools of multifamily mortgage loans ("multifamily MBS"), the Fannie Mae Guaranteed Mortgage Pass-Through Certificates (Multifamily Residential Mortgage Loans) Prospectus, dated November 1, 2012, or such earlier or later version of that prospectus as may be applicable (the "Multifamily MBS Prospectus"), and the related prospectus supplements;
- for SMBS certificates directly or indirectly backed by Fannie Mae Guaranteed Mega Certificates that represent indirect beneficial ownership interests in single-family or multifamily mortgage loans ("Mega certificates"), the Fannie Mae Guaranteed MBS Pass-Through Securities (Mega Certificates) Prospectus, dated April 1, 2014, or such earlier or later version of that prospectus as may be applicable (the "Mega Prospectus"), and the related prospectus supplements;
- for SMBS certificates directly or indirectly backed by single-family Fannie Mae Guaranteed REMIC Pass-Through Certificates ("REMIC certificates") that represent indirect beneficial ownership interests in single-family mortgage loans, the Fannie Mae Guaranteed Single-Family REMIC Pass-Through Certificates Prospectus, dated August 1, 2012, or such earlier or later version of that prospectus as may be applicable (the "Single-Family REMIC Prospectus"), and the related prospectus supplements;
- for SMBS certificates directly or indirectly backed by Fannie Mae Guaranteed SMBS certificates that were previously issued ("previously issued SMBS certificates") that represent indirect beneficial ownership interests in single-family or multifamily mortgage loans, this prospectus or such earlier version of this prospectus as may be applicable, and the related prospectus supplements;

- for SMBS certificates backed by excess yield amounts, the Single-Family MBS Prospectus, this prospectus or such earlier or later version of this prospectus as may be applicable, and the related prospectus supplements;
- for SMBS certificates directly or indirectly backed by single-family Ginnie Mae Guaranteed REMIC Pass-Through Securities (“Ginnie Mae REMIC certificates”) that represent indirect beneficial ownership interests in single-family mortgage loans, the Base Offering Circular for Ginnie Mae Guaranteed REMIC Pass-Through Securities, dated October 1, 2011, or such earlier or later version of that base offering circular as may be applicable, and the related offering circular supplements; and
- for SMBS certificates backed by the following securities issued by Ginnie Mae (together with Ginnie Mae REMIC certificates, the “Ginnie Mae underlying securities”), the Ginnie Mae offering document or documents specified in the prospectus supplement for that series of SMBS certificates:
  - “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”).

Prospectuses for trust assets that include Ginnie Mae underlying securities are available at [www.ginniemae.gov/doing\\_business\\_with\\_ginniemae/investor\\_resources/Prospectuses/Pages/default.aspx](http://www.ginniemae.gov/doing_business_with_ginniemae/investor_resources/Prospectuses/Pages/default.aspx).

Prospectuses for the other trust assets specified above will be available on our Web site at [www.fanniemae.com](http://www.fanniemae.com). You may also obtain copies of these prospectuses without charge by contacting us in the manner described in “**–Prospectuses—This Prospectus and the Prospectus Supplements.**”

For more information about the trust assets, see “**THE TRUST ASSETS**” in this prospectus. In addition, information regarding certain trust assets issued before the date of this prospectus, including previously issued SMBS certificates, is available in the form of final data statements.

### **Final Data Statements**

Once the trust for a particular series of SMBS certificates has been formed and the related SMBS certificates have been issued, we prepare a final data statement containing certain final information about the trust assets, including CUSIP number, trust number, issue date, and balances on the settlement date. For SMBS certificates backed by excess yield amounts, the final data statement also includes certain additional information, on an aggregate basis, with respect to the mortgage loans included in the mortgage loan group associated with each class of SMBS certificates. (Mortgage loan groups are referred to as “pseudo pools” in the final data statement.)

A final data statement prepared for a series of SMBS certificates will be posted on our Web site on or about the settlement date of the related series of SMBS certificates. You may also obtain copies of the final data statements without charge by contacting us in the manner described in “**–Prospectuses—This Prospectus and the Prospectus Supplements.**”

We generally update certain information about each trust on an ongoing monthly basis on our Web site.

## INCORPORATION BY REFERENCE

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

You should rely on only the information provided or incorporated by reference in this prospectus, the related prospectus supplement and the final data statement. 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, 2013 (the “2013 Form 10-K”);
- all other reports we have filed pursuant to section 13(a) or 15(d) of the Exchange Act since the end of the fiscal year covered by the 2013 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 Exchange Act after the date of this prospectus and before the completion of the offering of the related SMBS certificates, excluding any information we “furnish” to the SEC on Form 8-K.

Our common stock is registered with the SEC under the Exchange Act. We file quarterly and annual reports with the SEC. Those SEC filings are available on our Web site at [www.fanniemae.com](http://www.fanniemae.com) and on the SEC’s Web site at [www.sec.gov](http://www.sec.gov). We refer to these Web sites for your reference only; we are not incorporating into this prospectus any of the information available on these Web sites other than as specifically stated in this prospectus. You should rely only on the information included or incorporated by reference or deemed to be incorporated by reference in this prospectus in deciding whether or not to invest in the SMBS certificates. We have not authorized anyone to provide you with any different or additional information.

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 on the SEC’s Web site and at the SEC’s Public Reference Room at 100 F Street NE, Washington, DC 20549.

You may also request copies of any filing from us, at no cost, by contacting us in the manner described in **“DISCLOSURE DOCUMENTS FOR ISSUANCES OF SMBS CERTIFICATES—Prospectuses—*This Prospectus and the Prospectus Supplements.*”**

## 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 SMBS 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, the related final data statement and each disclosure document for the trust assets in the related trust.

Title of Security ..... Guaranteed Stripped Mortgage-Backed Securities (SMBS certificates).

Issuer and Guarantor ..... Fannie Mae is 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 SMBS certificates and payments of principal and interest on the SMBS 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 underlying securities into the trust.  |
| Description of SMBS Certificates ..... | <p>Each SMBS certificate will represent a beneficial ownership interest in the related trust assets. We will issue the SMBS 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 prospectus supplement. The book-entry certificates will not be convertible into physical certificates.</p> <p>The prospectus supplement for each series of SMBS certificates will contain additional information about the trust assets.</p> |
| Minimum Denomination .....             | Unless otherwise provided in the prospectus supplement, we will issue the SMBS certificates only in a minimum denomination of \$100,000 with additional increments of \$1.   |
| Classes of SMBS Certificates .....     | Each series of SMBS certificates will include one or more classes. The holder of an SMBS certificate of a particular class will be entitled to the distributions of principal and/or interest as described in the prospectus supplement for that series. Classes may be principal only or interest only classes. In addition, some classes may entitle their holders to receive specified portions of the principal, interest or principal and interest paid on the 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 SMBS certificates of a particular series are issued.   |
| Settlement Date .....                  | No later than the last business day of the month in which the SMBS certificates of a particular series are issued.   |
| Distribution Date .....                | The 25th day of each month is the date designated for payments to holders of SMBS certificates (unless otherwise specified in the prospectus supplement). 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 SMBS certificates will occur in the month following the month in which the SMBS 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.            |
| Final Distribution Date .....          | As to any class of an SMBS series, the distribution date immediately following the latest maturity date of a related mortgage loan directly or indirectly backing the trust assets as specified in the final data statement.   |



Use of Proceeds ..... We usually issue SMBS certificates in exchange for the trust assets that back the SMBS certificates. We sometimes issue SMBS certificates backed by trust assets that we already own, in which case we receive cash proceeds that are generally used for purchasing mortgage loans or for general corporate purposes.

Interest ..... Each interest-bearing class of SMBS certificates will accrue interest at the annual rate specified or described in the prospectus supplement. In general, we will pay interest on all interest-bearing classes of an SMBS series on each distribution date. The monthly interest payment on an SMBS certificate will equal the interest accrued during the related interest accrual period.

Because our guaranty requires us to supplement amounts received by the trust as required to permit timely payment of the interest amounts specified above, the amount of interest distributed to holders of interest-bearing classes of SMBS 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 related mortgage loan backing the trust assets while it remains in the trust.

Principal ..... On each distribution date, if a class of SMBS certificates has a principal balance, we will pay to the holder of each SMBS certificate of that class the portion of the principal payment on the underlying securities allocable to that class multiplied by the ownership percentage in the class represented by that SMBS certificate. The prospectus supplement will provide more information about the principal payment, if any, allocable to each class of SMBS certificates.

Because our guaranty requires us to supplement amounts received by the trust as required to permit timely payment of the principal amounts specified above, the amount of principal distributed to holders of SMBS 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 related mortgage loan backing the trust assets while it remains in the trust.

Class Factor ..... Unless we specify otherwise in the prospectus supplement, we publish the class factor for each class of SMBS certificates backed by Fannie Mae underlying securities or excess yield amounts on or about the 11th calendar day of each month. We publish the class factor for each class of SMBS certificates backed by Ginnie Mae underlying securities on or before each monthly distribution date. If you multiply the applicable class factor by the original principal balance (or notional principal balance)

of that class of SMBS 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 on our Web site.

Guaranty ..... We guarantee to each trust that we will supplement amounts received by the trust as required to permit payment of principal and interest, as applicable, on the related SMBS certificates on each distribution date to the extent described in the prospectus supplement. In addition, we guarantee to the related trust that we will supplement amounts received by the trust as required to make the full and final payment of any unpaid principal balance of each class of SMBS certificates of the related series on the final distribution date.

Our guaranty runs directly to the trust and not directly to SMBS certificateholders. SMBS certificateholders have limited rights to bring proceedings directly against us to enforce our guaranty. See **“THE TRUST DOCUMENTS—SMBS 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 on the SMBS certificates offered by this prospectus. 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 on the SMBS certificates. See **“RISK FACTORS—RISKS RELATING TO CREDIT.”**

Under certain circumstances, SMBS certificateholders have certain 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 SMBS certificateholders’ rights to proceed against Treasury, see **“FANNIE MAE—SMBS Certificateholders’ Rights Under the Senior Preferred Stock Purchase Agreement.”**

Final Data Statements ..... The final data statement for a series of SMBS certificates identifies the trust assets for that series. It also provides certain data about the trust assets and about the SMBS series itself. The final data statement is posted on our Web site on or about the settlement date for that series.

|                                |   |
|--------------------------------|---|
| Trust Assets .....             | <p>Each series of SMBS certificates is backed by:</p> <ul style="list-style-type: none"> <li>• underlying securities issued by Fannie Mae (MBS, Mega certificates, REMIC certificates, or previously issued SMBS certificates);</li> <li>• excess yield amounts; or</li> <li>• underlying securities issued and/or guaranteed by Ginnie Mae (“fully modified pass-through” mortgage-backed certificates, Platinum certificates or REMIC certificates).</li> </ul> <p>See <b>“THE TRUST ASSETS”</b> in this prospectus.</p>            |
| Exchange of Certificates ..... | <p>In certain circumstances, an SMBS certificateholder may exchange SMBS certificates for Mega certificates and/or additional SMBS certificates from the same trust. In addition, in certain circumstances, a Mega certificateholder may exchange Mega certificates for SMBS certificates and/or additional Mega certificates from the same trust. See <b>“DESCRIPTION OF THE SMBS CERTIFICATES—Exchange of Certificates”</b> in this prospectus.</p>   |
| Business Day .....             | <p>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.</p>  |
| Trust Documents .....          | <p>Each series of SMBS certificates is issued pursuant to the 2009 Mega-SMBS Master Trust Agreement, effective as of January 1, 2009, 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.</p> |
| Trustee .....                  | <p>We serve as the trustee for each trust pursuant to the terms of the trust agreement and the related issue supplement.</p>  |
| Paying Agent .....             | <p>An entity designated by us to perform the functions of a paying agent. The Federal Reserve Bank of New York currently serves as our paying agent for the SMBS certificates registered on the book-entry system of the Federal Reserve Banks. The Depository Trust Company serves as our paying agent for SMBS certificates registered on its book-entry records.</p>   |

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

Termination ..... The trust for a particular series of SMBS certificates will terminate upon distribution by the trustee of all amounts required to be distributed to the holders of the SMBS certificates. In addition, if specified in the prospectus supplement, a third party may have the option to terminate the related trust early by purchasing all of the assets remaining in that trust. We do not have any unilateral option to cause an early termination of the trust.

Federal Income Tax Consequences .... The beneficial owner of an SMBS certificate generally will be treated for federal income tax purposes 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 assets included in the related trust. A beneficial owner of an SMBS certificate generally must include original issue discount with respect to its SMBS certificate in its ordinary income for federal income tax purposes as the original issue discount accrues, generally in advance of receipt of the cash attributable to that income.

Some sections of the Internal Revenue Code of 1986, as amended (the “Code”), provide beneficial treatment to certain taxpayers that invest in mortgage loans of the type that back the assets included in a trust. Although no specific legal authority exists in this regard, the SMBS certificates should be considered to represent “real estate assets” within the meaning of section 856(c)(5)(B) of the Code, and “loans secured by an interest in real property” within the meaning of section 7701(a)(19)(C)(v) of the Code, and original issue discount and qualified stated interest with respect to SMBS certificates should be considered to represent “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code, provided that in each case the underlying mortgage assets qualify for such treatment. For a discussion of the special tax characteristics of certain types of mortgage loans, see “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES—Special Tax Attributes**” in the Single-Family MBS Prospectus or the Multifamily MBS Prospectus, as applicable.

Legal Investment Considerations ..... Under the Secondary Mortgage Market Enhancement Act of 1984, the SMBS 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 SMBS certificates of a particular series constitute legal investments for you.

ERISA Considerations . . . . . For the reasons discussed in “**ERISA CONSIDERATIONS**” in this prospectus, an investment in SMBS certificates by a plan subject to the Employee Retirement Income Security Act (“ERISA”) will not cause the assets of the plan to include the mortgage loans directly or indirectly backing the trust assets for purposes of the fiduciary provisions of ERISA or the prohibited transaction provisions of ERISA or section 4975 of the Code.

## RISK FACTORS

We have listed below some of the principal risk factors associated with an investment in SMBS certificates. Moreover, you should carefully consider the risk factors related 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 SMBS certificates.

If the trust assets of a particular series of SMBS certificates include Fannie Mae underlying securities, you should carefully consider the additional risk factors related to underlying securities that are found in the Single-Family MBS Prospectus, the Multifamily MBS Prospectus, the Mega Prospectus, or the Single-Family REMIC Prospectus, as applicable. If the trust for a particular series of SMBS certificates contains excess yield amounts, you should also carefully consider the risk factors relating to whole loans in the Single-Family MBS Prospectus. If the trust assets for a particular series of SMBS certificates include Ginnie Mae underlying securities, you should also carefully consider the risk factors that are found in the disclosure documents related to those securities. In addition, we may disclose additional risk factors associated with a specific series of SMBS certificates in the related prospectus supplement.

You should review all of these risk factors before investing in the SMBS 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 SMBS certificates are a suitable investment for you.

### RISKS RELATING TO INVESTMENT DECISIONS

#### ***The SMBS certificates may not be a suitable investment for you.***

The SMBS 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 both the SMBS certificates being offered and the related trust assets as well as the information contained in this prospectus, the prospectus supplement, any supplement to the prospectus supplement, the final data statement and the documents incorporated by reference;
- understand thoroughly the terms of the SMBS certificates and the related 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 SMBS certificates and the related 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 SMBS certificates until maturity.

***If a trust holds trust assets directly or indirectly backed by mortgage loans with loan-to-value ratios greater than 125%, the related SMBS certificates are not eligible assets for a real estate mortgage investment conduit (“REMIC”).***

A mortgage loan with a loan-to-value ratio in excess of 125% is not a “qualified mortgage” within the meaning of section 860G(a)(3) of the Internal Revenue Code of 1986 (the “Code”). As a result, if a trust is indirectly backed by a mortgage loan with a loan-to-value ratio greater than 125%, the related SMBS certificates evidencing a beneficial ownership interest in the trust will not be an eligible asset for a REMIC.

***Some investors may be unable to buy certain classes.***

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

## **RISKS RELATING TO YIELD AND PREPAYMENT**

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

Because the SMBS certificates of a particular series are affected by the prepayment and other risk factors to which the trust assets are subject, investors should read and understand the risk factors found in the Single-Family MBS Prospectus, Multifamily MBS Prospectus, Mega Prospectus and Single-Family REMIC Prospectus, any previous SMBS Prospectus, or, if Ginnie Mae underlying securities are held in the trust, in the disclosure documents related to those Ginnie Mae underlying securities, as applicable.

***Yields on the SMBS certificates are affected by actual characteristics of the related mortgage loans.***

Unless otherwise provided in the related prospectus supplement, for SMBS certificates backed by underlying securities, we make assumptions about the characteristics of the related mortgage loans. However, the related mortgage loans are likely to have actual characteristics that are different from the characteristics underlying our assumptions. As a result, your yield may be lower than you expect, even if the mortgage loans prepay at the indicated prepayment speeds.

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

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

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

Moreover, in the case of interest-only SMBS certificates and SMBS 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 SMBS certificates are delay securities because they do not receive interest immediately following each interest accrual period. As a result, these classes have lower yields and lower market values than they would have if there were no such delay.

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

If the interest rate of your SMBS certificates adjusts according to an index, the yield on your SMBS 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 SMBS certificates may be lower than you expect.

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

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

***Unpredictable timing of the last payment may adversely affect the yield on your SMBS certificates.***

The actual final payment of your SMBS certificate may occur earlier, and could occur much earlier, than the specified final distribution date. If you assume that the actual final payment will occur on that or any other specific date, your yield may be lower than you expect.

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

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

***The yields on WAC classes of SMBS certificates backed by excess yield amounts will be affected by changes in weighted average excess yield rates.***

If you own a weighted average coupon (“WAC”) class of SMBS certificates that is backed by excess yield amounts, your yield could be affected by changes in the weighted average of the excess yield rates on the related mortgage loans.

Although the interest rate borne by a WAC class is fixed, the notional principal balance of each WAC class will be calculated each month as described on the cover of the related prospectus supplement. As a result of this calculation, the notional principal balance of a WAC class is expected to vary due to reductions in the principal balances of the mortgage loans represented in the related mortgage loan groups as well as due to changes in the weighted average of the applicable excess yield rates on those mortgage loans. Accordingly, if you purchase an SMBS certificate of a WAC class, the timing of changes in the weighted average of the excess yield rates of the mortgage loans represented in the related mortgage loan group may significantly affect your yield, even if the weighted average of those respective excess yield rates generally is consistent with your expectations. In general, the earlier the change in the level of the weighted average excess yield rate, the greater the effect on your yield to maturity. As a result, if the weighted average excess yield 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 SMBS certificates.***

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

***We may withdraw some or all of the 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 SMBS certificates is reduced).***

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



When an underlying security is purchased from a trust, its principal balance is passed through to SMBS certificateholders on the distribution date in the month of purchase. Thus, the purchase of an underlying security due to a breach of a representation and warranty may accelerate the rate of principal payments (or the rate of notional principal balance reductions) on your SMBS certificates. See “**THE TRUST DOCUMENTS—Purchase of Assets from a Trust.**”

## **RISKS RELATING TO LIQUIDITY**

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

We cannot be sure that each series of SMBS 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 SMBS certificates are outstanding. In addition, neither we nor any other party are obligated to make a market in the SMBS certificates. Therefore, it is possible that if you wish to sell your SMBS certificates in the future, you may have difficulty finding potential purchasers.

Some of the factors that may affect the resale of your SMBS 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 SMBS certificates and on the trust assets;
- the characteristics of the trust assets;
- past and expected prepayment levels of the trust assets and of comparable assets;
- the availability of current information about the trust assets and related mortgage loans;
- the outstanding principal amount (or notional principal amount) of SMBS certificates of that series and other series with similar features;
- the amount of SMBS certificates of that series or of a series with similar features offered for resale from time to time;
- the minimum denominations of the SMBS 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 SMBS 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 servicers of the related mortgage loans.

These risks will be greatest in the case of SMBS 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 SMBS 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 SMBS certificates.

The interest rate of an inverse floating rate class of SMBS certificates will change in the opposite direction of changes in the specified interest rate index. The prices of these SMBS 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 SMBS certificates but also reflects an increase in prevailing interest rates, which further diminishes the value of these SMBS certificates.

The market prices of principal only and interest only classes of SMBS 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 SMBS certificates, the greater their price volatility as compared to interest-bearing mortgage-backed securities having principal balances and comparable maturities.

***Basel III and U.S. capital and liquidity rules could materially and adversely affect future demand by banks for our debt and mortgage-related securities, including the SMBS certificates.***

Basel III is a set of revised global regulatory standards developed by the Basel Committee on Banking Supervision establishing minimum bank capital and liquidity requirements. In October 2013, U.S. banking regulators issued a proposed rule setting minimum liquidity standards for large U.S. banks generally in accordance with Basel III standards. Under the proposed rule, U.S. banks subject to the standards would be required to hold a specified level of high-quality liquid assets. The debt and mortgage-related securities of Fannie Mae, Freddie Mac and the other government sponsored enterprises would be permitted to count toward only up to 40% of the amount of the banks' high-quality liquid asset requirement (after applying a 15% discount to the market value of those securities).

U.S. banks currently hold large amounts of our outstanding debt and Fannie Mae mortgage-related securities, and current U.S. banking regulations do not limit the amount of these securities that banks may count toward their liquidity requirements. Accordingly, if this rule is adopted as currently proposed, it could materially adversely affect future demand by banks for Fannie Mae debt securities and mortgage-related securities, including the SMBS certificates, which could adversely affect the price of those securities and could have a material adverse effect on our business, results of operations, financial condition, liquidity and net worth.

***The required cap on and subsequent required reduction in our mortgage portfolio assets may adversely affect the liquidity of your SMBS certificates.***

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

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

SMBS certificateholders sometimes choose to exchange their SMBS certificates representing interests in different pools for a single Fannie Mae mortgage-backed security (usually a Mega or another SMBS) backed by those certificates, which is generally referred to as a resecuritization. If we discover discrepancies in the data related to a pool or to one or more of the related mortgage loans indirectly backing that pool that cannot be resolved promptly, SMBS certificates for that pool may be restricted from resecuritization until the data discrepancies have been resolved. While a SMBS 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 SMBS certificates are restricted from resecuritization may be located on our Web site by clicking on “Securities Ineligible for Resecuritization” in the “Data Collections” section on the Structured Transactions and Megas page on our Web site and is updated monthly. If the data discrepancies are resolved, the SMBS certificates will be removed from the restricted certificate list and become eligible for resecuritized.

## **RISKS RELATING TO CREDIT**

***If our credit becomes impaired, a buyer may be willing to pay only a reduced price for your SMBS 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 SMBS certificates, and potential buyers may offer less for your SMBS 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 SMBS 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 “loan servicer”) may fail to remit borrower payments to us. In either case, we are responsible for making payments to the trust under our guaranty. However, we could fail to make the payments required under our guaranty if (i) our financial condition prevented us from fulfilling our guaranty obligations with respect to the trust assets and the SMBS certificates, 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, SMBS certificateholders would receive from the trust only the amounts paid on the 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 loan servicer’s failure to remit borrower payments to the trust would adversely affect the amounts that SMBS certificateholders received each month.

***Our dividend obligations on the senior preferred stock result in our retaining a limited and decreasing amount of our earnings each year until 2018. Beginning in 2018, we will no longer retain any of our earnings.***

In compliance with our dividend obligation to the U.S. Department of the Treasury (“Treasury”), we will pay Treasury each quarter the amount, if any, by which our net worth as of the end of the immediately preceding fiscal quarter exceeds an applicable capital reserve amount. This capital reserve amount is \$2.4 billion for each quarter of 2014 and decreases by \$600 million annually until it reaches zero in 2018. As a result, our dividend obligations will result in our retaining a limited and decreasing amount of our earnings each year until 2018. Beginning in 2018, we will no longer retain any of our earnings, as the entire amount of our net worth will be paid to Treasury as dividends on the senior preferred stock.

Because we are permitted to retain only a limited and decreasing amount of capital reserves through 2017, we may not have sufficient reserves to avoid a net worth deficit if we experience a comprehensive loss in a future quarter. In addition, beginning in 2018, we are not permitted to retain any capital reserves against losses in later quarters. Thus, if we have a comprehensive loss for a quarter, we will also have a net worth deficit for that quarter. For any quarter for which we have a net worth deficit, we will be required to draw funds from Treasury under the senior preferred stock purchase agreement to avoid being placed into receivership.

***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 SMBS 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 SMBS 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, SMBS 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 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 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, SMBS certificateholders would receive from the related trust only the amounts paid on the 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 loan servicer’s failure to remit borrower payments to the trust would adversely affect the amounts that SMBS certificateholders would receive each month. In addition, trust administration fees would be paid from mortgage loan payments before any distributions would be made to SMBS 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 SMBS certificateholders.

*Rights of SMBS Certificateholders.* Holders of SMBS certificates issued before and during the current conservatorship, including the SMBS certificates offered by this prospectus, are granted certain rights under the trust documents (as defined under “**DESCRIPTION OF THE SMBS 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, SMBS certificateholders have the right to replace Fannie Mae as trustee if the requisite percentage of SMBS certificateholders consents. Nevertheless, the 2008 Reform Act may prevent SMBS 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, SMBS certificateholders could become unsecured creditors of Fannie Mae with respect to claims made under our guaranty. SMBS certificateholders have certain limited rights to proceed against 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—SMBS Certificateholders’ Rights Under the Senior Preferred Stock Purchase Agreement.**”

## **RISK RELATING TO LIMITED AVAILABILITY OF CERTAIN INFORMATION**

*Only certain information is provided about the SMBS certificates and the trust assets.*

You should be aware that the information in the prospectus supplement or final data statement for a particular series of SMBS 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 SMBS certificates. In addition, weighted average information will not disclose the range of coupons or remaining terms to maturity of individual mortgage loans. For example, while extremely wide ranges of coupons are unusual in pools of mortgage loans backing MBS, a pool with a weighted average coupon (WAC) that is 1.50% above the 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 SMBS certificates.

## **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. Fannie Mae has been securitizing mortgage loans since 1981 and has issued over \$8.3 trillion of mortgage-related securities during that time. We have been the largest issuer of mortgage-related securities since 1990. We serve as the trustee of all trusts for our mortgage-related securities. See “**THE TRUST DOCUMENTS**” for further information about our role as trustee.

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.

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 and what form we will have. For more information on the risks to our business relating to the conservatorship and uncertainties regarding the future of our company and business, 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 certain conditions, to eliminate deficiencies in our net worth (the “commitment”). The senior preferred stock purchase agreement was amended and restated on September 26, 2008. The amended and restatement agreement was later amended on May 6, 2009, December 24, 2009 and August 17, 2012 (as amended, the “senior preferred stock purchase agreement”). 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 generally accepted accounting principles (“GAAP”) as of the end of the preceding quarter.

As of January 1, 2013, the amount of dividends payable on the senior preferred stock for a dividend period are determined based on our net worth as of the end of the immediately preceding fiscal quarter, less an applicable capital reserve. The capital reserve is \$2.4 billion for each quarter of 2014, and will decline by \$600 million per year until it reaches zero on January 1, 2018. For each dividend period beginning in 2018, the dividend amount will be the entire amount of our net worth, if any, as of the end of the immediately preceding fiscal quarter. Our net worth, for purposes of this dividend calculation, is the amount by which our total assets (with some exclusions) exceed our total liabilities (with some exclusions) as reflected on our balance sheet prepared in accordance with GAAP. If we do not have a positive net worth as of the end of a fiscal quarter, or if our net worth does not exceed the applicable capital reserve at the end of a fiscal quarter, then no dividend will accrue or be payable with regard to the senior preferred stock for the applicable dividend period.

While we had a positive net worth as of December 31, 2013, in some future periods we could have a net worth deficit. If so, we would be required to obtain funding from Treasury pursuant to the funding commitment. The amount of remaining available funding under the commitment is \$117.6 billion as of December 31, 2013.

The senior preferred stock purchase agreement provides that the Treasury's funding commitment will terminate under any of the following circumstances:

- the completion of our liquidation and fulfillment of Treasury's obligations under its funding commitment at that time,
- the payment in full of, or reasonable provision for, all of our liabilities (whether or not contingent, including mortgage guaranty obligations), or
- the funding by Treasury of the maximum amount that may be funded under the agreement.

In addition, Treasury may terminate its funding commitment and declare the senior preferred stock purchase agreement null and void if a court vacates, modifies, amends, conditions, enjoins, stays or otherwise affects the appointment of the conservator or otherwise curtails the conservator's powers. Treasury may not terminate its funding commitment under the agreement solely by reason of our being in conservatorship, receivership or other insolvency proceeding, or due to our financial condition or any adverse change in our financial condition.

The senior preferred stock purchase agreement provides that most provisions of the agreement may be waived or amended by mutual written agreement of the parties; however, no waiver or amendment of the agreement is permitted that would decrease Treasury's aggregate funding commitment or add conditions to Treasury's funding commitment if the waiver or amendment would adversely affect in any material respect the holders of our debt securities or guaranteed Fannie Mae MBS.

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 most recent Form 10-K.

We continue to rely on support from Treasury to eliminate any net worth deficits that we may experience in the future, which would otherwise trigger our being placed into receivership. Based on consideration of all the relevant conditions and events affecting our operations, including our reliance 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 SMBS 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. SMBS certificateholders have certain limited rights to bring proceedings against Treasury if we fail to pay under our guaranty. See "**—SMBS 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 (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 SMBS 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.

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

SMBS certificateholders are granted certain rights under the trust documents (as defined below) if a guarantor event of default occurs. See “**THE TRUST DOCUMENTS—SMBS Certificateholders' Rights Upon a Guarantor Event of Default.**” Moreover, under the senior preferred stock purchase agreement, SMBS 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 SMBS 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 SMBS certificates in swap transactions in which the SMBS certificates are issued in exchange for underlying securities or excess yield amounts that will back the SMBS certificates being issued. In some instances, we may issue SMBS certificates backed by underlying securities that we already own. In those transactions, we generally receive cash proceeds upon sale of the SMBS certificates to the related dealers. Unless otherwise stated in the related prospectus supplement, we apply the cash proceeds to the purchase of mortgage loans and for other general corporate purposes.

### **DESCRIPTION OF THE SMBS CERTIFICATES**

This prospectus relates to SMBS certificates issued on and after April 1, 2014, which are issued under our 2009 Mega-SMBS Master Trust Agreement, effective January 1, 2009 (as amended or replaced from time to time, the “trust agreement”). For information about SMBS certificates issued before April 1, 2014, see the SMBS prospectus that was in effect at the time those SMBS certificates were issued. There is a specific issue supplement to the trust agreement for each series of SMBS certificates. We refer to the trust agreement and the related issue supplement for a series of SMBS certificates as the “trust documents.”

#### **General**

We will create a trust for each series of SMBS 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 SMBS certificates for each series pursuant to the related trust documents.

The SMBS certificates represent undivided beneficial ownership interests in a distinct pool of assets held in a trust created under the trust documents (as further described below). We will hold the trust assets, in our capacity as trustee under the trust documents, for the benefit of all the holders of SMBS certificates of the same series.



Each series of SMBS certificates will consist of one or more classes of SMBS certificates. The SMBS certificates represent the entire beneficial ownership of the related trust, except where a trust provides for exchanges of the SMBS certificates for Mega certificates as further described under “**–Exchange of SMBS Certificates–*Exchange of SMBS Certificates for Mega Certificates.***” This prospectus contains a general description of the rights of the holders of the SMBS certificates. The prospectus supplement for each series of SMBS certificates will provide a more detailed description and disclose the particular terms that apply to that series. The trust assets for each series of SMBS certificates will consist of either one or more underlying securities or excess yield amounts, but not both. We summarize below certain features that are common to the classes of SMBS certificates of each series, unless the related prospectus supplement provides otherwise.

### **Settlement**

Settlement is expected to occur on the business day determined by Fannie Mae in the month in which the SMBS certificates are issued and in no event later than the last business day of the month in which the SMBS certificates are issued.

### **Issuance in Book-Entry Form**

We will issue the SMBS certificates in book-entry form using either the book-entry system of the U.S. Federal Reserve Banks or the book-entry system of The Depository Trust Company (“DTC”). Unless otherwise stated in the related prospectus supplement, the SMBS certificates will be issued on the book-entry system of the Federal Reserve Banks. Each class of SMBS certificates will be assigned a CUSIP number and will trade separately under that number, subject to the limited rights of the SMBS certificateholders to exchange certain classes of SMBS certificates. See “**–Exchange of SMBS Certificates.**” Book-entry certificates are freely transferable on the records of a 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 SMBS certificates registered on the book-entry system of the Federal Reserve Banks, an SMBS certificateholder is an entity that appears in the records of a Federal Reserve Bank as the owner of the SMBS certificate. Only entities that are eligible to maintain book-entry accounts with a Federal Reserve Bank may be SMBS certificateholders. These entities are not necessarily the beneficial owners of the SMBS certificates. If an SMBS certificateholder is not also the beneficial owner of a book-entry SMBS certificate, the SMBS certificateholder and all other financial intermediaries in the chain between the SMBS certificateholder and the beneficial owner are responsible for establishing and maintaining accounts for their customers. A “beneficial owner” or an “investor” is anyone who acquires a beneficial ownership interest in the SMBS 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.

The Federal Reserve Bank of New York currently serves as our fiscal agent, pursuant to a fiscal agency agreement, for SMBS 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 SMBS certificateholders. Neither we nor any Federal Reserve Bank will have any direct obligation to the beneficial owner of an SMBS certificate who is not also an SMBS certificateholder. We and any Federal Reserve Bank may treat the SMBS certificateholder as the absolute owner of the SMBS 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 SMBS certificates registered on the book-entry system of the Federal Reserve Banks. In that capacity, it

credits the account of the SMBS certificateholder when we make a distribution on the SMBS certificates. Each SMBS certificateholder and any financial intermediaries are responsible for remitting distributions to the beneficial owners of the SMBS 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.

SMBS 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 SMBS certificateholder. Under its normal procedures, DTC will record the amount of SMBS 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 SMBS 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 SMBS 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 SMBS certificates only under the procedures of your financial intermediary and of DTC participants. In general, ownership of SMBS 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 SMBS certificates to DTC in immediately available funds. In turn, DTC, which serves as our paying agent for SMBS 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 SMBS certificates that they represent.

### **Denominations**

Unless otherwise provided in the related prospectus supplement, the SMBS certificates will have a minimum denomination of \$100,000 with additional increments of one dollar. If, as a result of a proposed transaction, an SMBS certificateholder would hold an SMBS certificate of a class in an amount less than the applicable minimum denomination for that class, the SMBS certificateholder will be unable to effect the proposed transaction.

### **Class Definitions and Abbreviations**

Classes of SMBS 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 related prospectus supplement will identify the categories of classes in a series by using one or more of these abbreviations.

### **Distributions on SMBS Certificates**

We will make distributions on the SMBS certificates of any series 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 SMBS certificates on the distribution date in the month following the month in which the SMBS certificates are issued. For example, if an issue date is March 1, the first distribution date for that series is April 25 or, if April 25 is not a business day, the next business day. A business day is any day other than a Saturday or Sunday, a day when the fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York 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 SMBS certificateholder that is listed as of the record date as the holder in the records of a 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.

The prospectus supplement for a series of SMBS certificates will provide more information about the amount and source of principal or interest, as applicable, to which each class of SMBS certificates is entitled.

***Interest Distributions***

If the SMBS 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.

| <u>Classes</u>          | <u>Interest Accrual Periods</u>  |
|-------------------------|--|
| <b>Delay Classes</b>    | The calendar month preceding the month in which the related distribution date occurs.  |
| <b>No Delay Classes</b> | The one-month period beginning on the 25th day of the month preceding the month in which the related distribution date occurs. |

The related prospectus supplement also will indicate the date on which the SMBS 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 SMBS certificates of the class in full (or the notional principal balance of the class has been reduced to zero).

***Interest Accrual Basis***

We will calculate the amount of interest due each month on the SMBS certificates on the basis stated in the prospectus supplement. If interest is calculated on the SMBS certificates on a 30/360 basis, the SMBS certificates will accrue interest on the basis that each month consists of 30 days and each year consists of 360 days. If interest is calculated on the SMBS certificates on an actual/360 basis, the SMBS 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 SMBS 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 related prospectus supplement, the “index determination date” for a floating rate or inverse floating rate class means the second business day before the first day of each interest accrual period (other than the initial interest accrual period) for that class.

## **LIBOR**

If a class of SMBS certificates accrues interest based on the London Interbank Offered Rate (“LIBOR”), we will calculate LIBOR on each index determination date using either the ICE Method or the LIBO Method, both as defined below. No prediction can be made as to future levels of the LIBOR index or as to the timing of any changes in the index calculation or methodology, each of which will directly affect the yields of the SMBS certificates. 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 for a series of SMBS certificates that includes a LIBOR-based class, we will use the ICE Method.

*ICE Method.* Under the ICE Method, LIBOR is calculated on each index determination date based on the rate, expressed as a percentage per annum, designated by the ICE Benchmark Administration (“ICE”) for one-month U.S. dollar deposits (“ICE LIBOR”)<sup>(1)</sup>.

If we are unable to use the ICE Method on any index determination date, we will use the LIBO Method as described below.

*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.

---

<sup>(1)</sup> ICE LIBOR is currently found on the ICE Secure File Transfer Protocol service or on the Reuters Screen LIBOR01 Page as of 11:00 a.m. (London time) on each index determination date and is currently based on rates quoted by a panel of between eleven and eighteen contributor banks as being, in their view, the offered rates at which these deposits are being quoted to prime banks in the London interbank market. Once the submissions are received, the highest 25% and lowest 25% of submissions are excluded; then the remaining rates are averaged and the percentage result is carried to six decimal places (and rounded up to five decimal places where the sixth digit is five or greater).

<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 Eurocurrency market.

### ***Principal Distributions***

On each distribution date, if a class of SMBS certificates has a principal balance, we will distribute to the related SMBS certificateholders, as payments of principal, an amount equal to the aggregate amount of principal due on the underlying securities during the applicable deposit period that is allocable to the then-outstanding SMBS certificates of that class, plus the applicable portion of any purchase price paid due to a breach of seller representation or warranty during the preceding deposit period. As to any distribution date, a “deposit period” is the period beginning immediately after the preceding distribution date (or, in the case of the initial distribution date, beginning on the first day of the month of the initial distribution date) and ending on the current distribution date.

### **Exchange of Certificates**

If and to the extent provided for in the prospectus supplement, and subject to the conditions set forth below, you may exchange some or all of your SMBS certificates for:

- Mega certificates issued from the same trust as your SMBS certificates,
- one or more specified classes of SMBS certificates issued from the same trust as your SMBS certificates, or
- a combination of the above.

There is no limit on the number of exchanges that may occur, except that you may not effect a proposed exchange if, as a result, you would hold a Mega certificate or an SMBS certificate in an amount less than the applicable minimum denomination. Moreover, any exchange described under this section must be completed in accordance with the procedures adopted by the applicable book-entry system and by Fannie Mae as issuer. Upon an exchange, the portion or portions of the SMBS certificates exchanged will be deemed cancelled and replaced by the SMBS certificates and/or Mega certificates issued in the exchange.

If both SMBS certificates and Mega certificates are issued from the same trust, the Mega certificates are considered to be a single class of securities.

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

If provided in the related prospectus supplement, so long as your SMBS certificates are backed by MBS or Mega certificates, you may exchange classes of outstanding SMBS certificates representing identical percentage interests in the underlying principal payments and underlying interest payments for a comparable portion of one or more Mega certificates issued by the same trust as your SMBS certificates. The total outstanding principal balance of Mega certificates of authorized denominations delivered in this type of exchange will equal the total outstanding principal balance of the SMBS certificates surrendered for exchange. The Mega certificates will have a minimum denomination of \$1,000 with additional increments of one dollar. Unless the prospectus supplement provides otherwise, the Mega certificates delivered in the exchange may again be exchanged into SMBS certificates. However, to effect an exchange of Mega certificates for SMBS certificates, the exchange must meet the minimum denomination for SMBS certificates of \$100,000 with additional increments of one dollar. See “—**Denominations.**”

Your ability to effect an exchange of SMBS certificates for Mega certificates may depend on whether you can acquire in the secondary market sufficient portions of the SMBS certificates of the related series. If all or a substantial part of the SMBS certificates of a class are transferred to a REMIC trust or a similar entity, your ability to effect an exchange may be restricted or eliminated. For information concerning the transfer of SMBS certificates to a REMIC trust, contact the Structured Transactions Group at [structured\\_transactions@fanniemae.com](mailto:structured_transactions@fanniemae.com) or call us at (202) 752-7875.

Before exchanging your SMBS certificates for Mega certificates, you should review the Mega Prospectus and the prospectus supplement for that issuance of Mega certificates.

### ***Exchange of Certain Classes of SMBS Certificates for Other SMBS Certificates***

If provided in the related prospectus supplement, if your SMBS series contains two or more classes of SMBS certificates, you may be able to exchange certain classes of SMBS certificates for certain other classes of SMBS certificates. In general, you may exchange one or more specified SMBS certificates of certain classes for one or more specified SMBS certificates of a different class if the aggregate interest distribution amounts and aggregate principal denominations of the certificates are the same.

The prospectus supplement will specify the classes of SMBS certificates that you may surrender for exchange and the class or classes that may be available for you to receive in return. Unless the prospectus supplement provides otherwise, the SMBS certificates issued in the exchange may be exchanged back into the classes of SMBS certificates that were surrendered. If an exchange includes one or more classes of floating rate or inverse floating rate SMBS certificates, the annual distributions of interest on the SMBS certificates surrendered for exchange and on the SMBS certificates received in the exchange must be equal at all levels of LIBOR.

Your ability to effect this type of exchange may depend on whether you can acquire in the secondary market sufficient portions of the necessary classes of SMBS certificates of the same series. If all or a substantial part of the SMBS certificates of a class are transferred to a REMIC trust or a similar entity, your ability to effect an exchange may be restricted or eliminated. For information concerning the transfer of SMBS certificates to a REMIC trust, contact the Structured Transactions Group at [structured\\_transactions@fanniemae.com](mailto:structured_transactions@fanniemae.com) or call us at (202) 752-7875.

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

If provided in the disclosure documents for a particular issuance of Mega certificates, Mega certificates representing identical percentage interests in the underlying principal payments and underlying interest payments may be exchanged for a comparable portion of one or more SMBS certificates issued by the same trust as the Mega certificates. See the Mega Prospectus and the related prospectus supplement for further information about such exchanges.

### ***Exchange Procedures and Fees***

A certificateholder wishing to exchange SMBS or Mega certificates must notify Fannie Mae through one of our “SMBS Dealer Group” dealers (electronically or in writing) no later than two business days before the proposed exchange date. Exchanges that include *both* floating rate or inverse floating rate classes *and* fixed rate or principal only classes are permitted, subject to our approval, *only from the 25th through the last business day of any month*. Exchanges involving only fixed rate and principal only classes and exchanges involving only floating rate and inverse floating rate classes are permitted, subject to our approval, *on any business day other than the first four business days of the month*.

The notice must include the original principal balances (and, if applicable, notional principal balances) of both the certificates surrendered in exchange and the certificates to be received and the proposed exchange date. Cancellation of an exchange requires Fannie Mae’s consent.

A certificateholder must pay us an exchange fee in connection with each exchange. 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.

Because exchanges in any month are effective after the record date for the distribution date in that month, we will make distributions on the certificates surrendered in exchange on the distribution date in the month of the exchange. We will make the first distribution on the certificates received in an exchange on the distribution date in the month following the exchange.

### ***Additional Considerations***

You should also consider the following factors, which may limit your ability to effect exchanges of SMBS certificates.

- The owner of a class of SMBS certificates may refuse to sell it at a reasonable price (or at any price) or may be unable to sell it.
- Certain SMBS certificates may have been purchased and placed into other financial structures and, thus, be unavailable for exchange.
- Principal payments, including prepayments, on the related mortgage loans will decrease the amount of SMBS certificates available for exchange over time.

### **Reports to SMBS Certificateholders**

#### ***Monthly Factor***

Unless otherwise provided in the related prospectus supplement, we will publish a class factor on or about the 11th calendar day of each month for each class of a series of SMBS certificates backed by Fannie Mae underlying securities or excess yield amounts. We will publish a class factor on or before each monthly distribution date for each class of a series of SMBS certificates backed by Ginnie Mae underlying securities. If you multiply the applicable class factor for an SMBS certificate by its original principal balance (or original notional principal balance in the case of an interest only class), you will obtain the then-current principal balance (or notional principal balance) of that SMBS certificate after giving effect to the current month's principal payment (or corresponding reduction in notional principal balance). The class factors are made available each month on our Web site and may be located by clicking "Factors-SMBS" in the "Data Collections" section on the Structured Transactions and Megas page. They are also made available by various pricing and market information services.

#### ***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—Information Reporting and Backup Withholding.**"

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

### **Effective Yield**

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

Although interest on delay classes accrues during a calendar month, we do not distribute interest to SMBS 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.

## **Maturity and Prepayment Considerations**

The maturity and prepayment considerations for a particular series of SMBS certificates will depend on the type of assets included in the related trust. For SMBS certificates backed by Fannie Mae underlying securities or excess yield amounts, see the discussion under the heading “**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS**” in the Single-Family MBS Prospectus, the Multifamily MBS Prospectus, the Mega Prospectus, or the Single-Family REMIC Prospectus, as applicable. For SMBS certificates backed by Ginnie Mae underlying securities, see the discussion relating to yield, maturity and prepayment considerations in the applicable disclosure documents for those Ginnie Mae underlying securities.

In addition, SMBS certificateholders will receive an early payment of principal (or reduction in the notional principal balance) of their SMBS certificates if we purchase any trust assets under the circumstances discussed under “**THE TRUST DOCUMENTS—Purchase of Assets from a Trust**” in this prospectus.

## **Weighted Average Lives and Final Distribution Dates**

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

- (a) multiplying the amount of the reduction, if any, of the principal balance of the SMBS 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 SMBS certificate referred to in clause (a).

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

The final distribution date for the SMBS certificates of a particular class is the date by which we must pay the holders the full outstanding principal balance of the SMBS 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 trust assets. The final distribution date for any series of SMBS certificates will be no later than the distribution date immediately following the latest maturity date of the related mortgage loans backing the trust assets. (If the related mortgage loan with the latest maturity date has a maturity date that is not the 1st day of a month, the final distribution date for a series will be the distribution date in the month immediately following the month of the loan’s maturity date.)

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



For purposes of determining the weighted average life of an interest-only SMBS certificate, references in this prospectus and the 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 an interest-only SMBS certificate, references to payment of the full outstanding principal balance mean a reduction of the notional principal balance to zero.

As indicated in “**THE TRUST DOCUMENTS—Termination,**” we have no clean-up call option.

### **Prepayment Models**

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

Prepayment speed assumptions or “PSA” is a commonly used prepayment model 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 directly or indirectly backing any series of SMBS certificates, nor do they describe the historical performance of any particular pool of mortgage loans.***

## **THE TRUST ASSETS**

### **General**

The assets of a trust may consist of (i) one or more of the following Fannie Mae underlying securities: MBS, Mega certificates, REMIC certificates and previously issued SMBS certificates, (ii) one or more of the following Ginnie Mae underlying securities: “fully modified pass-through” mortgage-backed certificates, Platinum certificates and REMIC certificates, or (iii) excess yield amounts, but not both underlying securities and excess yield amounts. There is no limit on the number or amount of underlying securities or excess yield amounts that may back a particular series of SMBS certificates. The trust assets will be directly or indirectly backed by pools of mortgage loans secured by either single-family properties or multifamily properties. We do not include single-family underlying securities and multifamily underlying securities in the same trust. The trust for a series of SMBS certificates may hold one or more underlying securities issued by a single Fannie Mae or Ginnie Mae trust (or by separate trusts) but need not hold all of the underlying securities issued by any trust.

This prospectus describes certain common features of SMBS certificates, the trust assets and the mortgage loans directly or indirectly backing the trust assets. Information concerning the assets held in a particular trust may be found in the prospectus supplement or offering circular supple-

ment, if any, for the related underlying securities and the final data statement for the related SMBS issuance. Before investing in a series of SMBS certificates, investors should read the prospectus and any prospectus supplement, or offering circular and any offering circular supplement, as applicable, for each of the trust assets. See “**DISCLOSURE DOCUMENTS FOR ISSUANCES OF SMBS CERTIFICATES—Prospectuses—*Prospectuses for the Trust Assets.***”

## **Fannie Mae Underlying Securities**

### ***MBS***

The applicable Single-Family MBS Prospectus describes the general characteristics of any single-family MBS and related mortgage loans that back the SMBS certificates. The prospectus supplement for each such trust will contain certain additional information about the single-family MBS and the related mortgage loans.

The Multifamily MBS Prospectus describes the general characteristics of any multifamily MBS and related mortgage loans that may back the SMBS certificates. The prospectus supplement for each such trust will contain certain additional information about the multifamily MBS and the related mortgage loans.

### ***Mega Certificates***

The applicable Mega Prospectus describes the general characteristics of any Mega certificates that back the SMBS certificates. The prospectus supplement for each such trust will contain certain additional information about the Mega certificates and the related mortgage loans.

### ***REMIC Certificates***

The Single-Family REMIC Prospectus describes the general characteristics of any single-family REMIC certificates that back the SMBS certificates. The prospectus supplement for each such trust will contain certain additional information about the REMIC certificates and the related mortgage loans.

### ***Previously Issued SMBS Certificates***

This prospectus describes the general characteristics of any previously issued SMBS certificates issued on or after the date of this prospectus that may back your SMBS certificates. The general characteristics of previously issued SMBS certificates issued before the date of this prospectus are described in our prospectus for Fannie Mae Stripped Mortgage-Backed Securities then in effect. The prospectus supplement for each such trust will contain certain additional information about the previously issued SMBS certificates and the related mortgage loans.

### ***Excess Yield Amounts***

An issuance of SMBS certificates may be backed by “excess yield” or “excess servicing” cash flows from interest paid by borrowers on single-family mortgage loans that are represented in the related mortgage loan groups and were previously securitized into Fannie Mae MBS. Excess yield cash flow is the additional interest spread retained by a loan servicer after deducting the following amounts from the gross note rates paid by the borrowers: minimum servicing fees, guaranty fees paid to Fannie Mae, pass-through rates on the related MBS, and lender-purchased mortgage insurance (if applicable). An issuance of SMBS certificates backed by excess yield cash flow will consist of multiple classes of interest-only (notional) classes of certificates. The prospectus supplement for each trust that holds excess yield amounts will contain certain additional information about the related mortgage loans.

## **Ginnie Mae and Ginnie Mae Underlying 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 the 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/doing\\_business\\_with\\_ginniemae/investor\\_resources/Prospectuses/Pages/default.aspx](http://www.ginniemae.gov/doing_business_with_ginniemae/investor_resources/Prospectuses/Pages/default.aspx).

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

### **Final Data Statements**

After issuing the related SMBS certificates, we will prepare for each trust a final data statement containing certain information about the related trust assets.

For SMBS certificates backed by MBS, Mega certificates and previously issued SMBS certificates, the final data statement will contain the pool number, the current weighted average coupon and the current weighted average maturity of the related mortgage loans as of the issue date of the SMBS 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 related mortgage loans as of the issue date of the SMBS certificates.

For SMBS certificates backed by Fannie Mae or Ginnie Mae REMIC certificates, the final data statement will contain the principal balances (or notional principal balances) of the applicable REMIC certificates as of the issue date of the SMBS certificates.

For SMBS certificates backed by excess yield amounts, the final data statement will include certain additional information, on an aggregate basis, related to the mortgage loans included in the mortgage loan group associated with each class of SMBS certificates. Mortgage loan groups are referred to as “pseudo pools” in the final data statement.

For SMBS certificates backed by Ginnie Mae underlying securities other than Ginnie Mae REMIC certificates, the final data statement will contain information generally comparable to the information provided for SMBS certificates backed by Fannie Mae underlying securities (to the extent available).

The final data statement for each series of SMBS certificates is available on the Structured Transactions and Megas page on our Web site.

## THE TRUST DOCUMENTS

The SMBS 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 specific provisions described in the prospectus supplement for a particular series of SMBS certificates. If there is any conflict between the information in this prospectus and the specific provisions of the trust documents, the terms of the trust documents will govern. The trust agreement is available on our Web site at [www.fanniemae.com](http://www.fanniemae.com). You may also obtain a copy of the trust agreement and the issue supplement that applies to your issuance of SMBS certificates from our Washington, DC office.

### **Fannie Mae Guaranty**

We are the guarantor under the trust documents. We guarantee to each trust that we will supplement amounts received by the trust as required to permit payment of interest and principal, as applicable, on the SMBS certificates to the extent described in the prospectus supplement. In addition, we also guarantee to each trust that we will supplement amounts received by the trust as required to make the full and final payment of any unpaid principal balance of the SMBS 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 trust.

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

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

**We alone are responsible for making payments under our guaranty. The SMBS certificates and payments of principal or interest, as applicable, on the SMBS 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 Assets to a Trust**

The trust documents for each trust will contain a schedule identifying the assets that are being transferred to the trust for that series of SMBS certificates. Any trust assets that are underlying securities 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 the trust assets for the benefit of the holders of the SMBS certificates of that series.

### **Purchase of Assets from a Trust**

The trust documents provide that we may purchase trust assets from the related pool under the following circumstances:

- If a representation or warranty about any trust asset made or deemed to be made by the transferor at the time we purchased the trust asset was not true when made, we may, within

90 days after discovery of the breach, purchase from the related trust the trust assets with respect to which the breach occurred. Notwithstanding the foregoing, we may not purchase from the trust an underlying security that is a principal-only or interest-only security.

- If we determine, or a court or governmental agency determines, that our acquisition of any trust asset prior to its being transferred to a trust was not authorized or if a court or governmental agency requires us to purchase any trust asset from a trust, we will purchase the trust asset as soon as practicable.

When a trust asset having a principal balance is purchased, its principal balance is passed through to the SMBS certificateholders on the distribution date immediately following the date of the purchase. The price to be paid for any trust asset that we purchase is calculated as set forth in the related trust documents. For a discussion of how purchases of underlying securities may affect the performance of the SMBS certificates, see “**RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—We may withdraw some or all of the 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 SMBS certificates is reduced).**”

### **Certificate Accounts**

Our loan servicers remit borrower collections to us monthly for distribution to SMBS certificateholders. These funds are deposited into a certificate account at an eligible depository. Funds held in a certificate account are held by us as trustee in trust for the benefit of SMBS 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. Loan 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 documents and receive a fee for our services to each trust, which is payable from the interest and other earnings on the related certificate accounts. Under the trust documents, 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 trust as guarantor under the Fannie Mae guaranty.

We are indemnified by each trust for actions we take in our capacity as trustee in connection with the administration of that trust. Officers, directors, employees and agents of the trustee are also indemnified by each trust with respect to that trust. Nevertheless, neither we nor they will be protected against any liability if it results from willful misfeasance, bad faith, gross negligence or willful disregard of our duties.

The trust documents provide that the trustee may, but is not obligated to, undertake any legal action that it deems necessary or desirable in the interests of SMBS certificateholders. We may be reimbursed for the legal expenses and costs of the action from the assets of the related trust.

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

### **Removal of Successor Trustee**

If Fannie Mae is no longer serving as the trustee and a successor trustee has been appointed, the trust documents provide that the successor trustee for a series of SMBS certificates may be removed upon any of the following "trustee events of default":

- with respect to the related 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 has been given to the successor trustee by either the guarantor or, if a guarantor event of default has occurred and is continuing, the holders of SMBS certificates of a related class or of a related class of Mega certificates representing at least 5% of the voting rights of that class;
- with respect to the related trust, the successor trustee fails to fulfill any of its other obligations under the trust documents, 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 has been given to the successor trustee by either the guarantor or, if a guarantor event of default has occurred and is continuing, the holders of SMBS certificates of a related class or of a related class of Mega certificates 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 documents 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 any trustee event of default occurs with respect to a trust and continues uncorrected, the guarantor (or if a guarantor event of default has occurred and is continuing, the issuer) may, and if directed by holders of SMBS certificates of a related class or of a related class of Mega certificates representing at least 51% of the voting rights of that class will, remove the successor trustee and appoint a new successor trustee.

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

## **Guarantor Events of Default**

Any of the following events will be considered a “guarantor event of default” under the trust documents for a series of SMBS certificates:

- we fail to make a required payment under our guaranty, and our failure continues uncorrected for 15 days after written notice of the failure and a demand that the failure be cured has been given to us by the holders of SMBS certificates of a related class or of a related class of Mega certificates representing at least 5% of the voting rights of that class;
- we fail in any material way to fulfill any of our other obligations under the trust documents, and our failure continues uncorrected for 60 days after written notice of the failure and a demand that the failure be cured has been given to us by the holders of SMBS certificates of a related class or of a related class of Mega certificates representing at least 25% of the voting rights of that class; or
- we become insolvent, a receiver or a new conservator is appointed (either voluntarily or involuntarily and, in the case of an involuntary appointment, the order 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.

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

SMBS certificateholders generally have no right under the trust documents to institute any proceeding against us with respect to the trust documents. An SMBS certificateholder may institute such a proceeding only if a guarantor event of default has occurred and is continuing and

- the holders of SMBS certificates of a related class or of a related class of Mega certificates representing at least 25% of the voting rights of that class 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 any 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 SMBS certificateholder unless the SMBS certificateholders have offered to the trustee reasonable security or indemnity against the costs, expenses and liabilities that the trustee may incur.

## **Future Limitations on SMBS Certificateholders’ Rights Under the Trust Documents**

SMBS 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, SMBS 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 of SMBS certificates. If that occurred, SMBS certificateholders would have only the right to proceed against Treasury that is described in “**FANNIE MAE—SMBS Certificateholders’ Rights Under the Senior Preferred Stock Purchase Agreement.**” See also “**RISK FACTORS—RISKS RELATING TO CREDIT.**”

## **Voting Under the Trust Documents**

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

If the prospectus supplement for a specific SMBS series provides for the exchange of SMBS certificates for Mega certificates as discussed in “**DESCRIPTION OF THE SMBS CERTIFICATES—Exchange of SMBS Certificates,**” the SMBS certificates and the Mega certificates



will represent beneficial interests in the same trust. For purposes of determining the voting rights applicable to any trust that issues both Mega certificates and SMBS certificates, references to “certificateholders” and “holders of certificates” in the following paragraphs of this section are deemed to refer to holders of the SMBS certificates and holders of the related Mega certificates, collectively, that are outstanding at any time.

### ***Voting Rights***

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

- if the outstanding certificates of a trust include only SMBS certificates comprised solely of interest-only classes, then holders of the SMBS certificates will be allocated 100% of the voting rights in proportion to the notional principal balances of their respective SMBS certificates;
- if the outstanding certificates of a trust include both principal-only and interest-only classes of SMBS certificates, then holders of the principal-only classes will be allocated 75% of the voting rights and holders of the interest-only classes will be allocated 25% of the voting rights (with the voting rights of the interest-only classes to be further allocated, pro rata, based on the notional principal balances of their respective SMBS certificates);
- if the outstanding certificates of a trust include only Mega certificates, then holders of the Mega certificates will be allocated 100% of the voting rights in proportion to the aggregate certificate balances of their respective Mega certificates; and
- if the outstanding certificates of a trust include both Mega certificates and SMBS certificates, then
  - holders of the Mega certificates will be allocated a percentage of the total voting rights equal to the percentage equivalent of a fraction, the numerator of which is the aggregate certificate balance of the outstanding Mega certificates and the denominator of which is the aggregate principal amount of all of the underlying securities, and
  - holders of the SMBS certificates will be allocated the remainder of the voting rights, with holders of the principal-only classes being allocated 75% of the remaining voting rights and holders of the interest-only classes being allocated 25% of the remaining voting rights (with the voting rights of the interest-only classes to be further allocated, pro rata, based on the notional principal balances of their respective SMBS certificates);

Solely for purposes of giving any consent pursuant to the trust documents, certificates of a particular series of SMBS certificates that are beneficially held by a party determined under applicable accounting rules, including us, to be the transferor of underlying securities will be deemed not to be outstanding for purposes of determining voting rights. As a result, the voting rights to which that party is entitled will not be taken into account in determining whether the requisite percentage of voting rights necessary to effect any such consent has been obtained, except with respect to matters involving an event of default by the guarantor or trustee or matters requiring the unanimous consent of the certificateholders. If, however, the party determined to be a transferor owns 100% of the certificates of the related series of certificates, the certificates owned by the party may be voted without restriction.

Certificates of a particular series of certificates that are beneficially held by us, as guarantor, will be disregarded and deemed not to be outstanding for purposes of determining whether a guarantor event of default has occurred and is continuing or whether to remove the trustee when a guarantor event of default has occurred and is continuing. In all other matters with respect to a

trust, certificates of the related series of certificates that are beneficially owned by us, as guarantor, may be voted by us, as guarantor, to the same extent as certificates held by any other holder, unless we, as guarantor, are also a transferor with respect to that trust. If, however, we, as guarantor, beneficially own 100% of the certificates of the related series of certificates, the certificates owned by us, as guarantor, may be voted by us without restriction.

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

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

Unless the prospectus supplement for a series of SMBS certificates backed by Fannie Mae underlying securities provides otherwise, the holders of a certain minimum percentage ownership in the Fannie Mae underlying securities may give their consent to any matter requiring consent under the trust documents for the related underlying securities. The prospectus supplement for a series of SMBS certificates backed by Ginnie Mae underlying securities will specify whether the holders of the Ginnie Mae underlying securities have the right to vote under the trust documents for the Ginnie Mae underlying securities and whether, and in what percentages, the holders of the Ginnie Mae underlying securities are required to consent to certain amendments or other decisions relating to the trust documents for the Ginnie Mae underlying securities. The trust documents, however, do not permit us, as trustee, to vote any underlying securities held in the trust unless we have received consistent direction from certificateholders representing at least 51% of the voting rights of the related classes. Following its receipt of such direction, the trustee will vote the underlying securities in their entirety in accordance with the direction.

### **Amendment**

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

We may amend the trust documents for a series of SMBS 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 the 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 fixed investment trust status of a trust for federal income tax purposes.

An amendment to cure an ambiguity in or to modify or supplement a provision of the trust documents or to maintain the trust's fixed investment status 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 SMBS certificates to take any of the following actions only with the consent of 100% of the related certificateholders:

- 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; or
- take an action that affects the status of the trust as a fixed investment trust for federal income tax purposes or materially increases the taxes payable in respect of a trust.

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

We may amend the trust documents for a series of SMBS certificates for any reason other than the reasons set forth in “***–No Consent Required***” and “***–100% Consent Required***” with the consent of holders of SMBS certificates of a related class or a related class of Mega certificates representing at least 51% of the voting rights of that class.

### **Termination**

The trust will terminate with respect to a series of SMBS certificates when the certificate principal balance of the related trust assets has been reduced to zero and all distributions have been passed through to certificateholders. In no event will a trust continue beyond the last day of the 60th year following the issue date of that trust.

We do ***not*** have an option to purchase the underlying securities backing the SMBS certificates or to purchase any of the related mortgage loans and then retire the SMBS certificates. Moreover, we do ***not*** have any clean-up call option; that is, we cannot terminate any trust solely because the unpaid principal balance of the related underlying securities declines to a specified amount or reaches a specified percentage of the original unpaid principal balance of the underlying securities.

### **Merger**

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

## **MATERIAL FEDERAL INCOME TAX CONSEQUENCES**

The SMBS certificates and payments on the SMBS certificates generally are subject to taxation. Therefore, you should consider the tax consequences of holding an SMBS certificate before you acquire one. The following discussion describes certain U.S. federal income tax consequences to beneficial owners of SMBS 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 SMBS 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 orga-

nizations, life insurance companies, persons that hold SMBS 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 an SMBS certificate by a partnership. If a partnership holds an SMBS 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 SMBS 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 in such a case, the term “mortgage loan” means the underlying mortgage loan and not the participation interest.

### **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.

### **Characterization of Trusts and SMBS Certificates**

The trust created for each series of SMBS certificates will be classified as a fixed investment trust and, under subpart E of part I of subchapter J of the Internal Revenue Code of 1986, as amended (the “Code”), each beneficial owner of an SMBS certificate will be treated for federal income tax purposes as the beneficial owner of the right to receive payments attributable to principal, interest, or principal and interest on the trust assets.

A beneficial owner of an SMBS certificate will be required to include in income the amounts described under “**—Stripped Bonds and Stripped Coupons**” below. In addition, a beneficial owner of an SMBS certificate must include in income a portion of the expenses of the related trust. For a trust other than one that holds only REMIC certificates, these expenses include the compensation paid to service the underlying mortgage loans. The expenses of a trust will be allocated among the related SMBS certificates in each monthly period in proportion to the respective amounts of distributions projected to be remaining on the SMBS certificates. A beneficial owner of an SMBS certificate can deduct its portion of these expenses as provided in section 162 or section 212 of the Code, consistent with its method of accounting and subject to the discussion under “**—Administrative Expenses**” below.

### **Stripped Bonds and Stripped Coupons**

Pursuant to section 1286 of the Code, the separation of ownership of the right to receive some or all of the interest payments on a debt obligation from ownership of the right to receive some or all of the principal payments results in the creation of “stripped bonds” with respect to principal payments and “stripped coupons” with respect to interest payments. A beneficial owner of an

SMBS 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 trust assets, except as discussed below.

If an SMBS certificate entitles the holder to payments of principal and interest on a trust asset, the Internal Revenue Service (“IRS”) could contend that the SMBS certificate should be treated as

- an interest in the trust asset to the extent that the SMBS certificate represents an equal pro rata portion of principal and interest on the trust asset, and
- with respect to the remainder, 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 SMBS 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 an SMBS certificate in this regard.

Under section 1286 of the Code, a beneficial owner of an SMBS certificate must treat the SMBS certificate as a debt instrument originally issued on the date the owner acquires it and as having original issue discount (“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 of an SMBS certificate generally is equal to the sum of all distributions to be made on that certificate. For information reporting purposes, we intend to treat all amounts to be distributed on an SMBS certificate as included in the stated redemption price at maturity of that SMBS certificate and, as a result, each SMBS certificate will be treated as if issued with OID.

The beneficial owner of an SMBS certificate must include in its ordinary income for federal income tax purposes, generally in advance of receipt of the cash attributable to that income, the sum of the “daily portions” of OID on its SMBS certificate for each day during its taxable year on which it held the SMBS certificate. The daily portions of OID are determined as follows:

- first, the portion of OID that accrued during each “accrual period” is calculated;
- then, the OID accruing during an accrual period is allocated ratably to each day during the period to determine the daily portion of OID.

Treasury Department 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.

### **Accrual of OID**

Although the matter is not entirely clear, a beneficial owner of an SMBS certificate should determine the amount of OID accruing during any accrual period with respect to that SMBS certificate using the method described in section 1272(a)(6) of the Code, except as discussed below. Under section 1272(a)(6), the portion of OID treated as accruing for any accrual period equals the *excess*, if any, of

- the sum of (A) the present values of all the distributions remaining to be made on the SMBS certificate, if any, as of the end of the accrual period and (B) the distribution made on the SMBS certificate during the accrual period of amounts included in the stated redemption price at maturity;

*over*

- the sum of the present values of all the distributions remaining to be made on the SMBS certificate as of the beginning of the accrual period.

The present values of the remaining distributions are calculated based on the following:

- an assumption that the mortgage loans backing or comprising the related trust assets prepay at a specified rate (the “Prepayment Assumption”),
- the yield to maturity of the SMBS certificate, giving effect to the Prepayment Assumption,
- events (including actual prepayments) that have occurred prior to the end of the accrual period, and
- in the case of an SMBS certificate calling for a variable rate of interest, an assumption that the value of the index upon which the variable rate is based remains the same as its value on the settlement date over the entire life of the certificate.

A beneficial owner 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 SMBS certificate is acquired or would be the original Prepayment Assumption for the SMBS certificate. For information reporting purposes, we will use the original yield to maturity of the SMBS certificate, calculated based on the original Prepayment Assumption. You should consult your own tax advisors regarding the proper method for accruing OID on an SMBS certificate.

The Code requires that the Prepayment Assumption be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. For information reporting purposes, we will assume a Prepayment Assumption for each series of SMBS certificates. We make no representation, however, that the mortgage loans backing or comprising the trust assets for a given series will prepay at the rate reflected by 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 SMBS certificates.

### **Qualified Stated Interest**

If an SMBS certificate entitles the holder to payments of principal and interest, the IRS could contend that the interest payments on the SMBS certificate should be treated as payments of “qualified stated interest” within the meaning of the OID Regulations. In that case, a beneficial owner would be required to include such payments in income, in accordance with its method of accounting, rather than to accrue OID with respect to such payments. Further, if the beneficial owner in that case had purchased the SMBS certificate for an amount (net of accrued interest) greater than the outstanding principal amount of the SMBS certificate, the beneficial owner generally would have premium with respect to the SMBS certificate in the amount of the excess. Such a purchaser may elect, under section 171(c)(2) of the Code, to treat the premium as “amortizable bond premium.”

If a beneficial owner makes this election, the beneficial owner must reduce the amount of any payment of qualified stated interest that must be included in the beneficial owner’s income for a period by the portion of the premium allocable to the period based on the SMBS certificate’s yield to maturity. Correspondingly, the beneficial owner must reduce its basis in the SMBS certificate by the amount of premium applied to reduce any interest income.

The election will also apply to all bonds the interest on which is not excludible from gross income (“fully taxable bonds”) held by the beneficial owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds that it acquires after the beginning of that taxable year. A beneficial owner may revoke the election only with the consent of the IRS.

If a beneficial owner does not elect to amortize premium, (i) the beneficial owner must include the full amount of each payment of qualified stated interest in income, and (ii) the premium must be allocated to the principal distributions on the SMBS certificate and, when each principal distribution is received, a loss equal to the premium allocated to that 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 SMBS certificate. See “**–Sales and Other Dispositions of SMBS Certificates**” below.

Because we will treat all SMBS certificates as being issued with OID (and as not paying qualified stated interest) for information reporting purposes, you should consult your own tax advisors as to the proper treatment of an SMBS certificate in this regard.

### **Administrative Expenses**

A beneficial owner’s ability to deduct its share of the administrative expenses of the related trust is limited under section 67 of the Code in the case of (i) estates and trusts, and (ii) individuals owning an interest in an SMBS certificate directly or through an investment in a “pass-through entity” (other than in connection with such individual’s trade or business). 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, nongrantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies.

Generally, such a beneficial owner can deduct its share of these costs only to the extent that these costs, when aggregated with certain of the beneficial owner’s other miscellaneous itemized deductions, exceed 2% of the beneficial owner’s adjusted gross income. For this purpose, an estate or nongrantor trust computes adjusted gross income in the same manner as an individual, except that deductions for administrative expenses of the estate or trust that would not have been incurred if the property were not held in such trust or estate are treated as allowable in calculating adjusted gross income. In addition, such a beneficial owner may not be able to deduct any portion of these costs in computing its alternative minimum tax liability. Further, section 68 of the Code may provide for certain limitations on itemized deductions otherwise allowable for a beneficial owner who is an individual.

### **Special Tax Characteristics of SMBS Certificates**

Several sections of the Code provide beneficial treatment to certain taxpayers that invest in mortgage loans of the type that back or comprise the trust assets. With respect to these Code sections, no specific legal authority exists regarding whether the character of the SMBS certificates will be the same as that of the mortgage loans that back or comprise the trust assets. Although the characterization of the SMBS certificates for these purposes is not clear, the SMBS certificates should be considered to represent “real estate assets” within the meaning of section 856(c)(5)(B) of the Code and “loans secured by an interest in real property” within the meaning of section 7701(a)(19)(C)(v) of the Code, and OID and qualified stated interest with respect to SMBS certificates should be considered to represent “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code; provided that in each case the underlying mortgage assets qualify for such treatment.

A mortgage loan with a loan-to-value ratio in excess of 125% is not a “qualified mortgage” within the meaning of section 860G(a)(3) of the Code. Accordingly, if a pool contains a mortgage loan with a loan-to-value ratio in excess of 125%, the SMBS certificates that evidence a beneficial ownership interest in the pool will not be a suitable investment for a real estate mortgage investment conduit (“REMIC”).

For a discussion of the special tax characteristics of certain types of mortgage loans, see “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES—Special Tax Attributes**” in the Single-Family MBS Prospectus or the Multifamily MBS Prospectus, as applicable.

## **Exchanges of SMBS Certificates**

If a beneficial owner exchanges one or more SMBS certificates for one or more SMBS certificates of a different class with respect to the same trust in the manner described under “**DESCRIPTION OF THE SMBS CERTIFICATES—Exchange of SMBS Certificates—Exchange of Certain Classes of SMBS Certificates for Other SMBS Certificates**,” the exchange will not be taxable. In this case, the beneficial owner will be treated as continuing to own after the exchange the same SMBS certificates that it owned immediately prior to the exchange.

## **Sales and Other Dispositions of SMBS Certificates**

Upon the sale, exchange or other disposition of an SMBS certificate (other than an exchange described under “**—Exchanges of SMBS Certificates**”), a beneficial owner generally will recognize gain or loss equal to the difference between the amount realized and the beneficial owner’s adjusted basis in the SMBS certificate. The adjusted basis of an SMBS certificate generally will equal the cost of the SMBS certificate to the beneficial owner, increased by any OID included in the beneficial owner’s gross income with respect to the SMBS certificate, and reduced (but not below zero) by distributions previously received by the beneficial owner of amounts included in SMBS certificate’s stated redemption price at maturity and by any premium that has reduced the beneficial owner’s interest income with respect to the SMBS certificate. Any such gain or loss generally will be capital gain or loss, except (i) as provided in section 582(c) of the Code (which generally applies to banks) or (ii) to the extent any gain represents OID not previously included in income (to which extent such gain would be treated as ordinary income). Any capital gain (or loss) will be long-term capital gain (or loss) if at the time of disposition the beneficial owner held the SMBS certificate for more than one year. The ability to deduct capital losses is subject to limitations.

## **Medicare Tax**

Certain non-corporate beneficial owners are subject to an increased rate of tax on some or all of their “net investment income,” which generally includes interest, original issue discount and market discount realized on an SMBS certificate, and any net gain recognized upon a disposition of an SMBS certificate. You should consult your tax advisor regarding the applicability of this tax in respect of your SMBS certificates.

## **Trusts with a Single Class**

If a single class of SMBS certificates is entitled to a pro-rata portion of the principal and interest payments on the trust assets, a beneficial owner of an SMBS certificate of that class will be treated for federal income tax purposes as a beneficial owner of a pro rata portion of the trust assets. In such a case, you should consult the disclosure documents related to each of the trust assets for a discussion of certain federal income tax consequences to beneficial owners of the trust assets.

## **Information Reporting and Backup Withholding**

For each distribution, we will post on our Web site information that will allow beneficial owners to determine (i) the portion of such distribution allocable to principal and to interest, (ii) the amount, if any, of OID and market discount and (iii) the administrative expenses allocable to such distribution.

Payments of interest and principal, as well as payments of proceeds from the sale of SMBS certificates, may be subject to the backup withholding tax under section 3406 of the Code if the recipient of the payment is not an exempt recipient and fails to furnish certain information, including its taxpayer identification number, to us or our agent, or otherwise fails to establish an exemption from such tax. Any amounts deducted and withheld from such a payment would be



allowed as a credit against the beneficial owner's federal income tax. Furthermore, certain penalties may be imposed by the IRS on a holder or owner who is required to supply information but who does not do so in the proper manner.

### **Non-U.S. Persons**

Additional rules apply to a beneficial owner that is not a U.S. Person and that is not a partnership (a "Non-U.S. Person"). "U.S. Person" means a citizen or resident of the United States, a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States or any state thereof or the District of Columbia, 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 at least one U.S. Person has the authority to control all substantial decisions of the trust.

Payments on an SMBS certificate made to, or on behalf of, a beneficial owner that is a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, provided the following conditions are satisfied:

- the beneficial owner does not hold the SMBS certificate in connection with its conduct of a trade or business in the United States;
- the beneficial owner is not, with respect to the United States, a personal holding company or a corporation that accumulates earnings in order to avoid U.S. federal income tax;
- the beneficial owner is not a U.S. expatriate or former U.S. resident who is taxable in the manner provided in section 877(b) of the Code;
- the beneficial owner is not an excluded person (i.e., a 10-percent shareholder of Fannie Mae within the meaning of section 871(h)(3)(B) of the Code or a controlled foreign corporation related to Fannie Mae within the meaning of section 881(c)(3)(C) of the Code);
- the beneficial owner signs a statement under penalties of perjury certifying that it is a Non-U.S. Person and provides its name, address and taxpayer identification number (a "Non-U.S. Beneficial Owner Statement");
- the last U.S. Person in the chain of payment to the beneficial owner (the withholding agent) receives such Non-U.S. Beneficial Ownership Statement from the beneficial owner or a financial institution holding on behalf of the beneficial owner and does not have actual knowledge that such statement is false; and
- with respect to each trust asset that is not a REMIC certificate, the SMBS certificate represents an undivided interest in a pool of mortgage loans all of which were originated after July 18, 1984.

That portion of interest income of a beneficial owner who is a Non-U.S. Person on an SMBS certificate that represents an interest in one or more mortgage loans originated before July 19, 1984 will be subject to a U.S. withholding tax at the rate of 30 percent or lower treaty rate, if applicable. Regardless of the date of origination of the mortgage loans, backup withholding will not apply to payments made to a beneficial owner that is a Non-U.S. Person if the beneficial owner or a financial institution holding on behalf of the beneficial owner provides a Non-U.S. Beneficial Ownership Statement to the withholding agent.

A Non-U.S. Beneficial Ownership Statement may be made on an IRS Form W-8BEN or a substantially similar substitute form. The beneficial owner or financial institution holding on behalf of the beneficial owner must inform the withholding agent of any change in the information on the statement within 30 days of such change.

A 30-percent U.S. withholding tax will apply to certain payments (which may include payments in respect of a certificate beginning July 1, 2014, and gross proceeds from the sale or other disposition of

a certificate beginning January 1, 2017) made to a non-U.S. entity that is a “financial institution” and fails to comply with certain reporting and other requirements or to a non-U.S. entity that is not a “financial institution”, but 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 may apply, including an exception for “grandfathered obligations”. You should consult your own tax advisor regarding the potential application and impact of this withholding tax based on your particular circumstances.

## PLAN OF DISTRIBUTION

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

A secondary market for each series of SMBS certificates may not develop. If one does develop, it may not continue during the entire term during which the SMBS certificates are outstanding. In addition, neither we nor any other party are obligated to make a market in the SMBS certificates. SMBS certificateholders also should note that the SMBS certificates are not traded on any exchange and the market price of a particular class of SMBS 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 SMBS 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 the SMBS certificates, you should consult your own accountants regarding the proper accounting treatment for the SMBS 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 SMBS certificates of a series or in SMBS 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 SMBS 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 the SMBS certificates. **You should consult your own legal advisors to determine whether and to what extent the SMBS certificates of a series constitute legal investments or are or**

**may become subject to restrictions on investment and whether and to what extent the SMBS certificates of a series can be used as collateral for various types of borrowings.**

### **ERISA CONSIDERATIONS**

ERISA or section 4975 of the Code imposes requirements on employee benefit plans subject to ERISA (such as employer-sponsored retirement plans) and on other types of benefit plans and arrangements subject to section 4975 of the Code (such as individual retirement accounts). ERISA and section 4975 of the Code also impose these requirements on some entities in which these benefit plans or arrangements invest. We refer to these plans, arrangements and entities, collectively, as “plans.” Any person who is a fiduciary of a plan also is subject to requirements imposed by ERISA and section 4975 of the Code. Before a plan invests in the SMBS certificate of a particular series, the plan fiduciary must consider whether the governing instruments for the plan permit the investment, whether the SMBS certificate is 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 SMBS 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, Katten Muchin Rosenman LLP, has advised us that, except to the extent otherwise specified in a prospectus supplement for a trust, the SMBS certificates qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of SMBS certificates by plans will not cause the underlying mortgage loans or the assets of Fannie Mae to be subject to the fiduciary requirements of ERISA or to the prohibited transaction provisions of ERISA or section 4975 of the Code merely by reason of a plan’s holding of an SMBS certificate. However, investors should consult with their own counsel regarding the consequences under ERISA of an investment in the SMBS certificates.

### **LEGAL OPINION**

If you purchase SMBS 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 SMBS certificates and the related trust documents.

**CLASS DEFINITIONS AND ABBREVIATIONS**

| <b>Abbreviation</b> | <b>Category of Class</b> | <b>Definition</b>  |
|---------------------|--------------------------|--|
|                     |                          | <b>PRINCIPAL TYPES:</b>  |
| <b>NTL</b>          | Notional                 | Has no principal balance and bears interest on its notional principal balance. The notional principal balance is used to determine interest payments on an interest only class that is not entitled to principal.                                    |
| <b>PT</b>           | Pass-Through             | Is designed to receive principal payments in direct relation to actual or scheduled payments on the underlying assets in the trust.  |
|                     |                          | <b>INTEREST TYPES:</b>   |
| <b>FIX</b>          | Fixed Rate               | Has an interest rate that is fixed throughout the life of the class.   |
| <b>FLT</b>          | Floating Rate            | Has an interest rate that resets periodically based upon a designated index and that varies directly with changes in the index.  |
| <b>INV</b>          | Inverse Floating Rate    | Has an interest rate that resets periodically based upon a designated index and that varies inversely with changes in the index.   |
| <b>IO</b>           | Interest Only            | Receives some or all of the interest payments made on the mortgage loans but no principal. Each interest only class has a notional principal balance, which is the amount used as a reference to calculate the amount of interest due on that class. |
| <b>PO</b>           | Principal Only           | Does not bear interest and is entitled to receive only payments of principal.  |
| <b>WAC</b>          | Weighted Average Coupon  | Has an interest rate that represents an effective weighted average interest rate that may change from period to period.  |

---

---

No one is authorized to give information or to make representations in connection with the SMBS 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 SMBS 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 herein or therein is correct after the date hereof or thereof.

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

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

---

## TABLE OF CONTENTS

|   |     |
|---|-----|
| Disclosure Documents for Issuances of SMBS              |     |
| Certificates . . . . .                                  | 3   |
| Incorporation by Reference . . . . .                    | 6   |
| Summary . . . . .                                       | 7   |
| Risk Factors . . . . .                                  | 14  |
| Fannie Mae . . . . .                                    | 21  |
| Use of Proceeds . . . . .                               | 24  |
| Description of the SMBS Certificates . . . . .          | 24  |
| Yield, Maturity and Prepayment Considerations . . . . . | 31  |
| The Trust Assets . . . . .                              | 33  |
| The Trust Documents . . . . .                           | 37  |
| Material Federal Income Tax Consequences . . . . .      | 43  |
| Plan of Distribution . . . . .                          | 50  |
| Accounting Considerations . . . . .                     | 50  |
| Legal Investment Considerations . . . . .               | 50  |
| ERISA Considerations . . . . .                          | 51  |
| Legal Opinion . . . . .                                 | 51  |
| Exhibit A—Class Definitions and Abbreviations . . . . . | A-1 |

---

---

## Guaranteed Stripped Mortgage-Backed Securities (SMBS Certificates)

---

SMBS PROSPECTUS

---



April 1, 2014

---

---