

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 the beneficial ownership interests in the assets of a trust.

The assets of each trust will include one or more of the following:

- Fannie Mae Guaranteed Mortgage Pass-Through certificates (“MBS”) that represent beneficial ownership interests in distinct pools of mortgage loans secured by single-family properties or multifamily properties;
- Fannie Mae Guaranteed Mega certificates (“Mega certificates”) that represent indirect beneficial ownership interests in distinct pools of mortgage loans secured by single-family properties or multifamily properties;
- Fannie Mae Guaranteed REMIC Pass-Through certificates (“REMIC certificates”) that represent beneficial ownership interests in underlying securities issued by Fannie Mae that represent the direct or indirect ownership of residential mortgage loans secured by single-family properties;
- Fannie Mae Guaranteed SMBS certificates (“Previously Issued SMBS certificates”) that represent beneficial ownership interests in MBS, REMIC certificates or Mega certificates; and/or
- certain excess servicing amounts payable on residential mortgage loans that back MBS (“excess yield amounts”).

Fannie Mae Guaranty

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 related prospectus supplement. We alone are responsible for making payments under our guaranty. **The SMBS certificates and the 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 9. 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 December 1, 2007

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INFORMATION ABOUT THIS PROSPECTUS AND PROSPECTUS SUPPLEMENTS

We will provide information that supplements this prospectus in connection with each series of SMBS certificates. Electronic copies of this prospectus and the prospectus supplement for each series of SMBS certificates will be available on our Web site listed below. In addition, this prospectus and the prospectus supplement for each series of SMBS certificates will be available in paper form upon request. The disclosure documents for any particular series of SMBS certificates are this prospectus and the related prospectus supplement, together with any information incorporated in these documents by reference as discussed under the heading “**INCORPORATION BY REFERENCE.**” We also provide updated information regarding each series of SMBS certificates and the assets backing such series of SMBS certificates through our “PoolTalk”[®] web-based application or at other locations on our Web site listed below. **In determining whether to purchase SMBS certificates of any series in any initial offering, you should rely ONLY on the information in this prospectus, the related prospectus supplement, any supplement to the prospectus supplement and any information that we incorporate into these documents by reference. You should not rely on information that may be offered to you by a third party as that information may not be reliable.**

Each prospectus supplement will include information about the assets backing that particular series of SMBS certificates and about the SMBS certificates themselves. Unless otherwise stated in this prospectus or the related prospectus supplement, information about the assets in the related trust will be given as of the issue date stated in the prospectus supplement, which is the first day of the month in which the 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.

Certificateholders 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.

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

INFORMATION ABOUT THE TRUST ASSETS

With respect to a particular series of SMBS certificates, you also should review:

- for SMBS certificates directly or indirectly backed by single-family MBS, the Prospectus for Fannie Mae Guaranteed Mortgage Pass-Through Certificates (Single-Family Residential Mortgage Loans), dated June 1, 2007, or such earlier or later version of that prospectus as may be applicable (the “Single-Family MBS Prospectus”);

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

For more information about the trust assets, see **“TRUST ASSETS”** in this prospectus. Also, information regarding certain trust assets issued prior to the date of this prospectus, including Previously Issued SMBS certificates, is available in the form of preliminary data statements and final data statements.

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

INCORPORATION BY REFERENCE

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

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

We incorporate by reference the documents specified above under **“INFORMATION ABOUT THE TRUST ASSETS.”**

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

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (“Form 10-K”);
- all other reports we have filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, since the end of the fiscal year covered by the Form 10-K until the date of this prospectus, including any quarterly reports on Form 10-Q and current reports on Form 8-K, but excluding any information “furnished” to the SEC on Form 8-K; and
- all proxy statements that we file with the SEC and all documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this prospectus and prior to the completion of the offering of the related series of certificates, but excluding any information we “furnish” to the SEC on Form 8-K.

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

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

SUMMARY

This summary highlights information contained elsewhere in this prospectus. As a summary, it speaks in general terms without giving details or discussing any exceptions. Before buying any SMBS certificates, you should have the information necessary to make a fully informed investment decision. For that, you must read in its entirety this prospectus (as well as each document to which we refer you in this prospectus), the related prospectus supplement, any supplement to the prospectus supplement and each disclosure document for the trust assets in the related trust.

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

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

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. We alone are responsible for making payments under our guaranty.

Description of SMBS Certificates Each SMBS certificate will represent a beneficial ownership interest in the 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 related prospectus supplement. The book-entry certificates will not be convertible into physical certificates.

The prospectus supplement for each series of SMBS certificates will contain additional information about the assets of the related trust.

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 related 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 issue date occurs.

Distribution Date	Unless otherwise specified in the related prospectus supplement, the 25th day of each month is the date designated for payments to certificateholders. If that day is not a business day, payment will be made on the next business day. The first distribution date 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 1st, the first distribution date will be April 25th or, if April 25th is not a business day, the first business day following the 25th.
Interest	Each interest-bearing class of SMBS certificates will accrue interest at the annual rate specified or described in the related prospectus supplement. In general, we will pay interest on all interest-bearing classes on each distribution date. The monthly interest payment on an SMBS certificate will equal the interest accrued during the related interest accrual period.
Principal	On each distribution date, we will pay to the holder of each SMBS certificate of a particular class the portion of the principal payment on the underlying certificates allocable to that class multiplied by the ownership percentage in the class represented by that SMBS certificate. The related prospectus supplement will provide more information about the principal payment, if any, allocable to each class of SMBS certificates.
Class Factor	Unless we specify otherwise in the related prospectus supplement, we will publish the class factor for each class of SMBS certificates on or about the 11th calendar day of each month. 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 in that month.
Business Day	Any day other than a Saturday or Sunday, a day on which the fiscal agent or paying agent is closed, a day on which the Federal Reserve Bank of New York is closed, or a day on which the Federal Reserve Bank in the district where the certificate account is maintained is closed.
Final Distribution Date	As to any class (other than an SMBS series evidencing beneficial interests in excess yield amounts), the distribution date immediately following the latest maturity date of a mortgage loan directly or indirectly backing the related trust assets as specified in the related final data statement.
Guaranty	We guarantee to each trust that we will supplement amounts received by the trust as required to permit payment of interest and principal, as applicable, on the related SMBS certificates on each distribution date

to the extent described in the related prospectus supplement. In addition, we guarantee to each trust the full and final payment of any unpaid principal balance of each class of SMBS certificates of the related SMBS series on the final distribution date.

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

Trust Assets	Each trust will consist of either: <ul style="list-style-type: none">• MBS, Mega certificates, REMIC certificates or previously issued SMBS certificates; or• excess yield amounts. See “TRUST ASSETS” below.
Exchange of SMBS Certificates	In certain circumstances, holders may exchange their SMBS certificates for one or more Mega certificates and/or other classes of SMBS certificates from the same SMBS series. See “DESCRIPTION OF THE SMBS CERTIFICATES—Exchange of Certificates” in this prospectus.
Trust Agreement	Each series of SMBS certificates is issued in accordance with the provisions of a Mega-SMBS Master Trust Agreement and an issue supplement for that series (together, the “trust agreement”). We summarize certain pertinent provisions of the trust agreement in this prospectus. You should refer to the trust agreement for a complete description of your rights and obligations as well as those of Fannie Mae in our various capacities.
Trustee	We serve as the trustee for each trust pursuant to the terms of the trust agreement.
Paying Agent	An entity designated by us to perform the functions of a paying agent. The Federal Reserve Bank of New York currently serves as our paying agent for 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 system.
Fiscal Agent	An entity designated by us to perform certain administrative functions for a trust. The Federal Reserve Bank of New York currently serves as our fiscal agent for the SMBS certificates and our other mortgage-related securities.
Termination	Each trust will terminate upon distribution by the trustee to the holders of the related SMBS certificates

of all amounts required to be distributed under the related trust agreement. In no event will any trust continue beyond the last day of the sixtieth year following the issue date for that trust. In addition, if specified in the related 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. However, in no event will Fannie Mae have an option to terminate the trust early.

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 loans qualify for such treatment. For a discussion of the special tax characteristics of certain types of mortgage loans, see **“CERTAIN FEDERAL INCOME TAX CONSEQUENCES—Special Tax Attributes”** in the Single-Family MBS Prospectus.

If only a single class of SMBS certificates is issued with respect to a particular trust, the beneficial owner of an SMBS certificate of that class will be treated for federal income tax purposes as the beneficial owner of a pro rata portion of the assets included in the related trust. In that case, you should also consult the disclosure documents related to each of the assets included in the related trust for a discussion of certain federal income tax consequences to beneficial owners of those assets.

Legal Investment Considerations

Under the Secondary Mortgage Market Enhancement Act of 1984 or SMMEA, 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 series constitute legal investments for you.

ERISA Considerations

For the reasons discussed under “**ERISA CONSIDERATIONS**” in this prospectus, investment by a plan in SMBS certificates will not cause the assets of the plan to include the mortgage loans backing the underlying assets held in the trust or cause the sponsor, trustee and servicers of the mortgage pool to be subject to the fiduciary provisions of the Employee Retirement Income Security Act (ERISA) or the prohibited transaction provisions of ERISA or section 4975 of the Internal Revenue Code of 1986.

RISK FACTORS

We have listed below some of the risks associated with an investment in the SMBS certificates. If the trust for a particular series of SMBS certificates holds MBS, Mega certificates or REMIC certificates, you should also carefully consider the risk factors in the Single-Family or Multifamily MBS Prospectus, the Mega Prospectus, or the Single-Family REMIC prospectus, respectively. 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. Moreover, we may identify additional risks associated with a specific series of SMBS certificates in the related prospectus supplement. Because each investor has different investment needs and a different risk tolerance, you should consult your own financial and legal advisors to determine whether the SMBS certificates are a suitable investment for you.

INVESTMENT FACTORS:

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 the SMBS certificates and the information contained in this prospectus, the related prospectus supplement, any supplement to the prospectus supplement and the documents incorporated by reference;
- understand thoroughly the terms of the 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;
- investigate any legal investment restrictions that may apply to you; and
- exercise particular caution if your circumstances do not permit you to hold the SMBS certificates until maturity.

Some investors may be unable to buy certain classes.

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

PREPAYMENT FACTORS:

We may withdraw some or all of the trust assets due to a breach of representations and 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).

Each seller that sells trust assets to us makes various representations and warranties about itself and the trust assets. If these representations and warranties were not true when they were made, we may purchase the trust assets at any time from the related trust. When a trust asset having a principal balance is purchased, its principal balance is passed through to the applicable certificateholders on the distribution date in the month of purchase. When excess yield amounts are purchased from a trust, a purchase amount calculated as specified in the related prospectus supplement is passed through to the related certificateholders on the distribution date in the month of purchase. Thus, a purchase of a trust asset due to a breach of a representation and warranty will accelerate 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).

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 contained in the disclosure documents for the MBS, Mega certificates, REMIC certificates and previously issued SMBS certificates, as applicable.

YIELD FACTORS:

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

Unless otherwise provided in the related prospectus supplement, for SMBS certificates backed by certificates issued by Fannie Mae, we assume that the related mortgage loans have certain characteristics. However, the actual mortgage loans are likely to have different characteristics from those we assume. As a result, your yields may be lower than you expect, even if the mortgage loans prepay at the indicated prepayment speeds.

Delay classes have lower yields and market values.

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

Level of floating rate index affects yields on certain SMBS certificates.

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

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

If the interest rate of your SMBS certificate adjusts according to an index, and the interest rates of the related 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 last payment affects yields on SMBS certificates.

The actual final payment of your SMBS certificate may occur earlier, and could occur much earlier, than you expect. If you assume that the actual final payment will occur on a certain date, your yield may be lower than you expect.

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

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

Changes in weighted average excess yield rates will affect yields on WAC classes of SMBS certificates backed by excess yield amounts.

If you own SMBS certificates from any weighted average coupon classes (WAC) which are backed by excess yield amounts, your yield could be affected by changes in the weighted average of the excess yield rates on the mortgage loans backing such excess yield amounts.

Although the interest rates borne by the WAC classes are fixed, the notional principal balance of each of these classes will be calculated each month as described on the cover of the related prospectus supplement. As a result of this calculation, the notional principal balances of the WAC classes are 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 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.

LIQUIDITY FACTORS:

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

We cannot be sure that SMBS certificates, when issued, will have a ready market, or, if a market does develop, that the market will remain during the entire term for which the SMBS certificates are outstanding. 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 SMBS certificates are:

- the method, frequency and complexity of calculating principal or interest;
- the characteristics of the related trust assets;
- past and expected prepayment levels of the related trust assets and of comparable assets;
- 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 legal restrictions or tax treatment that limits the demand for SMBS certificates;
- the availability of comparable or complementary securities; and
- the level, direction and volatility of interest rates generally.

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. Such 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 such 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 such 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 amounts and comparable maturities. Other

securities issued at a substantial discount or premium from their principal amount (such as certificates issued with significantly below-market or above-market interest rates) also have higher volatility. Generally, the longer the remaining term to maturity of these types of SMBS certificates, the greater their price volatility as compared to interest-bearing mortgage-backed securities having principal amounts and comparable maturities.

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

FANNIE MAE CREDIT FACTORS:

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

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

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

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

OTHER FACTORS:

Only certain information is provided.

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, therefore,

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 WAC that is 1.50% above the pass-through rate of the MBS could consist of mortgage loans half of which have coupons that are 0.50% above the pass-through rate and the other half of which have coupons that are 2.50% above the pass-through rate. A pool of this type could have a prepayment experience that is significantly different from that of a pool made up exclusively of mortgage loans with coupons that are 1.50% above the pass-through rate of the MBS. In a similar way, the remaining terms to maturity of mortgage loans in a pool may vary widely. This difference would affect the scheduled amortization and could affect the prepayment rate of the related MBS and, therefore, the yield on your SMBS certificates.

FANNIE MAE

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

Under the Charter Act, we were created to:

- provide stability in the secondary market for residential mortgages;
- respond appropriately to the private capital markets;
- provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing, including multifamily housing, for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and
- promote access to mortgage credit throughout the nation (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

In accordance with our statutory purpose, we provide funds to the mortgage market by purchasing mortgage loans from lenders. In this way, we replenish their funds so they can make additional loans. We acquire funds to purchase these loans by issuing debt securities to capital market investors, many of whom ordinarily would not invest in mortgages. Thus, we are able to expand the total amount of funds available for housing.

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

In addition, we offer various services to lenders and others for a fee. These services include issuing certain types of structured mortgage-backed certificates and providing technology services for originating and underwriting mortgage loans.

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

USE OF PROCEEDS

We usually issue SMBS certificates in swap transactions in which the SMBS certificates are issued in exchange for MBS, Mega certificates, REMIC certificates, Previously Issued SMBS certificates or excess yield amounts backing the SMBS certificates being issued. In some instances, we may issue SMBS certificates backed by MBS, Mega certificates, REMIC certificates or Previously Issued SMBS certificates that we already own. In those transactions, we receive cash proceeds upon sale of the SMBS certificates to the related dealers. Unless stated otherwise 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 December 1, 2007, which are issued under our Mega-SMBS Master Trust Agreement, effective December 1, 2007 (as it may be amended, supplemented or replaced from time to time, the “Mega-SMBS trust agreement”). For information about SMBS certificates issued before that date, see the SMBS prospectus that was in effect at the time those SMBS certificates were issued.

General

We will create a trust for each series of SMBS certificates pursuant to the Mega-SMBS trust agreement and an issue supplement (collectively, the “trust agreement”) for that SMBS series. We will execute the trust agreement in our corporate capacity and as trustee. We will issue the SMBS certificates for each series pursuant to the trust agreement.

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 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 assets of the trust for each series of SMBS certificates will consist of one or more of the following:

- MBS;
- Mega certificates;
- REMIC certificates;
- Previously Issued SMBS certificates (together with the MBS, Mega certificates and REMIC certificates, the “underlying certificates”); and/or
- excess yield amounts.

In this prospectus, we refer to the underlying certificates and the excess yield amounts as the “trust assets.”

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

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”). However, unless otherwise stated in the related prospectus supplement, the SMBS certificates will be issued on the book-entry system of the U.S. 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 certificateholders to exchange certain classes of SMBS certificates. See “—**Exchange of Certificates.**” Book-entry certificates are freely transferable on the records of any Federal Reserve Bank or DTC, as applicable, but are not convertible to physical certificates. Any transfers are subject to the minimum denomination requirements. See “—**Denominations**” below.

Federal Reserve Banks

With respect to SMBS certificates registered on the book-entry system of the Federal Reserve Banks, a certificateholder is an entity that appears in the records of a Federal Reserve Bank as the owner of the SMBS certificate. Only entities that are eligible to maintain book-entry accounts with a Federal Reserve Bank may be certificateholders. These entities are not necessarily the beneficial

owners of the SMBS certificates. They are banks, securities clearing organizations and similar companies that act as financial intermediaries. Ordinarily, beneficial owners hold book-entry certificates by having accounts at financial intermediaries that either have book-entry accounts with a Federal Reserve Bank or hold through other financial intermediaries, one of which has a book-entry account with a Federal Reserve Bank. A certificateholder that is not also the beneficial owner of a book-entry SMBS certificate, and all other financial intermediaries in the chain between the certificateholder and the beneficial owner, are responsible for establishing and maintaining accounts for their customers.

The Federal Reserve Bank of New York currently serves as our fiscal agent, pursuant to a fiscal agency agreement, for 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 certificateholders. Neither we nor any Federal Reserve Bank will have any direct obligation to the beneficial owner of a book-entry SMBS certificate who is not also a certificateholder. We and any Federal Reserve Bank may treat the certificateholder as the absolute owner of the book-entry 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 certificateholder when we make a distribution on the book-entry SMBS certificates. Each certificateholder and any financial intermediaries are responsible for remitting distributions to the beneficial owners of the book-entry 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 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 will direct 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, a certificateholder would hold an SMBS certificate of a class in an amount less than the applicable minimum denomination for that class, the certificateholder will be unable to effect the proposed 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 prospectus supplement will identify the categories of classes in the related trust 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 first business day following the 25th day of the month. We refer to this date as the 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 1st, the first distribution date for that series will be April 25th, or the next business day if April 25th is not a business day. A business day is any day other than a Saturday or Sunday, a day when the fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York is closed, or a day when the Federal Reserve Bank in the district where the certificate account is maintained is closed. We will pay the certificateholder that is listed as the holder in the records of any Federal Reserve Bank or DTC, as applicable, as of the record date. Unless specified in the related prospectus supplement, the record date is the close of business on the last day of the month immediately preceding the month in which the distribution date occurs.

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.

An interest accrual period can be of one of two types (each, an “interest accrual period”):

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

The prospectus supplement will also 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 with respect to 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 related 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

General

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

LIBOR

If a class of SMBS certificates accrues interest based on the London interbank offered rate (“LIBOR”), we will be responsible for calculating LIBOR on each index determination date using either the BBA Method or the LIBO Method. Generally, the prospectus supplement for each series that has a LIBOR-based class of SMBS certificates will specify the calculation method for that series. For purposes of calculating LIBOR, however, the term “business day” means a day on which banks are open for dealing in foreign currency and exchange in London and New York City. Our calculation of each LIBOR-based interest rate on each index determination date will be final and binding, absent manifest error. You may obtain each such interest rate by telephoning us at 1-800-237-8627.

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

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

Unless otherwise specified in the prospectus supplement, for a series of SMBS certificates that includes a LIBOR-based class, LIBOR will be calculated based on the BBA Method.

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

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

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

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

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

Principal Distributions

On each distribution date, if a class of SMBS certificates has a principal balance, then we will distribute to the related certificateholders principal in an amount equal to the aggregate amount of principal due on the underlying certificates during the applicable deposit period that is allocable to the 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 with the first day of the month of such distribution date) and ending on the current distribution date.

Reports to Certificateholders

Monthly Factor

Unless otherwise provided in the related prospectus supplement, we will publish a class factor for each class of a series of SMBS certificates on or about the 11th calendar day of each month. 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 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 in various financial publications. We, or an agent that we engage for this purpose, will make all necessary numerical calculations.

Tax Information

Within a reasonable time after the end of each calendar year, we will post on our Web site, or otherwise make available, information required by the federal income tax laws.

Fannie Mae Guaranty

We are the guarantor under the trust agreement. We guarantee to each trust that we will supplement amounts received by the trust as required to permit payment on the SMBS certificates of the amounts of principal and interest, as applicable, to the extent described in the related prospectus supplement. We also guarantee to each trust the full and final payment of any unpaid principal balance of the SMBS certificates of each class. Our guaranty is effective whether or not sufficient funds have been remitted to us for the related trust assets.

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

If we were unable to perform our guaranty obligations, holders of each class of SMBS certificates of a series would receive from the related 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 of the related trust, such as insurance, condemnation and foreclosure proceeds. In that event, delinquencies and defaults on the mortgage loans directly or indirectly backing the SMBS certificates would directly affect the amounts that certificateholders would receive each month.

The SMBS certificates and the 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. We alone are responsible for making payments under our guaranty.

Exchange of Certificates

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

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

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

Exchange of SMBS Certificates for Mega Certificates

If and to the extent described 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. We may impose an administrative fee for the exchange of SMBS certificates for the Mega certificates. The Mega certificates will have a minimum denomination of \$1,000 with additional increments of one dollar. Unless the prospectus supplement for the related SMBS series 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, such exchange must meet the minimum denomination requirements for SMBS certificates set forth in “—**Denominations**” above.

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 real estate mortgage investment conduit (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, call us at (202) 752-7585.

Prior to exchanging your SMBS certificates for Mega certificates, you should review the Mega Prospectus.

Exchange of Certain Classes of SMBS Certificates for Other SMBS Certificates

If and to the extent described in the related prospectus supplement, so long as your SMBS series contains two or more classes of SMBS certificates, you generally may exchange certain classes of SMBS certificates that provide for aggregate interest distribution amounts and have principal denomination that in the aggregate are equal to one or more specified SMBS certificates of a different class with the same aggregate interest distribution amounts and aggregate principal denominations. We may impose an administrative fee for the exchange.

The related 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 related 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 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 the 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 will be restricted or eliminated. For information concerning the transfer of SMBS certificates to a REMIC trust, call us at (202) 752-7585.

Procedures and Fees

A certificateholder wishing to exchange SMBS or Mega certificates must notify Fannie Mae through one of our “SMBS Dealer Group” dealers set forth in the related prospectus supplement 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 next to last business day of any month (but if the last business day of a month is the 31st, then such exchanges are not permitted on the *last two* business days of that 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 or the *last* business day of the month (but if the last business day of a month is the 31st, then such exchanges are *not* permitted on the *last two* business days of that month). The notice must include the outstanding principal balances and, if applicable, notional principal balances of the SMBS certificates and/or Mega certificates to be exchanged as well as the SMBS certificates and/or Mega certificates to be received and the proposed exchanged date. A notice becomes irrevocable on the second business day before the proposed exchange date. Since exchanges in any month will be effective subsequent to the record date for the distribution date in that month, all distributions in the month of exchange will be made in respect of the SMBS certificates and/or Mega certificates surrendered for exchange. The first distribution date in respect of the SMBS certificates and/or Mega certificates received in any exchange will take place in the month following the month of exchange.

Unless otherwise stated in the prospectus supplement, in connection with each exchange, you must pay us a fee of $\frac{1}{32}$ of 1% of the outstanding principal balance (exclusive of any notional principal balance) of the SMBS certificates or Mega certificates to be exchanged. Unless otherwise stated in the prospectus supplement, our fee will never be less than \$2,000.

If in any exchange you surrender *only* SMBS certificates that have notional principal balances, our fee will be \$2,000 for that exchange.

Additional Considerations

You should also consider a number of factors that will 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.
- Principal payments, including prepayments, on the related mortgage loans will decrease the amount of SMBS certificates available for exchange over time.

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

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

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.

- If the assets consist of MBS, see the discussion under the heading “**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS**” in the Single-Family MBS Prospectus or the Multifamily MBS Prospectus, as applicable.
- If the assets consist of Mega Certificates, see the discussion under the heading “**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS**” in the Mega Prospectus.
- If the assets consist of REMIC certificates, see the discussion under the heading “**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS**” in the Single-Family REMIC Prospectus.
- If the assets consist of excess yield amounts, see the discussion under the heading “**YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS**” in the Single-Family MBS Prospectus.

In addition, certificateholders will receive 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 AGREEMENT—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 the 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 assets of the related trust 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 assets of the related trust. 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 assets of the related trust.

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. There are two reasons for this likelihood. 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 assets of the related trust. Second, some of the mortgage loans will have stated maturities that occur prior to the dates contained in the assumptions and have interest rates that are lower than the rates contained in the assumptions. We cannot assure that the outstanding principal balance of any class of 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 related prospectus supplement to distributions or payments of principal mean reductions of the notional principal balance. Similarly, for purposes of determining the final distribution date of an interest-only SMBS certificate, references to payment of the full outstanding principal balance mean a reduction of the notional principal balance to zero.

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

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 prepayment model that was developed by the Securities Industry and Financial Markets Association. It represents an assumed rate at which a pool of new mortgage loans will repay. 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”). It represents the annual rate of prepayments relative to the then-outstanding principal balance of a pool of new mortgage loans. Thus, “0% CPR” means no prepayments, “15% CPR” means an annual prepayment rate of 15% and so forth.

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

TRUST ASSETS

Each SMBS certificate in a trust will evidence a beneficial ownership interest in amounts on deposit in the related certificate account, if any, and one or more trust assets, which may include:

MBS

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

The Multifamily MBS Prospectus describes the general characteristics of any multifamily MBS that may back the SMBS certificates. We make the Multifamily MBS Prospectus available to investors in the manner described on page 2 of this prospectus. The general characteristics of the mortgage loans backing such multifamily MBS are described in the Multifamily MBS Prospectus. The prospectus supplement for each such trust will contain certain additional information about the multifamily MBS and the related mortgage loans.

Mega Certificates

The Mega Prospectus describes the general characteristics of any Mega certificates that may back the SMBS certificates. We make the Mega Prospectus available to investors in the manner described on page 2 of this prospectus. 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 may back the SMBS certificates. We make the Single-Family REMIC Prospectus available to investors in the manner described on page 2 of this prospectus. 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. In the case of Previously Issued SMBS certificates issued before the date of this prospectus, their general characteristics 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

Excess yield amounts included in a trust consist of certain interest amounts payable on mortgage loans backing certain MBS. The prospectus supplement for each such trust that holds excess yield amounts will contain certain additional information about the related mortgage loans.

Final Data Statements

With respect to each trust, we will prepare a final data statement containing certain information about the trust assets after issuing the related SMBS certificates.

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 mortgage loans directly or indirectly underlying each of the MBS, Mega certificates and Previously Issued SMBS certificates 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 mortgage loans directly or indirectly underlying each of the MBS, Mega certificates and Previously Issued SMBS certificates as of the issue date of the SMBS certificates.

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

You may obtain the final data statement for a series of SMBS certificates by telephoning us at 1-800-237-8627. The final data statement for each series of SMBS certificates is also available on our Web site at www.fanniemae.com.

THE TRUST AGREEMENT

We summarize below important terms of the trust agreement. This summary is not complete. If there is any conflict between the information in this prospectus and the actual terms of the trust agreement, the terms of the trust agreement will govern. You may obtain a copy of the Mega-SMBS trust agreement from our Washington, DC office or our Web site found at www.fanniemae.com. You may obtain a copy of the issue supplement that applies to your series of SMBS certificates from our Washington, DC office.

Transfer of Assets to a Trust

The trust agreement for each trust will contain a schedule that will identify the trust assets that are being transferred to the trust for that series of SMBS certificates. In the case of underlying

certificates, they will be registered in our name on the books of the Federal Reserve Bank of New York or other applicable book-entry system. As trustee, we will hold the trust assets for holders of the SMBS certificates of that series.

Purchase of Assets from a Trust

In delivering trust assets to us, a seller makes, or is deemed to make, certain representations and warranties about the trust assets. If the seller's representations and warranties were not true when they were made, we may, within 90 days of discovery of the breach, purchase from the related trust the trust assets with respect to which the breach or error occurred. In addition, if we determine, or a court or government agency determines, that our acquisition of any trust asset prior to its being transferred to a trust was unauthorized or if a court or government agency requires us to purchase any trust asset from a trust, we will purchase it as soon as practicable. When a trust asset having a principal balance is purchased, its principal balance is passed through to the related 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 trust agreement. See **"RISK FACTORS—PREPAYMENT FACTORS—We may withdraw some or all of the trust assets due to a breach of representations and 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 this prospectus.

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 under **"DESCRIPTION OF THE SMBS CERTIFICATES—Exchange of Certificates"** above, the SMBS certificates and the related Mega certificates will be issued by the same trust. Except where specific references to Mega certificates appear, in the case of any trust that issues both SMBS certificates and Mega certificates, references to "certificateholders" and "holders of certificates" in the following paragraphs of this section are deemed to refer collectively to the holders of the SMBS certificates and holders of the related Mega certificates that are outstanding at any time.

Certificate Account

Funds collected on the trust assets and used to pay certificateholders are held in an account separate from our own corporate funds. This separate account is called a certificate account and funds held in this account are held in trust for the benefit of certificateholders. The certificate account is the account from which certificateholders are paid. Amounts on deposit in the certificate account will be commingled with funds for other trusts for which we are acting as trustee and are not separated on a trust by trust basis. As trustee, we are entitled to investment earnings on funds on deposit in the certificate account. Certificateholders are not entitled to any investment earnings from the certificate account. We may invest funds in the certificate account in eligible investments set forth in the trust agreement, including our own debt instruments, prior to distribution to certificateholders.

Certain Matters Regarding Our Duties as Trustee

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

Under the trust agreement, the trustee may consult with and rely on the advice of counsel, accountants and other advisers and the trustee will not be responsible for errors in judgment or for anything it does, or does not do, in good faith if it so relies. This standard of care also applies to our directors, officers, employees and agents. We are not required, in our capacity as trustee, to risk our funds or incur any liability if we do not believe those funds are recoverable or we do not believe adequate indemnity exists against a particular risk. This does not affect our obligations as guarantor under our 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, as trustee, nor the respective officers, directors, employees, and agents of the trustee will be protected against any liability if it results from willful misfeasance, bad faith or gross negligence or as a result of willful disregard of our duties as trustee.

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

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

Guarantor Events of Default

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

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

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

Voting Rights

Unless otherwise provided in the prospectus supplement for a particular series of SMBS certificates, for purposes of voting, giving notice, consent or otherwise taking action under the trust agreement, if the outstanding SMBS certificates for any trust do not include any SMBS certificates of an interest only class or include only SMBS certificates of one or more interest only classes, 100% of the voting rights will be allocated to the related classes in proportion to their aggregate certificate balances. If the outstanding SMBS certificates for any trust include SMBS certificates of one or more

interest only classes and one or more classes that are not interest only classes, the voting rights will be allocated as follows:

- if the outstanding certificates of a trust include both Mega certificates and SMBS certificates, then (x) the Mega certificates will be allocated a percentage of the total voting rights equal to the percentage equivalent of a fraction, the numerator of which is the aggregate certificate balance of the outstanding Mega certificates and the denominator of which is the aggregate principal amount of the related trust assets, and (y) the SMBS certificates will be allocated the remainder of the voting rights, with such remaining voting rights being allocated 75% to the principal only class of outstanding SMBS certificates and 25% to the interest only class or classes of outstanding SMBS certificates (to be further allocated among interest only classes, pro rata, based on their respective aggregate certificate balances, as applicable); and
- if the outstanding certificates of a trust do not include Mega certificates, the voting rights will be allocated 75% to the principal only class of outstanding SMBS certificates and 25% to the interest only class or classes of outstanding SMBS certificates (to be further allocated among interest only classes, pro rata, based on their respective aggregate certificate balances, as applicable).

The voting rights allocated to each class of SMBS certificates will be allocated among all holders of the SMBS certificates of each such class in proportion to their respective percentage interests in that class evidenced by their respective SMBS certificates.

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

SMBS 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, SMBS certificates that are beneficially owned by us, as guarantor, may be voted by us, as guarantor, to the same extent as SMBS 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 SMBS certificates or Mega certificates of a trust, those certificates owned by us, as guarantor, may be voted by us without restriction.

SMBS 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, SMBS certificates that are beneficially owned by a successor trustee may be voted by that successor trustee to the same extent as SMBS 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 SMBS certificates (and, if applicable, 100% of the Mega certificates) of a trust, those certificates owned by that successor trustee may be voted by that successor trustee without restriction.

Voting Under Trust Documents for any Underlying Certificates

Unless the related prospectus supplement provides otherwise, the holders of a certain minimum percentage ownership in trust assets consisting of underlying certificates may give their consent to any matter requiring consent under the related underlying trust agreement. The trust agreement for a trust, however, does not permit us, as trustee, to vote any such underlying certificates held in a trust

unless we have received consistent direction from certificateholders whose principal balances (or notional principal balances) together equal at least 51% of the aggregate voting rights of all the related classes of SMBS certificates of that series. Following its receipt of such direction, the trustee will vote such underlying certificates in their entirety in accordance with the direction.

Certificateholder Rights

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

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

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

Amendment

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

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

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

- terminate or change our guaranty obligations;
- reduce or delay payments to certificateholders;
- take any action that materially increases the taxes payable in respect of a trust or affects the status of the trust as a fixed investment trust for federal income tax purposes;
- reduce the percentage requirement of certificateholders who must give their consent to any waiver or amendment; or
- make a change to the activities of the trust that would (i) allow the seller of the trust assets to us (or allow Fannie Mae, in the case of a trust formed from assets in our portfolio) to regain control of those assets, (ii) cause the trust to cease to be a qualified special purpose entity for accounting purposes, or (iii) affect the interests of a certificateholder in any way that would be viewed as significant unless all certificateholders of the related trust have agreed.

Termination

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

Except in limited circumstances discussed under “—Purchase of Assets from a Trust” above, we do **not** have an option to purchase the trust assets backing the SMBS certificates or to purchase any mortgage loans and then retire the SMBS certificates. In some cases, another party may have such a right. In that case, the related prospectus supplement will describe the terms and conditions of that right. Moreover, we do **not** have any clean-up call option, *i.e.*, we cannot terminate the trust when the unpaid principal balance of the related pool declines to a certain amount or reaches a certain percentage of the original unpaid principal balance of the pool.

Merger

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

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 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 organizations, 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.
- 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 grantor trust under subpart E of part I of subchapter J of the Internal Revenue Code of 1986, as amended (the “Code”). Beneficial owners of SMBS certificates will be treated for federal income tax purposes as beneficial owners 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.

Final regulations issued by the Treasury Department 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 accrued 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 loans qualify for such treatment. For a discussion of the special tax characteristics of certain types of mortgage loans, see "**CERTAIN FEDERAL INCOME TAX CONSEQUENCES—Special Tax Attributes**" in the Single-Family MBS Prospectus.

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 Certificates—Exchange of Certain Classes of SMBS Certificates for Other SMBS Certificates**" above, 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**" above), 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.

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.

Distributions of interest and principal, as well as distributions of proceeds from the sale of SMBS certificates, may be subject to the “backup withholding tax” under section 3406 of the Code if recipients of such distributions fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from that tax. Any amounts deducted and withheld from a distribution to a recipient would be allowed as a credit against the recipient’s federal income tax. Furthermore, certain penalties may be imposed by the IRS on a recipient of distributions that is required to supply information but does not do so in the proper manner.

Non-U.S. Persons

Additional rules apply to a beneficial owner of an SMBS certificate that is not a U.S. Person (a “Non-U.S. Person”). The term “U.S. Person” means:

- a citizen or resident of the United States,
- a corporation, partnership or other entity created or organized in or under the laws of the United States or any of its political subdivisions,
- 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” (that is, a 10% 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 or, in the case of an individual, that the beneficial owner is neither a citizen

nor resident of the United States, and provides the name, address and taxpayer identification number, if any, of the beneficial owner;

- 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 interest in a pool of mortgage loans all of which were originated after July 18, 1984.

That portion of income of a beneficial owner that is a Non-U.S. Person derived from 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% 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.

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, including, without limitation, restrictions that may be imposed retroactively. If you are a financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the 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. 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.**

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 agreement.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or section 4975 of the Code imposes requirements on employee benefit plans subject to ERISA (such as employer-sponsored retirement plans) and on other types of benefit plans and arrangements subject to section 4975 of the Code (such as individual retirement accounts). ERISA and section 4975 of the Code also impose these requirements on some entities in which these benefit plans or arrangements

invest. We refer to these plans, arrangements and entities, collectively, as “plans.” Any person who is a fiduciary of a plan also is subject to requirements imposed by ERISA and section 4975 of the Code. Before a plan invests in any SMBS certificate, the plan fiduciary must consider whether the governing instruments for the plan permit the investment, whether the SMBS certificates are a prudent and appropriate investment for the plan under its investment policy, and whether such an investment might result in a transaction prohibited under ERISA or section 4975 of the Code for which no exemption is available.

The U.S. Department of Labor issued a regulation covering the acquisition by a plan of a “guaranteed governmental mortgage pool certificate,” defined to include a certificate that is “backed by, or evidencing an interest in, specified mortgages or participation interests therein” and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a plan in a “guaranteed governmental mortgage pool certificate” does not cause the assets of the plan to include the 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 section 4975 of the Code in providing services with respect to the mortgages in the pool. Our counsel, Sidley Austin LLP, has advised us that, except to the extent otherwise specified in a related 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.

PLAN OF DISTRIBUTION

Pursuant to a Fannie Mae commitment, we generally will deliver the SMBS certificates of a particular series to one or more securities dealers or other institutional investors in exchange for the assets held in the related trust and specified in the related prospectus supplement. In certain cases, as specified in the related prospectus supplement, 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 related prospectus supplement. Each dealer will offer the SMBS certificates as specified in the related 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, dealers or other institutional investors for each offering. We reserve the right to acquire SMBS certificates for our own account at the time they are issued or subsequently 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. 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.

CLASS DEFINITIONS AND ABBREVIATIONS

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
PRINCIPAL TYPES		
NTL	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.
PT	Pass-Through	Is designed to receive principal payments in direct relation to actual or scheduled payments on the underlying assets in the trust.

INTEREST TYPES

FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the class.
FLT	Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies directly with changes in the index.
INV	Inverse Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies inversely with changes in the index.
IO	Interest Only	Receives some or all of the interest payments made on the 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.
PO	Principal Only	Does not bear interest and is entitled to receive only payments of principal.
WAC	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 this offering other than the information and representations contained in this prospectus, any prospectus supplement and any other disclosure document referred to in this prospectus or a prospectus supplement. You must not rely on any unauthorized information or representation. This prospectus, any prospectus supplement and any other disclosure document referred to in this prospectus or a prospectus supplement 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 at any time, no one implies that the information contained herein is correct after its date.

The Securities and Exchange Commission has not 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 copies of this prospectus and information regarding outstanding trusts are available upon request by calling us at 1-800-237-8627 or (202) 752-7115 or by going to our Web site at www.fanniemae.com.

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Guaranteed Stripped Mortgage-Backed Securities (SMBS Certificates)

SMBS PROSPECTUS



December 1, 2007