

\$431,784,972[†] (Approximate)**FannieMae**

Guaranteed Grantor Trust Pass-Through Certificates Fannie Mae Grantor Trust 1999-T3

Consider carefully the risk factors starting on page 6 of this prospectus. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.

The certificates, together with interest thereon, 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.

The certificates are exempt from registration under the U.S. Securities Act of 1933 and are "exempted securities" under the U.S. Securities Exchange Act of 1934.

The Certificates

We, the Federal National Mortgage Association or Fannie Mae, will issue the classes of certificates listed in the chart on this page. The certificates will represent ownership interests in the trust assets.

Payments to Certificateholders

You, the investor, will receive monthly payments on your certificates, including:

- interest accrued on the balance of your certificates and
- principal as described in this prospectus.

Principal payments on the certificates are likely to fluctuate from month to month and may fluctuate widely.

The Fannie Mae Guaranty

We will guarantee that the payments of monthly interest and principal described in this prospectus are paid to investors on time and that the remaining principal balance, if any, of each class of certificates is paid on the redemption date shown below.

The Trust and Its Assets

The trust will have an ownership interest in:

- the underlying securities described in this prospectus and
- the right to receive interest payments under a swap arrangement.

The underlying securities, which are primarily interest only or principal only securities, represent interests in mortgage loans included in various mortgage pools. These mortgage pools consist of first lien, single-family, fixed rate mortgage loans.

Class	Group	Original Class Balance [†]	Principal Type	Interest Rate	Interest Type	CUSIP Number	ISIN Number	Common Code	Redemption Date
A1	1	\$193,620,546	SC/PT	(1)	FLT	31359WQ79	US31359WQ797	19199140	August 2009
A2	2	238,164,426	SC/PT	(1)	FLT	31359WQ87	US31359WQ870	19199182	August 2009

(1) Based on LIBOR

[†] Subject to a variance of plus or minus 5%.

The dealer will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be September 21, 1999.

We intend to apply to list the certificates on the Luxembourg Stock Exchange.

Deutsche Banc Alex. Brown

September 2, 1999

We may not distribute this prospectus or any supplement in the United Kingdom to any person unless that person is of a kind described in Article 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, as amended, or is a person to whom we may otherwise lawfully issue or distribute this prospectus or any supplement. For a further description of certain restrictions on offers, sales and deliveries of the certificates and on the distribution of this prospectus or any supplement, see “Plan of Distribution—Selling Restrictions” in this prospectus.

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ADDITIONAL INFORMATION

You should purchase the certificates only if you have read this prospectus and our current Information Statement dated March 31, 1999 and its supplements (the “Information Statement”). The Information Statement contains important financial and other information about Fannie Mae which we are incorporating by reference in this prospectus. This means that we are disclosing important information to you by referring to these documents, so you should read them together with this prospectus.

You can obtain copies of this prospectus and the Information Statement (the “Disclosure Documents”) by writing or calling:

Fannie Mae
3900 Wisconsin Avenue, N.W.
Area 2H-3S
Washington, D.C. 20016
(telephone 1-800-237-8627 or 202-752-6547).

This prospectus, the Information Statement, the Final Data Statement and the class factors are available on our website located at <http://www.fanniemae.com>.

You also can obtain additional copies of this prospectus by writing or calling:

Deutsche Bank Securities Inc.
Prospectus Department
1290 Avenue of the Americas, 6th Floor
New York, New York 10019
(telephone 212-469-6936; facsimile 212-469-3847).

Finally, you can obtain information about the underlying securities in addition to that contained in Exhibits A, B and C to this prospectus from the Final Data Statement, which will be available as described on page 12 of this prospectus.

REFERENCE SHEET

This reference sheet highlights information contained elsewhere in this prospectus. As a reference sheet, it speaks in general terms without giving details or discussing any exceptions. You should purchase the certificates only after reading this prospectus and each of the other disclosure documents listed on page 3 of this prospectus.

General

- The certificates will represent ownership interests in the trust assets.
- The trust assets will consist of:
 - indirect ownership interests in the various underlying securities described in this prospectus and
 - the right to receive interest payments under a swap arrangement.
- All of the Group 1 Underlying Securities are issued and guaranteed by Fannie Mae or are backed by Fannie Mae MBS.
- All of the Group 2 Underlying Securities are issued or guaranteed by Ginnie Mae or are backed by Ginnie Mae Certificates.
- Monthly principal payments on the A1 Class generally will be equal to the principal amounts paid on the Group 1 Underlying Securities and monthly principal payments on the A2 Class generally will be equal to the principal amounts paid on the Group 2 Underlying Securities.
- Any remaining principal balance of the certificates will be paid no later than the redemption date listed on the cover of this prospectus.
- The underlying securities are interest only or principal only securities representing ownership interests in mortgage loans included in various mortgage pools.
- Several of the underlying securities are issued by private label underlying trusts not affiliated with Fannie Mae, Ginnie Mae or Freddie Mac, but are backed by Fannie Mae MBS or Ginnie Mae Certificates.
- The mortgage pools consist of first lien, single-family, fixed rate mortgage loans.

Guaranty Payments

We will guarantee that the payments of monthly interest and principal described in this prospectus are paid to investors on time and that the remaining principal balance, if any, of each class of certificates is paid on the redemption date specified on the cover of this prospectus.

Assets Underlying Each Group

<u>Group</u>	<u>Assets</u>
1	Group 1 Underlying Securities
2	Group 2 Underlying Securities

Additional Information About the Underlying Securities

Certain summary information about the underlying securities is set forth in Exhibits A, B and C to this prospectus. Additional information will be provided in the Final Data Statement, which may be obtained as described on page 12 of this prospectus.

Class Factors

On or shortly after the 14th day of each month, we will publish the class factor for each class of certificates. (However, we will publish the September 1999 class factors on or before September 23, 1999.) If you multiply the class factor by the initial principal balance of a certificate of the related class, you will obtain the current principal balance of that certificate, after giving effect to the current month's payment.

Settlement Date

We expect to issue the certificates on September 21, 1999.

Distribution Dates

Beginning in September 1999, we will make payments on the certificates on the 25th day of each calendar month, or on the next U.S. business day if the 25th is not a U.S. business day.

Book-Entry Certificates

We will issue the certificates in book-entry form through The Depository Trust Company, which will track ownership of the certificates and payments on the certificates electronically. Certificates may be held through organizations participating in DTC in the United States and in the Euroclear System and Cedelbank in Europe.

Interest Rates

During the initial interest accrual period, each class of certificates will bear interest at the applicable initial interest rate listed below. During subsequent interest accrual periods, each class will bear interest based on the applicable formula indicated below:

<u>Class</u>	<u>Initial Interest Rate</u>	<u>Formula for Calculation of Interest Rate</u>
A1	5.49125%	LIBOR + 11 basis points
A2	5.46125%	LIBOR + 8 basis points

Payments of Principal

We will pay monthly principal on the certificates of each group in an amount generally equal to the principal, if any, payable in the related collection period for the corresponding group of underlying securities. We will pay the remaining principal balance, if any, of each class of the certificates on the redemption date shown on the cover of this prospectus.

RISK FACTORS

We describe below some of the risks associated with an investment in the certificates. Because each investor has different investment needs and a different risk tolerance, you should consult your own financial and legal advisors to determine whether the certificates are a suitable investment for you.

Suitability

The certificates are **not** a suitable investment for every investor.

- Before investing, you should have sufficient knowledge and experience to evaluate the merits and risks of the certificates and the information contained in the disclosure documents.
- You should thoroughly understand the terms of the certificates.
- You should thoroughly understand the summary information provided in this prospectus relating to the underlying securities and the related mortgage loans.
- You should be able to evaluate (either alone or with the help of a financial advisor) the economic and interest rate factors, as well as any other factors, that may affect your investment.
- You should have sufficient financial resources and liquidity to bear all risks associated with the certificates.

Investors whose investment activities are subject to legal investment laws and regulations, or to review by regulatory authorities, may be unable to buy certain certificates. You should get legal advice in determining whether your purchase of the certificates is a legal investment for you or is subject to any investment restrictions.

Yield Considerations

Your effective yield on the certificates will depend upon:

- the level of LIBOR;
- the price you paid for the certificates;
- how quickly or slowly borrowers prepay the mortgage loans backing the related principal only underlying securities;

- if and when such mortgage loans are liquidated due to borrower defaults, casualties or condemnations affecting the properties securing those loans;
- if and when such mortgage loans are repurchased by entities which made certain representations regarding the loans;
- the actual characteristics of such mortgage loans;
- whether Fannie Mae exercises its repurchase option;
- whether the holder of the residual interest in the REMIC trust exercises its clean-up call; and
- whether clean-up calls on the private label underlying securities are exercised.

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

- if the level of LIBOR is lower than you expect; or
- if you bought your certificates at a premium and principal payments on the mortgage loans backing the principal only underlying securities are faster than you expect; or
- if you bought your certificates at a discount and principal payments on the mortgage loans backing the principal only underlying securities are slower than you expect.

In addition, the rate of principal payments on the underlying securities may depend on the payment priorities of those securities. Substantially all of the underlying securities having principal balances had a lower principal payment priority than certain other classes in the related trusts, including classes that were entitled to payments in accordance with principal balance schedules. At present, however, certain of those underlying securities are no longer subject to such principal payment priorities but

receive at least their proportionate share of the principal payments on the mortgage loans in the related pools.

Even if the applicable mortgage loans are prepaid at a rate that on average is consistent with your expectations, variations over time in the prepayment rate of such mortgage loans can affect your yield. Generally, the earlier the payment of principal, the greater the effect on the yield to maturity. As a result, if the rate of principal prepayments on the applicable mortgage loans during any period is faster or slower than you expect, a corresponding reduction or increase in the prepayment rate during a later period may not fully offset the impact of the earlier prepayment rate on your yield.

We used certain assumptions concerning some of the underlying mortgage loans in preparing the tabular information contained in this prospectus. If the actual mortgage loan characteristics differ even slightly from these assumptions, the weighted average lives and yields of the certificates will be affected.

You must make your own decision as to the assumptions, including the principal prepayment assumptions, you will use in deciding whether to purchase the certificates.

The actual final payment on your class of certificates may occur earlier than the redemption date specified on the cover page of this prospectus. If you assumed the actual final payment would occur on the redemption date, your yield could be lower than you expect.

Prepayment Considerations

The rate of principal payments on the certificates generally will depend on the rate of principal payments on the mortgage loans backing the related principal only underlying securities. Principal payments will occur as a result of scheduled amortization or prepayments. The rate of principal payments is likely to vary considerably from time to time because borrowers generally may prepay the mortgage loans at any time without penalty.

It is highly unlikely that the mortgage loans will prepay:

- at the rates we assume,
- at any specified prepayment scenario until maturity, or
- at the same rate.

Many mortgage loans provide that the lender can require repayment in full if the borrower sells the property that secures the loan. In this way, property sales by borrowers can affect the rate of prepayment. In addition, if borrowers are able to refinance their loans by obtaining new loans secured by the same properties, refinancing will affect the rate of prepayment. Furthermore, the institutions that made certain representations and warranties with respect to the mortgage loans may have to repurchase the loans if they fail to conform to those representations and warranties. Any such repurchases also will affect the rate of prepayment.

In addition, we have the option to repurchase all the certificates when their aggregate outstanding principal balance is less than 5% of their aggregate original principal balance. Moreover, the holder of the residual interest in the REMIC trust has the option to purchase all the underlying securities when their aggregate principal amount is 5% or less of their aggregate principal amount as of the settlement date for the certificates. If the holder of the residual interest exercises this clean-up option, it will have the effect of a prepayment in full of the underlying mortgage loans.

Furthermore, the private label underlying securities generally are subject to optional clean-up calls which permit the purchase of the related mortgage loans when they have been reduced to less than a given percentage (between 1% and 10%) of their level at the time the related securities were issued. If any clean-up call is exercised, it will have the effect of a prepayment in full of the related mortgage loans. Each of the underlying trusts also may be terminated for failing to qualify as a REMIC and for other customary reasons.

In general, the rates of prepayment may be influenced by:

- the level of current interest rates relative to the rates borne by the mortgage loans

backing the related principal only underlying securities,

- the assumability of mortgage loans backing Ginnie Mae underlying securities,
- homeowner mobility,
- the general creditworthiness of the borrowers,
- borrower sophistication regarding the benefits of refinancing,
- solicitation by competing lenders,
- repurchases of mortgage loans from the related mortgage loan pools, and
- general economic conditions.

Because so many factors affect the rate of prepayment of a pool of mortgage loans, we cannot estimate the prepayment experience of the mortgage loans backing the underlying securities.

Market and Liquidity Considerations

We cannot be sure that a market for resale of the certificates will develop. Further, if a market develops, it may not continue or be sufficiently liquid to allow you to sell your certificates. Even if you are able to sell your certificates, the sale price may not be comparable to similar investments that have a developed market. Moreover, you may not be able to sell small or large amounts of certificates at prices comparable to those available to other investors.

A number of factors may affect the resale of certificates, including:

- the large number of underlying securities;
- the characteristics of the mortgage loans in the underlying pools;
- past and expected prepayment levels of the mortgage loans and comparable loans;
- the outstanding principal amount of the certificates;
- the amount of certificates offered for resale from time to time;
- any legal restrictions, regulatory requirements or tax treatment limiting demand for the certificates;
- the availability of comparable securities;
- the level, direction and volatility of interest rates generally; and
- general economic conditions.

We intend to apply to list the certificates on the Luxembourg Stock Exchange. However, we cannot assure you that the certificates will be listed on the exchange.

Fannie Mae Guaranty Considerations

If we were unable to perform our guaranty obligations, certificateholders would receive only principal payments and other recoveries on the underlying securities and interest payments under the swap arrangement or from the underlying securities. If that happened, delinquencies and defaults on the mortgage loans could directly affect the amounts that certificateholders would receive each month.

DESCRIPTION OF THE CERTIFICATES

The material under this heading summarizes certain features of the Certificates. You will find additional information about the Certificates in the other sections of this prospectus as well as in the Trust Agreement. If we use a capitalized term in this prospectus without defining it, you will find the definition of that term in the Trust Agreement.

General

Structure. We will create the Fannie Mae Grantor Trust specified on the cover of this prospectus (the “Trust”) and a separate lower tier trust (the “REMIC Trust”) pursuant to one or more trust agreements dated as of August 1, 1999 (collectively, the “Trust Agreement”). We will execute the Trust Agreement in our corporate capacity and in our capacity as trustee (in that

capacity, the “Trustee”). We will issue the Certificates specified on the cover of this prospectus pursuant to the Trust Agreement.

The Guaranteed Grantor Trust Pass-Through Certificates offered by this prospectus (the “Certificates”) will represent beneficial ownership interests in the Trust. The assets of the Trust will consist of:

- the regular interests in the REMIC Trust and
- the right to receive interest payments under the swap arrangement discussed below under “—Calculation of LIBOR—*Swap Arrangement.*”

The REMIC Trust will constitute a “real estate mortgage investment conduit” (“REMIC”) under the U.S. Internal Revenue Code of 1986, as amended (the “Code”). The regular interests in the REMIC Trust will represent the right to receive all principal and interest received on the Underlying Securities during each Collection Period. The residual interest represents the right to receive, upon termination of the REMIC Trust, any assets remaining in the REMIC Trust following the final payment on the regular interests.

The assets of the REMIC Trust will consist of various, generally unrelated classes of mortgage pass-through securities (the “Underlying Securities”) evidencing direct or indirect beneficial ownership interests in the Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the “Fannie Mae MBS”) and Ginnie Mae Certificates held in the related underlying trusts (the “Underlying Trusts”). Certain summary information about the Underlying Securities is set forth in Exhibits A, B and C to this prospectus. Additional information will be provided in the Final Data Statement, which may be obtained as described on page 12 of this prospectus.

Fannie Mae Guaranty. We guarantee that on each Distribution Date we will pay to Certificateholders:

- required installments of principal and interest on the Certificates on time, and
- the remaining principal balance, if any, of each Class of Certificates on the Redemption Date specified on the cover of this prospectus, whether or not we have received sufficient payments on the Underlying Securities.

If we were unable to perform our guaranty obligations, Certificateholders would receive only the principal payments and other recoveries on the Underlying Securities and interest payments under the swap arrangement or from the Underlying Securities. If that happened, delinquencies and defaults on the Mortgage Loans could directly affect the amounts that Certificateholders would receive each month. **Our guaranty is not backed by the full faith and credit of the United States.** We alone are responsible for making payments on our guaranty.

Characteristics of Certificates. The Certificates will be represented by one or more certificates registered in the name of the nominee of The Depository Trust Company (“DTC”). DTC will maintain the Certificates through its book-entry facilities. The “Holder” or “Certificateholder” of a DTC Certificate is the nominee of DTC. A Holder is not necessarily the beneficial owner of a Certificate. Beneficial owners ordinarily will “hold” Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. Two of these clearing organizations are the Euroclear System and Cedelbank. See “—Book-Entry Certificates—*Euroclear and Cedelbank*” below.

Authorized Denominations. We will issue the Certificates in minimum denominations of \$1,000 and whole dollar increments.

Distribution Dates. Beginning in September 1999, we will make payments of principal and interest on the Certificates on the 25th day of each month or, if the 25th is not a U.S. business day, on

the first U.S. business day after the 25th. We refer to each such date as a “Distribution Date”. A “U.S. business day” is any day other than:

- a Saturday or a Sunday, or
- any day on which either the Federal Reserve Bank of New York or the Federal Reserve Bank of Boston authorizes banking institutions in the Second or First Federal Reserve Banking District, respectively, to be closed.

Record Date. On each Distribution Date, we will make each monthly payment to Certificateholders who were Holders of record on the last day of the preceding month or, in the case of the initial Distribution Date, Holders of record on the date we issue the Certificates (expected to be September 21, 1999).

Class Factors. On or shortly after the 14th day of each month, we will publish a class factor (carried to eight decimal places) for each Class of Certificates. (However, we will publish the September 1999 class factors on or before September 23, 1999.) When the class factor is multiplied by the original principal balance of a Certificate of that Class, the product will equal the current principal balance of the Certificate after taking into account payments on the Distribution Date in that month.

Fannie Mae Repurchase Option. On any Distribution Date when the aggregate principal balance of the Certificates is less than 5% of their aggregate original principal balance, we have the right to purchase from Certificateholders all the Certificates at a price equal to their outstanding principal balance on that date.

REMIC Trust Clean-up Call. On any Distribution Date on which the aggregate outstanding principal amount of the Underlying Securities is 5% or less of their aggregate outstanding principal amount on the Settlement Date, the holder of the residual interest in the REMIC Trust will have the option to purchase the Underlying Securities on that date at a price equal to their then aggregate outstanding principal amount plus accrued and unpaid interest and REMIC Trust expenses. If the Underlying Securities in the REMIC Trust are purchased in this way, it will have the same effect on the Certificates as a prepayment in full of the Mortgage Loans.

Underlying Trust Clean-up Calls. As indicated on Exhibit B, the Underlying Trusts that issued the Private Label Underlying Securities generally provide for optional clean-up calls. Each clean-up call permits the purchase of the Mortgage Loans in the related Underlying Trust when the combined principal balances of the Mortgage Loans in that trust have been reduced to less than a given percentage (between 1% and 10%) of their balances at issuance of the related Underlying Security. If the Mortgage Loans in an Underlying Trust are purchased in this way, it will have the same effect on the related Certificates as a prepayment in full of the affected Mortgage Loans.

MBS Clean-up Calls. In addition, we have the right to repurchase the Mortgage Loans underlying any Fannie Mae MBS if only one Mortgage Loan remains in the related Pool or the principal balance of that Pool is less than 1% of its original level. The exercise of any MBS clean-up call will have the same effect on the Certificates as a prepayment in full of the affected Mortgage Loans.

Termination of the Trust. The REMIC Trust and the Trust will terminate on the earliest to occur of:

- the Redemption Date,
- the date on which the REMIC Trust clean-up call is exercised, or
- the Distribution Date on which the remaining principal amount of the Underlying Securities is passed through to Certificateholders.

Voting the Underlying Securities. Holders of the Underlying Securities may have to vote on issues arising under the documents governing the Underlying Trusts. If so, the Trustee will vote the

Underlying Securities as instructed by Holders who hold Certificates of the related Group having principal balances totaling at least 51% of the combined principal balances of the Certificates of that Group. In the absence of such instructions, the Trustee will vote in a manner consistent, in its sole judgment, with the best interests of Certificateholders.

The Underlying Securities

General

The Underlying Securities are interest only and principal only securities. The Underlying Securities represent beneficial ownership interests in certain first lien, single-family, fixed rate mortgage loans (the “Mortgage Loans”) held by trustees in the related Underlying Trusts. The assets of the Underlying Trusts consist primarily of the mortgage pools (each, a “Pool”) that include the Mortgage Loans. The Mortgage Loans in the various Pools were originated under various programs and guidelines and are serviced by various servicers. Distributions on the Underlying Securities will be passed through monthly to the Trust.

The Group 1 Underlying Securities consist of:

- Fannie Mae securities (the “Group 1 Agency Underlying Securities”) issued by various Fannie Mae Underlying Trusts and backed by Fannie Mae MBS; and
- private label securities issued by various Underlying Trusts not affiliated with Fannie Mae, Ginnie Mae or Freddie Mac and backed by Fannie Mae MBS (the “Group 1 Private Label Underlying Securities”).

The Group 2 Underlying Securities consist of:

- Fannie Mae securities issued by various Fannie Mae Underlying Trusts and backed by Ginnie Mae Certificates (the “Group 2 Agency Underlying Securities”); and
- private label securities issued by various Underlying Trusts not affiliated with Fannie Mae, Ginnie Mae or Freddie Mac and backed by Ginnie Mae Certificates, together with certain securities issued by Ginnie Mae REMIC Trust 1998-14 (the “Group 2 Private Label Underlying Securities”).

In this prospectus we refer to the Group 1 Agency Underlying Securities and the Group 2 Agency Underlying Securities, collectively, as the “Agency Underlying Securities,” and we refer to the Group 1 Private Label Underlying Securities and the Group 2 Private Label Underlying Securities, collectively, as the “Private Label Underlying Securities.”

Each of the Underlying Securities that has a principal balance represents an entitlement to monthly principal calculated on the basis of a specific cash flow sequence. Although each of those Underlying Securities is backed by all or a portion of the Mortgage Loans in the related Pool, the principal distributions on those securities generally will be determined by the related cash flow provisions, rather than by a percentage of the principal collections on the related Mortgage Loans. Substantially all of the Underlying Securities that have principal balances were originally subsequent in principal payment priority to certain other classes in the related Underlying Trust, including classes that were entitled to principal payments in accordance with principal balance schedules. At present, however, certain of those Underlying Securities are no longer subject to principal payment priorities and will receive at least their proportionate share of the principal payments on the related Mortgage Loans.

See Exhibits A, B and C to this prospectus for certain summary information about the Underlying Securities.

Additional information relating to the Underlying Securities will be contained in the Final Data Statement. Prospective investors are urged to read the Final Data Statement, which may be obtained as described on page 12 of this prospectus. However, it should be noted that we have made certain

assumptions in preparing the statistical tables in this prospectus. The actual characteristics of the Underlying Securities and the Mortgage Loans will differ in certain respects from those assumed in this prospectus, and these differences could affect the timing of payments on the Certificates as well as their yield.

Collection Periods. When we refer in this prospectus to the related “Collection Period,” we mean, with respect to each Distribution Date and

with respect to the Agency Underlying Securities:

- in the case of the first Collection Period, the period from August 30, 1999 to and including the first Distribution Date; and
- in the case of each subsequent Collection Period, the period from the day after the immediately preceding Distribution Date to and including the current Distribution Date; and

with respect to the Private Label Underlying Securities:

- in the case of the first Collection Period, the period from August 30, 1999 to and including September 4, 1999; and
- in the case of each subsequent Collection Period, the period from the fifth calendar day of the month preceding the month in which the current Distribution Date occurs to and including the fourth calendar day of the month in which the current Distribution Date occurs.

Final Data Statement

At the time we issue the Certificates, we will prepare a Final Data Statement containing certain information, including:

- the principal amount of the Underlying Securities as of their respective issue dates,
- the current weighted average coupon (“WAC”) of the related Mortgage Loans (or the original WAC if the current WAC is not available), and
- the current weighted average term to maturity (“WAM”) of the related Mortgage Loans (or the adjusted WAM if the current WAM is not available) or the current weighted average remaining term to maturity (“WARM”) of the related Mortgage Loans (or the adjusted WARM if the current WARM is not available),

in each case as of the Settlement Date. The Final Data Statement will also provide information concerning the CUSIP numbers, pass-through rates, issue date and latest loan maturity for each of the Underlying Securities. You may obtain the Final Data Statement from our website located at <http://www.fanniemae.com> or by calling us in Washington, D.C. at 1-800-237-8627 or 202-752-6547. The contents of the Final Data Statement and other data specific to the Certificates are available in electronic form by calling us at 1-800-752-6440 or 202-752-6000.

Payments of Interest

Category of Classes

For the purpose of interest payments, the Classes of Certificates fall into the following category:

<u>Interest Type*</u>	<u>Classes</u>
Group 1	
Floating Rate	A1
Group 2	
Floating Rate	A2

* See “—Class Definitions and Abbreviations” below.

General. We will pay interest on the Certificates at the applicable annual interest rates described in this prospectus. We calculate interest based on the actual number of days elapsed in each Interest Accrual Period and a year assumed to consist of 360 days. Interest to be paid on each Certificate on a Distribution Date will accrue on the outstanding balance of that Certificate immediately prior to that Distribution Date. We pay interest monthly on each Distribution Date beginning in September 1999.

Interest Accrual Periods. Interest to be paid on each Distribution Date will accrue on the Certificates from and including the immediately preceding Distribution Date to but excluding the current Distribution Date. In the case of the initial Distribution Date, however, interest will accrue on the Certificates from and including September 21, 1999 to and including September 26, 1999. We refer to each such period as an “Interest Accrual Period.”

Floating Rate Classes. During each Interest Accrual Period, the Floating Rate Classes will bear interest at rates determined as described under “Reference Sheet—Interest Rates” above. Changes in the interest rate index (the “Index”) will determine the yields on the Certificates.

Calculation of LIBOR

General. The “Index Determination Date” for each Class of Certificates means the second business day before the first day of each Interest Accrual Period other than the initial Interest Accrual Period. For purposes of calculating LIBOR, 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.

We are responsible for calculating LIBOR on each Index Determination Date using the method described below. The Index value that we calculate on each Index Determination Date and the interest rate that we determine for each Class of Certificates for the related Interest Accrual Period will be final and binding, absent manifest error. You may obtain each such interest rate by telephoning us in Washington, D.C. at 1-800-237-8627 or 202-752-6547.

Calculation Method. We will calculate LIBOR 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 Telerate page 3750 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 method described above, we will calculate LIBOR using 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 (as defined in the *International Swap Dealers Association, Inc. Code of Standard Wording, Assumptions and Provisions for Swaps*, 1986 Edition). Alternatively, we may obtain them directly from the Reference Banks.

Under this 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 shall 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 shall 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 the 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 solely or with a third party) which engages in Eurodollar deposit transactions in the international Eurocurrency market.

Swap Arrangement. On the Settlement Date, Fannie Mae and the Trust will enter into an interest rate swap arrangement (the “Trust Swap”). Under this arrangement, on each Distribution Date:

- Fannie Mae will be obligated to pay to the Trust an amount sufficient to cover the interest required to be paid to the Certificateholders on that Distribution Date, and
- the Trust will agree to pay to Fannie Mae all interest reported as payable on the Agency Underlying Securities during the related Collection Period and all interest received on the Private Label Underlying Securities during the related Collection Period.

Fannie Mae intends to enter into the interest rate swaps described under “Plan of Distribution and Related Matters—*General*” in this prospectus.

Payments of Principal

Category of Classes

For the purpose of principal payments, the Classes of Certificates fall into the following category:

<u>Principal Type*</u>	<u>Class</u>
Group 1	
Structured Collateral/Pass-Through	A1
Group 2	
Structured Collateral/Pass-Through	A2

* See “—Class Definitions and Abbreviations” below.

Principal Distribution Amounts. On each Distribution Date, we will pay principal of the A1 Class in an aggregate amount (the “Group 1 Principal Distribution Amount”) equal to:

- the principal reported as payable on the Group 1 Agency Underlying Securities during the related Collection Period, and
- all principal received on the Group 1 Private Label Underlying Securities during the related Collection Period.

On each Distribution Date, we will pay principal of the A2 Class in an aggregate amount (the “Group 2 Principal Distribution Amount”) equal to:

- the principal reported as payable on the Group 2 Agency Underlying Securities during the related Collection Period, and
- all principal received on the Group 2 Private Label Underlying Securities during the related Collection Period.

On the Redemption Date, we will pay to the Certificateholders of each Class an amount equal to the principal balance of that Class which remains outstanding on that date.

The portion of the beneficial ownership interest in each class of Underlying Securities held by the Trust will be set forth in the Final Data Statement.

Class Definitions and Abbreviations

The following chart identifies and generally defines the categories specified on the cover of this prospectus.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definitions</u>
INTEREST TYPES		
FLT	Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies directly with changes in that index.
IO*	Interest Only	Receives some or all of the interest payments made on the related Mortgage Loans but little or no principal. Interest Only classes have a notional principal balance. A notional principal balance is the amount used as a reference to calculate the amount of interest due on an Interest Only class.
PO*	Principal Only	Does not bear interest and is entitled to receive only payments of principal.
PRINCIPAL TYPES		
PT	Pass-Through	Is designed to receive principal payments in direct relation to actual payments on the related underlying securities.
SC	Structured Collateral	Is designed to receive principal payments based on the actual distributions on the related underlying securities.

* These interest types relate solely to the Underlying Securities to be described in the Final Data Statement.

Book-Entry Certificates

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

Title to Book-Entry Certificates. We will register the Certificates in the name of Cede & Co. (or other nominee of DTC). Accordingly, Cede & Co. (or other nominees of DTC) will be the “Holder” of the Certificates. In accordance with its normal procedures, DTC will record the positions held by each depository participating firm (each, a “Depository Participant”) in the Certificates, whether held for the Depository Participant’s own account or as a nominee for another person. State Street Bank and

Trust Company will act as Paying Agent for, and perform certain administrative functions with respect to, the Certificates.

A person who acquires a beneficial ownership interest in the Certificates (a “beneficial owner” or an “investor”) is not the owner or Holder of a Certificate and will not receive a physical certificate representing its interest. An investor’s interest in the Certificates will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (a “financial intermediary”) which maintains the investor’s account for that purpose. In turn, the financial intermediary’s record ownership of that interest will be recorded on the records of DTC. If the intermediary is not a Depository Participant, the intermediary’s record ownership will be recorded on the records of a Depository Participant acting as an agent for the financial intermediary. Accordingly, neither the Trustee nor DTC will recognize an investor as a Certificateholder. An investor must rely on the foregoing arrangements to evidence its interest in the Certificates. An investor may transfer its beneficial ownership interest in the Certificates only by complying with the procedures of its financial intermediary and of Depository Participants. In general, beneficial ownership of an investor’s interest in the Certificates will be subject to the rules, regulations and procedures governing DTC and Depository Participants as in effect from time to time.

Method of Payment. The Paying Agent will make each payment on the Certificates to the Depository in immediately available funds. The Depository will credit those payments to the accounts of the Depository Participants entitled to them, in accordance with the Depository’s normal procedures. The Depository currently provides for payments in same-day funds settled through the New York clearing house. Each Depository Participant and each financial intermediary will make those payments to the beneficial owners of the Certificates that it represents. Accordingly, the beneficial owners may experience a delay in receiving distributions.

We and the Paying Agent may treat the Holders as the absolute owners of the Certificates for the purpose of making payments and for all other purposes.

Holding Through International Clearing Systems. Beneficial interests in the Certificates maintained through the book-entry facilities of DTC may be held through organizations participating in the international clearing systems described below. Electronic securities and payment transfer, processing, depository and custodial arrangements among these systems and DTC, either directly or indirectly through custodians and depositories, may enable beneficial interests in the Certificates to be issued, held and transferred among these systems as described below. Special procedures among these systems allow clearance and settlement of beneficial interests in certain securities traded across borders in the secondary market. Cross-market transfers of beneficial interests in the Certificates may be cleared and settled using these procedures. However, we can give no assurance that cross-market transfers of beneficial interests in the Certificates will be possible.

Each relevant system has its own separate operating procedures and arrangements with participants and accountholders that govern the relationship between them and such system and to which we are not and will not be a party. The clearing systems may impose fees in respect of the maintenance and operation of the accounts in which beneficial interests in the Certificates are maintained.

If beneficial interests in the Certificates are cleared and settled through more than one clearing system, time zone differences may result in the securities account of an investor in one system being credited during the settlement processing day immediately following the settlement date of the other system and the cash account being credited for value on the settlement date but only being available as of the day following that settlement date.

Although clearing systems have procedures to facilitate transfers of beneficial interests in securities among their respective participants and accountholders, we understand that they are under no obligation to perform or continue to perform those procedures, which may be modified or discontinued at any time. Neither we nor the Paying Agent will have any responsibility for the

performance by any system or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Euroclear and Cedelbank. The Euroclear System (“Euroclear”) was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment. Euroclear is operated by Morgan Guaranty Trust Company of New York, Brussels office (“Morgan”), and all Euroclear securities clearance and cash accounts are with Morgan. They are governed by the terms and conditions governing the use of Euroclear and the related operating procedures of Euroclear, and applicable Belgian law. Cedelbank is incorporated under the laws of Luxembourg as a limited company. A participant’s overall contractual relations with Cedelbank are governed by the general terms and conditions, related operating rules and procedures and applicable Luxembourg law.

Cedelbank and Euroclear each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Cedelbank have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Structuring Assumptions

Pricing Assumptions. Except where otherwise noted, the information in the tables in this Prospectus was prepared based on the actual characteristics of the Underlying Securities that have principal balances, including applicable principal payment priority sequences, and on the following assumptions (collectively, the “Pricing Assumptions”):

- the Mortgage Loans backing the Private Label Underlying Securities that have principal balances and the Underlying Securities issued by Fannie Mae REMIC Trust 1992-G55 have the characteristics specified in Exhibit B to this prospectus;
- the Mortgage Loans prepay in accordance with the Prepayment Scenarios specified in the related tables;
- all payments are made on the Underlying Securities during the related Collection Period;
- the settlement date for the sale of the Certificates is August 30, 1999;
- the Distribution Date for the Certificates is the 25th day of each month, beginning on September 25, 1999; and
- no repurchase option or “clean-up” call is exercised.

Prepayment Assumptions. Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. In this prospectus we use the constant prepayment rate model (“CPR”). CPR represents the annual rate of prepayment relative to the then outstanding principal balance of a pool of new mortgage loans. Thus, “0% CPR” means no prepayment, “15% CPR” means an annual prepayment rate of 15%, and so forth.

This model does not predict the prepayment experience of the Mortgage Loans backing any Underlying Securities or describe the historical performance of any particular pool of mortgage loans.

In addition, where specifically indicated, the following prepayment scenarios (the “Prepayment Scenarios”) have been assumed in preparing the applicable tables in this prospectus:

Group 1 Underlying Securities Having Principal Balances

Pass-Through Rate of Underlying Securities

	8.00%	8.50%	9.00%*	9.50%*	10% or more
Prepayment Scenario I	3.50%CPR	4.00%CPR	4.50%CPR	5.00%CPR	5.25%CPR
Prepayment Scenario II	10.50%CPR	12.00%CPR	13.50%CPR	15.00%CPR	15.75%CPR
Prepayment Scenario III	14.00%CPR	16.00%CPR	18.00%CPR	20.00%CPR	21.00%CPR
Prepayment Scenario IV	21.00%CPR	24.00%CPR	27.00%CPR	30.00%CPR	31.50%CPR
Prepayment Scenario V	42.00%CPR	48.00%CPR	54.00%CPR	60.00%CPR	63.00%CPR

* In certain cases these represent blended rates that have been adjusted down to the indicated pass-through rate.

Group 2 Underlying Securities Having Principal Balances

Pass-Through Rate of Underlying Securities

	8.50%	9.00%	9.50%	10% or more
Prepayment Scenario VI	3.75%CPR	4.25%CPR	4.75%CPR	5.00%CPR
Prepayment Scenario VII	11.25%CPR	12.75%CPR	14.25%CPR	15.00%CPR
Prepayment Scenario VIII	15.00%CPR	17.00%CPR	19.00%CPR	20.00%CPR
Prepayment Scenario IX	22.50%CPR	25.50%CPR	28.50%CPR	30.00%CPR
Prepayment Scenario X	45.00%CPR	51.00%CPR	57.00%CPR	60.00%CPR

The Prepayment Scenarios specified above are intended solely as a means of illustrating the effect of certain hypothetical prepayment experiences on the applicable Classes. None of the Prepayment Scenarios purports to be an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the rate of prepayment of any pool of mortgage loans, including the Mortgage Loans. It is highly unlikely that the Mortgage Loans will prepay at rates identical to any of the Prepayment Scenarios or at any constant rate.

Weighted Average Lives of the Certificates

The “weighted average life” of a Class of Certificates means the average length of time, weighted by principal, that will elapse from the assumed settlement date until the time you receive the full amount of outstanding principal. The weighted average life of each Class of Certificates is determined by:

- first, calculating the amount of principal to be paid to the related Certificateholders on each Distribution Date, based on the applicable prepayment assumption;
- second, multiplying each such amount by the number of years from the assumed settlement date to the related Distribution Date;
- third, summing all the results; and
- fourth, dividing the sum by the aggregate amount of principal payments that were calculated in the first step.

The weighted average life of each Class of Certificates will be affected by the rate at which principal payments are made on the related Mortgage Loans. Principal payments include scheduled principal payments, voluntary principal prepayments, liquidations due to default, casualty and condemnation, payments under credit enhancement arrangements affecting the Underlying Trusts, repurchases for breaches of certain representations and warranties or the exercise of our repurchase option, the REMIC Trust clean-up call, the Underlying Trust clean-up calls or the MBS clean-up calls. Each of these types of principal payments on the Mortgage Loans that are required to be paid on the Underlying Securities will be applied to payment of principal of the related Certificates.

The effects of the foregoing factors may vary at different times during the life of each Class of Certificates. Accordingly, we can give no assurance as to the weighted average lives of the Certificates.

Further, variability in the weighted average lives of the Certificates could result in variability in the yields to maturity. For an example of how the weighted average lives of the Certificates may be affected at various Prepayment Scenarios, see the Decrement Tables below.

Maturity Considerations and Redemption Date

The original maturities of substantially all of the Mortgage Loans are 30 years. Each Mortgage Loan provides for amortization of principal according to a schedule that, in the absence of prepayments or defaults, would result in repayment of the Mortgage Loan by its maturity date.

We will pay the Certificateholders of each Class any remaining principal balance of that Class on the Redemption Date set forth on the cover of this prospectus.

Decrement Tables

The following tables indicate the percentage of the original aggregate principal balance of the Certificates of each Class that would be outstanding after each of the dates shown at various Prepayment Scenarios and the corresponding weighted average lives of the Certificates. We have prepared the tables based on the actual characteristics of the Agency Underlying Securities that have principal balances, including applicable principal payment priority sequences, and on the Pricing Assumptions. It is unlikely that all of the underlying Mortgage Loans will have the interest rates or WAMs or WARMS assumed or will prepay at any of the Prepayment Scenarios.

In addition, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal payments than indicated in the tables at the specified Prepayment Scenarios. This would be the case even if the weighted average remaining term to maturity and weighted average calculated loan age (“CAGE”) or weighted average loan age (“WALA”) of the related Mortgage Loans were identical to the remaining term to maturity and CAGE or WALA specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

		A1 Class				
		Prepayment Scenarios†				
<u>Date</u>		<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>V</u>
Initial Percent		100	100	100	100	100
August 2000		95	87	83	75	47
August 2001		89	75	68	55	22
August 2002		83	64	55	40	10
August 2003		78	54	45	28	4
August 2004		72	46	35	20	2
August 2005		66	38	28	14	1
August 2006		61	31	21	9	*
August 2007		55	25	16	6	*
August 2008		50	20	13	4	*
August 2009		0	0	0	0	0
Weighted Average						
Life (years)**		7.2	5.0	4.2	3.0	1.4
		A2 Class				
		Prepayment Scenarios†				
<u>Date</u>		<u>VI</u>	<u>VII</u>	<u>VIII</u>	<u>IX</u>	<u>X</u>
Initial Percent		100	100	100	100	100
August 2000		95	88	84	77	52
August 2001		90	76	69	56	26
August 2002		85	65	55	40	12
August 2003		79	54	44	28	6
August 2004		74	45	34	20	2
August 2005		68	37	27	14	1
August 2006		62	30	21	9	1
August 2007		56	24	16	6	*
August 2008		51	20	12	4	*
August 2009		0	0	0	0	0
Weighted Average						
Life (years)**		7.3	5.0	4.2	3.1	1.5

* Indicates an outstanding balance greater than 0% and less than 0.5% of the original principal balance.

** Determined as specified under “—Weighted Average Lives of the Certificates” above.

† As described under “—Structuring Assumptions—Prepayment Assumptions” above.

THE TRUST AGREEMENT

In the sections below, we summarize certain provisions of the Trust Agreement that are not discussed elsewhere in this prospectus. Certain capitalized terms that we use in these summaries are defined in the Trust Agreement. These summaries are, by definition, not complete. If there is ever a conflict between what we have summarized in this prospectus and the actual terms of the Trust Agreement, the terms of the Trust Agreement will prevail.

Reports to Certificateholders

On or shortly after the fourteenth day of each month, we will publish (in print or otherwise) the class factor for each Class of Certificates. (However, we will publish the September 1999 class factors on or before September 23, 1999.) The class factor is a number (carried to eight decimal places) which, when multiplied by the original principal balance of a Certificate, will equal the amount of principal of that Certificate that will still be outstanding after the principal to be paid in the current month has been paid.

Within a reasonable time after the end of each calendar year, we will also furnish to each person who was a Certificateholder at any time during that year a statement containing any information required by the federal income tax laws.

We, or a special agent that we engage, will make all the necessary numerical calculations.

Certain Matters Regarding Fannie Mae

The Trust Agreement provides that we may not resign from our obligations and duties unless they are no longer permissible under applicable law. Our resignation will be effective only after a successor has assumed our obligations and duties. However, no successor may succeed to our guaranty obligations, and we will continue to be responsible under our guaranty even if we are terminated or have resigned from our other duties and responsibilities under the Trust Agreement.

The Trust Agreement also provides that neither we nor any of our directors, officers, employees or agents will be under any liability to the Trust or to the Certificateholders for errors in judgment or for any action we take, or refrain from taking, in good faith pursuant to the Trust Agreement. However, neither we nor any such person will be protected against any liability due to willful misfeasance, bad faith, gross negligence or willful disregard of obligations and duties.

In addition, the Trust Agreement also provides that we are not under any obligation to appear in, prosecute or defend any legal action that is not incidental to our responsibilities under the Trust Agreement and that in our opinion may involve us in any expense or liability. However, in our discretion, we may undertake any legal action that we deem necessary or desirable in the interests of the Certificateholders. In that event, we will pay the legal expenses and costs of the action, which generally will not be reimbursable out of the trust fund.

Any corporation into which we are merged or consolidated, any corporation that results from a merger, conversion or consolidation to which we are a party or any corporation that succeeds to our business will be our successor under the Trust Agreement.

Events of Default

Any of the following will be considered an "Event of Default" under the Trust Agreement:

- if we fail to make a required payment to the Certificateholders and our failure continues uncorrected for 15 days after we receive written notice from Certificateholders who represent ownership interests totaling at least 5% of the Trust that they have not been paid; or

- if we fail in a material way to fulfill any of our obligations under the Trust Agreement and our failure continues uncorrected for 60 days after we receive written notice of our failure from Certificateholders who represent ownership interests totaling at least 25% of the Trust; or
- if we become insolvent or unable to pay our debts or if other events of insolvency occur.

Rights upon Event of Default

If one of the Events of Default listed above has occurred and continues uncorrected, Certificateholders who represent ownership interests totaling at least 25% of the Trust have the right to terminate, in writing, our obligations under the Trust Agreement both as Trustee and in our corporate capacity. However, our guaranty obligations will continue in effect. The same proportion of Certificateholders that has the right to terminate us may also appoint, in writing, a successor to all of our terminated obligations. In addition, the successor that they appoint will take legal title to the assets of the Trust.

Amendment

We may amend the Trust Agreement for any of the following purposes without notifying the Certificateholders:

- to add to our duties;
- to evidence that another party has become our successor and has assumed our duties under the Trust Agreement in our capacity as trustee or in our corporate capacity or both;
- to eliminate any of our rights in our corporate capacity under the Trust Agreement; and
- to cure any ambiguity or correct or add to any provision in the Trust Agreement, so long as no Certificateholder is adversely affected in the case of an addition to any provision.

If the Certificateholders that represent ownership interests totaling at least 66% of the Trust consent, we may amend the Trust Agreement to eliminate, change or add to the terms of the Trust Agreement or to waive our compliance with any of those terms. Nevertheless, we may not terminate or change our guaranty obligations or reduce the percentage of Certificateholders who must consent to the types of amendments listed in the previous sentence. In addition, unless each affected Certificateholder consents, no amendment may reduce or delay the funds that are required to be paid on any Certificate.

Termination

The Trust Agreement will terminate when the Certificateholders have received all required payments as described in this prospectus. In no event, however, will the Trust continue beyond the expiration of 21 years from the death of the last survivor of the person named in the Trust Agreement.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The Certificates and payments on the Certificates are not generally exempt from taxation. Therefore, you should consider the tax consequences of holding a Certificate before you acquire one. Although the Certificates resemble variable rate debt instruments, the tax treatment of the Certificates can differ substantially from the tax treatment of such an investment.

The following discussion describes certain U.S. federal income tax consequences to beneficial owners of Certificates. The discussion is general and does not purport to deal with all aspects of federal

taxation that may be relevant to particular investors. This discussion may not apply to your particular circumstances for one of the following, or other, reasons:

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

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

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

- Taxation of Beneficial Owners of Certificates
- Taxation of REMIC Regular Interests
- Taxation of the Swap
- Information Reporting and Backup Withholding
- Foreign Investors

Taxation of Beneficial Owners of Certificates

Our special tax counsel, Arnold & Porter, will deliver its opinion that, assuming compliance with the Trust Agreement, the Trust will be classified as a trust under subpart E of part I of subchapter J of the Code and not as an association taxable as a corporation. The Trust will hold two REMIC regular interests, one corresponding to each Class of Certificates. In addition, the Trust will have entered into two swaps, one relating to each REMIC regular interest held by the Trust. Each beneficial owner of a Certificate will be treated

- as holding an undivided interest in the corresponding REMIC regular interest, and
- as having entered into the related swap.

Consequently, each beneficial owner of a Certificate will be required to report its pro rata share of income accruing with respect to the corresponding REMIC regular interests, as discussed under “—Taxation of REMIC Regular Interests” below. In addition, each beneficial owner of a Certificate will be required to report its pro rata share of net income with respect to the related swap and will be permitted to recognize its share of a net deduction with respect to the related swap, subject to the discussion under “—Taxation of the Swap” below. Also, a beneficial owner of a Certificate will be required to treat the sale or other disposition of the Certificate as a sale or other disposition of a pro rata portion of the corresponding REMIC regular interest and of the related swap.

Allocations with Respect to a Certificate

A beneficial owner of a Certificate must allocate its cost to acquire a Certificate between the corresponding REMIC regular interest and the related swap based on their relative fair market values

as of the date the Certificate is acquired. When a beneficial owner sells or disposes of a Certificate, the beneficial owner must allocate the sale proceeds between the corresponding REMIC regular interest and the related swap based on their relative fair market values as of the date of the sale or disposition.

For this purpose, the fair market value of the swap as of a particular date is determined by assessing the value, as of that date, of the right to receive payments under the swap relative to the obligation to make payments under the swap. In general, if a Certificate is acquired when the related swap has a positive value, the beneficial owner's basis allocable to the REMIC regular interest will be less than the beneficial owner's cost to acquire the Certificate, and the beneficial owner will be treated as having paid a premium in connection with entering into the swap. Likewise, if a Certificate is acquired when the related swap has a negative value, the beneficial owner's basis allocable to the REMIC regular interest will be greater than the beneficial owner's cost to acquire the Certificate, and the beneficial owner will be treated as having received a premium in connection with entering into the swap. Finally, if a Certificate is acquired when the related swap is "on-market," the beneficial owner's basis allocable to the REMIC regular interest will be the same as the beneficial owner's cost to acquire the Certificate, and the beneficial owner will be treated as having neither received nor paid a premium in connection with entering into the swap. We anticipate receiving representations that each swap will be "on-market" as of the Settlement Date. Based on these representations, we intend to report income and expense with respect to each swap as if no premium were paid or required to be paid by or to the swap counterparty in connection with entering into the swap. See "—Taxation of the Swap" below.

Administrative Expenses of the Trust

Each beneficial owner of a Certificate will also be required to include in income its pro rata share of the compensation paid to administer the Trust. In turn, a beneficial owner of a Certificate can deduct its allocable share of these expenses as provided in section 162 or section 212 of the Code, consistent with its method of accounting. A beneficial owner's ability to deduct its share of these expenses is limited under section 67 of the Code in the case of (i) estates and trusts and (ii) individuals owning an interest in a 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 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 in the case of 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 the estate or trust are treated as allowable in arriving at adjusted gross income. In addition, section 68 of the Code provides that certain itemized deductions otherwise allowable for a beneficial owner who is an individual are reduced by an amount equal to 3% of the beneficial owner's adjusted gross income in excess of a statutorily defined threshold, but not more than 80% of itemized deductions otherwise allowable. Further, a beneficial owner may not be able to deduct any portion of these costs in computing its alternative minimum tax liability.

Other deductions with respect to the Certificates are also subject to these limitations. See "—Taxation of REMIC Regular Interests—*Pass-Through of Servicing and Guaranty Fees to Individuals*" and "—Taxation of the Swap—*Treatment of Periodic Payments*" below. As a result of these tax consequences, the Certificates may not be a suitable investment for individuals, trusts or estates and pass-through entities, the beneficial owners of which are individuals, trusts or estates.

Tax Attributes of Certificates

Although the Certificates will represent beneficial ownership of REMIC regular interests, which are afforded certain tax attributes under the Code (see “—Taxation of Regular Interests — *Special Tax Attributes*” below), the interest in the swap represented by a Certificate will not constitute:

- a “real estate asset” within the meaning of section 856(c)(5)(B) of the Code,
- a “qualified mortgage” within the meaning of section 860G(a)(3) of the Code or a “permitted investment” within the meaning of section 860G(a)(5) of the Code, or
- an asset described in section 7701(a)(19)(C)(xi) of the Code.

Income received under the swap will not constitute income described in section 856(c)(3)(B) of the Code with respect to a real estate investment trust. As a result of the treatment of the swaps under these sections of the Code, the Certificates may not be a suitable investment for real estate investment trusts or REMICs.

Taxation of REMIC Regular Interests

We will elect to treat the REMIC Trust as a REMIC under the Code. The assets of the REMIC Trust will include the Underlying Securities. With respect to each Underlying Security, the related disclosure document states that such Underlying Security either

- qualified as a “regular interest” in a REMIC or
- represented beneficial ownership of certain payments on Mortgage Loans held by a trust described in subpart E of part I of subchapter J of the Code (a “grantor trust”)

as of the date of the applicable disclosure document and that each Underlying Security will continue to qualify as such or represent such, provided that certain requirements are met after that date. We are relying on the correctness of these statements in electing to treat the REMIC Trust as a REMIC, and the remainder of this discussion assumes that each of the Underlying Securities either is, and will continue to be, a regular interest in a REMIC or represents, and will continue to represent, beneficial ownership of certain payments on Mortgage Loans held by a grantor trust. Taking into account these assumptions and assuming compliance with the Trust Agreement, the REMIC Trust will qualify as a REMIC. You should consult your tax advisors regarding the tax consequences to a beneficial owner of a Certificate if an Underlying Security were to fail to qualify as a regular interest in a REMIC or fail to represent beneficial ownership of certain payments on Mortgage Loans held by a grantor trust.

Arnold & Porter will deliver its opinion that, assuming compliance with the Trust Agreement, the REMIC Trust will be treated as a REMIC for federal income tax purposes. In delivering this opinion, Arnold & Porter will assume that each of the Underlying Securities either is, and will continue to be, a regular interest in a REMIC or represents, and will continue to represent, beneficial ownership of certain payments on Mortgage Loans held by a grantor trust.

The REMIC Trust will issue two interests designated as “regular interests” and a separate, non-offered class designated as the “residual interest” in the REMIC constituted by the REMIC Trust. One of the regular interests, corresponding to the A1 Class, will be entitled to receive with respect to each Distribution Date all interest reported as payable on the Group 1 Agency Underlying Securities during the related Collection Period, all interest received on the Group 1 Private Label Underlying Securities during the related Collection Period, and the Group 1 Principal Distribution Amount for that Distribution Date. A beneficial owner of a Class A1 Certificate will be treated for federal income tax purposes as the beneficial owner of a pro rata interest in this regular interest.

The other regular interest, corresponding to the A2 Class, will be entitled to receive with respect to each Distribution Date all interest reported as payable on the Group 2 Agency Underlying Securities during the related Collection Period, all interest received on the Group 2 Private Label

Underlying Securities during the related Collection Period, and the Group 2 Principal Distribution Amount for that Distribution Date. A beneficial owner of a Class A2 Certificate will be treated for federal income tax purposes as the beneficial owner of a pro rata interest in this regular interest.

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

Special Tax Attributes

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

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

Treatment of Original Issue Discount

It is not certain whether the regular interests will be issued with “original issue discount” within the meaning of section 1273(a) of the Code (“OID”). If a regular interest is issued with OID, a beneficial owner of the regular interest must include in gross income the sum of the “daily portions” of OID on its regular interest for each day during its taxable year on which it held the regular interest, generally in advance of receipt of the cash attributable to that income.

In general, a regular interest will be considered to be issued with OID equal to the excess, if any, of its “stated redemption price at maturity” over its “issue price.” The issue price of a regular interest is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the regular interests were sold. The stated redemption price at maturity of a regular interest is equal to the sum of all distributions to be made on that regular interest, excluding certain payments of interest. The treatment of the interest payments on the regular interests is unclear in this regard, because, in the case of each regular interest, interest payments on the regular interest may terminate before the outstanding principal balance of the regular interest is reduced to zero.

In the absence of further guidance, we intend, with respect to each regular interest, to treat all interest payments on the regular interests as included in the stated redemption price at maturity of the regular interest. We will supply to Holders, brokers and middlemen information with respect to the

OID accruing on the regular interests. We will supply this information at the time and in the manner required by the Internal Revenue Service (the “IRS”).

Daily Portions of OID

In the case of each of the regular interests, the daily portions of OID will be determined as follows. A calculation will first be made of the portion of the OID that accrued during each “accrual period.” The OID accruing during any accrual period will then be allocated ratably to each day during the period to determine the daily portion of OID.

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

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

(i) the *sum* of:

(A) the present values of all the distributions remaining to be made on the regular interest, if any, as of the end of the accrual period and

(B) the distribution made on the regular interest during the accrual period of amounts included in the stated redemption price at maturity,

over

(ii) the adjusted issue price of the regular interest at the beginning of the accrual period.

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

- an assumption that the Mortgage Loans backing the related Underlying Securities prepay at a specified rate (the “Prepayment Assumption”);
- the yield to maturity of the regular interest, calculated as of the Settlement Date, giving effect to the Prepayment Assumption; and
- events (including actual prepayments) that have occurred prior to the end of the accrual period.

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

The Prepayment Assumption that will be used in determining the rate of accrual of OID will be as follows:

<u>Class Group</u>	<u>Prepayment Assumption</u>
1	Prepayment Scenario III
2	Prepayment Scenario VIII

The Code requires that the Prepayment Assumption be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. The legislative history of this Code provision indicates that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. We believe that the Prepayment Assumption is consistent with this standard. We make no representation, however, that the Mortgage Loans backing the Underlying Securities will prepay at the rate reflected in the Prepayment

Assumption 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 a Certificate.

Subsequent Holders' Treatment of OID

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

Regular Interests Purchased with Market Discount

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

The legislative history to the Tax Reform Act of 1986 states that market discount on a regular interest may be treated as accruing in proportion to remaining accruals of OID on the regular interest. A beneficial owner may instead elect to determine the accrual of market discount under a constant yield method. We will make available to Holders information necessary to compute the accrual of market discount, in the manner and form as required by the IRS.

Notwithstanding the above rules, market discount on a regular interest will be considered to be zero if the discount is less than 0.25% of the remaining stated redemption price at maturity of the regular interest multiplied by its weighted average remaining life. Weighted average remaining life is apparently computed for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the regular interest, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the date the regular interest is acquired until the date on which each such distribution is expected to be made under the assumption that the Mortgage Loans backing the related Underlying Securities prepay at the Prepayment Assumption by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the regular interest's stated redemption price at maturity. If market discount on a regular interest is treated as zero under this rule, the actual amount of market discount must be allocated to the remaining principal payments on the regular interest and, when each principal payment is received, gain equal to the discount allocated to that payment will be recognized.

Special Election

For any regular interest acquired on or after April 4, 1994, the OID Regulations permit a beneficial owner to elect to include in gross income all “interest” that accrues on the regular interest by using a constant yield method. For purposes of the election, the term “interest” includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. You should consult your own tax advisor regarding the time and manner of making and the scope of the election and the implementation of the constant yield method.

Sales and Other Dispositions of Regular Interests

Upon the sale, exchange, retirement or other disposition of a regular interest, the beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner’s adjusted basis in the regular interest. In addition, the Code requires the recognition of gain upon the “constructive sale of an appreciated financial position.” In general, a constructive sale of an appreciated financial position occurs if a taxpayer enters into certain transactions or series of transactions with respect to a financial instrument that have the effect of substantially eliminating the taxpayer’s risk of loss and opportunity for gain with respect to the financial instrument.

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

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

Termination

In general, no special tax consequences will apply to a beneficial owner of a regular interest upon the termination of the REMIC Trust by virtue of the final payment or liquidation of the last Mortgage Loan that backs the last Underlying Security remaining in the REMIC Trust.

Pass-Through of Servicing and Guaranty Fees to Individuals

The REMIC Trust will be classified as a single-class REMIC under Treasury regulations promulgated pursuant to section 67 of the Code. As a result, (i) an estate or trust that beneficially owns a Certificate or (ii) an individual that directly owns a Certificate or indirectly owns a Certificate through an investment in a pass-through entity will be required to include in income a share of the administrative fees of the REMIC Trust. In general, administrative fees include the costs to service

and guarantee Mortgage Loans held directly by an Underlying Trust. Such a beneficial owner will be entitled to deduct these fees subject to sections 67 and 68 of the Code, as in the case of administrative expenses of the Trust. See “Taxation of Beneficial Owners of Certificates—*Administrative Expenses*” above. In addition, such a beneficial owner may not be able to deduct these fees in computing the beneficial owner’s alternative minimum tax liability.

A beneficial owner’s share of these fees generally will be determined by (i) allocating the amount of these fees for each calendar quarter on a pro rata basis to each day in the calendar quarter, and (ii) allocating the daily amount among the beneficial owners of the regular interests and the residual interest in proportion to their respective amounts of income accruing on the regular and residual interests on that day. We will report the allocable share of these fees in the manner required by the IRS. See “—Information Reporting and Backup Withholding” below.

Taxes on the REMIC Trust

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

Prohibited Transactions

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

Contributions to a REMIC after the Startup Day

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

- during the three-month period beginning on the startup day,
- to a qualified reserve fund by a holder of a residual interest,
- in the nature of a guarantee, or
- to facilitate a qualified liquidation or clean-up call.

Net Income from Foreclosure Property

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

Administrative Matters of the REMIC Trust

We will prepare, sign and file federal income tax returns for the REMIC Trust, which returns are subject to audit by the IRS. We do not intend to register the REMIC Trust as a tax shelter pursuant to section 6111 of the Code. We will also act as the tax matters partner for the REMIC Trust, as a fiduciary for the beneficial owner of the residual interest.

Taxation of the Swap

A beneficial owner of a Certificate will be treated as having entered into a “notional principal contract” within the meaning of Treasury regulations promulgated under section 446 of the Code (the “Swap Regulations”). Pursuant to this notional principal contract, a beneficial owner of a Certificate will be treated as agreeing to exchange, with respect to each Distribution Date, (i) the interest payments required to be paid on the corresponding REMIC regular interest on that Distribution Date for (ii) the interest payments required to be paid on the Certificate on that Distribution Date. The beneficial owner will be treated as entering into the notional principal contract on the date the beneficial owner acquires the Certificate.

Treatment of Periodic Payments

Based on representations we expect to receive concerning the value of each swap as of the Settlement Date, we intend to report income and expense with respect to each swap by treating all payments made to the swap counterparty or received from the swap counterparty as “periodic payments” within the meaning of the Swap Regulations. Under the Swap Regulations, a beneficial owner of a Certificate will be required to recognize net income or net deduction with respect to periodic payments using an accrual method of accounting, regardless of the method of accounting otherwise used by the beneficial owner. The net income or net deduction for a taxable year is determined by netting all periodic payments with respect to the swap that relate to that taxable year. Although not clear, the net income or net deduction should be treated as ordinary income or as an ordinary deduction.

If a beneficial owner is an individual, estate or trust, the beneficial owner’s ability to recognize a net deduction with respect to a swap or any deduction with respect to a swap premium will be subject to sections 67 and 68 of the Code, as in the case of administrative expenses of the Trust. See “—Taxation of Beneficial Owners of Certificates—*Administrative Expenses*” above. In addition, a beneficial owner may not be able to recognize a net deduction with respect to a swap or any deduction with respect to a swap premium in computing the beneficial owner’s alternative minimum tax liability.

Because our information reporting will reflect that the swap was “on-market” as of the Settlement Date, you should consult your tax advisors if you acquire a Certificate on any date other than the Settlement Date. In such a case, the value of the swap may have changed and you may be treated as having paid or received a premium with respect to the swap in connection with the acquisition of a Certificate.

It is possible that you may be treated as having paid or received a swap premium even if you acquire a Certificate for an amount equal to its outstanding principal balance. In that case, your basis in the regular interest will differ from your cost to acquire the Certificate, and you will be treated as having paid or received an offsetting swap premium in the amount of that difference. See the discussion under “—Taxation of Beneficial Owners of Certificates—*Allocations with Respect to a Certificate*” above. Consequently, the difference between your basis in the regular interest and the cost of your Certificate will reflect acquisition premium or market discount, which must be taken into account over the remaining term of the regular interest as described under “—Taxation of REMIC Regular Interests—*Treatment of Original Issue Discount—Subsequent Holders’ Treatment of OID*” and “—*Regular Interests Purchased with Market Discount*” above. In addition, the Swap Regulations require that the swap premium be recognized over the remaining term of the swap in a manner that

reflects the economic substance of the swap. Although not clear, it appears the method used to take into account acquisition premium or market discount may also be a proper method to amortize the swap premium. If the method used to take into account acquisition premium or market discount with respect to the regular interest is also used to amortize the swap premium, the resulting amounts of income and deduction with respect to these offsetting items would be the same in any particular period. Given the uncertainty regarding the proper method for amortizing a swap premium, you should consult your tax advisors regarding the tax consequences of a swap premium paid or received in connection with the acquisition of a Certificate.

Disposition of a Swap

Any amount that is considered to be allocated to the swap in connection with the sale or disposition of a Certificate as described under “—Taxation of Beneficial Owners of Certificates—*Allocations with Respect to a Certificate*” above will be considered a “termination payment” under the Swap Regulations. Under the Swap Regulations, a beneficial owner will have gain or loss from the disposition of a swap equal to (i) the sum of the unamortized portion of any premium received or deemed to have been received by the beneficial owner upon entering into the swap and any termination payment it receives or is deemed to have received, less (ii) the sum of the unamortized portion of any premium paid or deemed to have been paid by the beneficial owner upon entering into the swap and any termination payment it makes or is deemed to have made. The gain or loss should be capital gain or loss, provided the swap is a capital asset to the beneficial owner.

Information Reporting and Backup Withholding

Within a reasonable time after the end of each calendar year, we will furnish or make available to each Holder that received a distribution during that year a statement setting forth such information as is required by the Code or Treasury regulations and such other information as we deem necessary or desirable to assist Holders in preparing their federal income tax returns, or to enable Holders to make such information available to beneficial owners or other financial intermediaries for which Holders hold Certificates as nominees.

Payments of interest and principal, as well as payments of proceeds from the sale of Certificates, may be subject to the “backup withholding tax” under section 3406 of the Code at a rate of 31% if recipients of the payments fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from this tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the recipient’s federal income tax. Certain penalties may be imposed by the IRS on a recipient of payments required to supply information who does not do so in the proper manner.

Foreign Investors

Additional rules apply to a beneficial owner of a 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 a Certificate 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 is not subject to U.S. tax as a result of a connection to the United States other than ownership of the Certificate,
- the beneficial owner signs a statement under penalties of perjury that certifies that the beneficial owner is a Non-U.S. Person, and provides the name and address of the beneficial owner, and
- the last U.S. Person in the chain of payment to the beneficial owner receives the statement from the beneficial owner or a financial institution holding on its behalf and does not have actual knowledge that the statement is false.

You should be aware that the IRS might take the position that this exemption does not apply to a beneficial owner that also owns 10% or more of the residual interest in the REMIC Trust or of the voting stock of Fannie Mae, or to a beneficial owner that is a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code.

LEGAL INVESTMENT CONSIDERATIONS

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities, you may be subject to restrictions on investment in the Certificates. 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 or other federal or state agencies with similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing any Certificates. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Certificate. **Investors should consult their own legal advisors in determining whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment and whether and to what extent the Certificates can be used as collateral for various types of borrowings.**

LEGAL OPINION

If you purchase Certificates, we will send you, upon request, an opinion of our General Counsel (or one of our Deputy General Counsels) as to the validity of the Certificates and the Trust Agreement.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code impose certain requirements on employee benefit plans subject to ERISA (such as employer-sponsored retirement plans) and upon other types of benefit plans and arrangements subject to section 4975 of the Code (such as individual retirement accounts). ERISA and the Code also impose these requirements on certain entities in which the benefit plans or arrangements that are subject to ERISA and the Code invest. We refer to these plans, arrangements and entities as “Plans.” Any person who is a fiduciary of a Plan also is subject to the requirements imposed by ERISA and the Code. Before a Plan invests in any Certificate, the Plan fiduciary must consider whether the governing instruments for the Plan would permit the investment, whether the Certificates would be a prudent and appropriate investment for the Plan under its investment policy and whether such an investment might result in a transaction prohibited under ERISA or the Code for which no exemption is available.

On November 13, 1986, the U.S. Department of Labor issued a final regulation covering the acquisition by a Plan of a “guaranteed governmental mortgage pool certificate,” defined to include certificates which are “backed by, or evidencing an interest in specified mortgages or participation interests therein” and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a Plan in a “guaranteed governmental mortgage pool certificate” does not cause the assets of the Plan to include the mortgages underlying the certificate or the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgages in the pool.

The Certificates may not qualify as “guaranteed governmental mortgage pool certificates” under the regulation described in the preceding paragraph because the assets of the Trust include the right to receive variable rate interest payments under the swap arrangement. Therefore, depending upon facts and circumstances, such as the aggregate number of Certificates beneficially owned by Plans, the assets of the Trust might be deemed to be assets of ERISA Plans for all purposes under Title I of ERISA. Because the REMIC regular interests held by the Trust are guaranteed governmental mortgage pool certificates, an investment in the Trust by Plans would not cause the assets of the Underlying Trusts to become assets of ERISA Plans.

Because the assets of the Trust may constitute assets of ERISA Plans, a proposed transferee may not acquire a Certificate unless either:

- the proposed transferee is not a Plan and is not acquiring the Certificate on behalf of a Plan or with Plan assets, or
- the proposed transferee is purchasing the Certificate in a transaction to which Prohibited Transaction Class Exemption (“PTCE”) 84-14 (exempting certain transactions effected by a qualified professional asset manager), PTCE 91-38 (exempting certain transactions involving bank collective investment funds), PTCE 90-1 (exempting certain transactions involving insurance company pooled separate accounts), PTCE 95-60 (exempting certain transactions involving insurance company general accounts), PTCE 96-23 (exempting certain transactions effected by an in-house asset manager) or a similar exemption applies.

Each transferee of a Certificate will be deemed to have made one of the representations contained in the immediately preceding sentence and, unless one of the exemptions listed in the second bullet point applies, any attempt to transfer a Certificate to a Plan or a person acting on behalf of a Plan or investing Plan assets will be void and of no effect.

Any ERISA Plan that holds or contemplates acquiring debt obligations of Fannie Mae should not purchase a Certificate unless PTCE 84-14 or a similar prohibited transaction exemption applies or will apply to its purchase and holding of the debt obligations.

PLAN OF DISTRIBUTION AND RELATED MATTERS

General. Pursuant to a Fannie Mae commitment, we will deliver the Certificates to Deutsche Bank Securities Inc. (the “Dealer”) in exchange for the regular interests in the REMIC Trust. The Dealer proposes to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect these transactions to or through other dealers.

In addition, on the Settlement Date Fannie Mae and an affiliate of the Dealer (the “Affiliate”) intend to enter into interest rate swaps under which Fannie Mae will be obligated to pay to the Affiliate the amounts concurrently owed by the Trust under the Trust Swap and the Affiliate will be obligated to pay to Fannie Mae the amounts concurrently owed by Fannie Mae under the Trust Swap.

Selling Restrictions. The Certificates may be offered or sold only where it is legal to do so. The Dealer has represented and agreed that it will comply with all applicable laws and regulations in each

jurisdiction in which it offers, sells or delivers Certificates or distributes this prospectus or any other offering material. The Dealer also had agreed to comply with certain selling restrictions relating to certain countries. We and the Dealer may modify selling restrictions at any time.

With respect to the United Kingdom, the Dealer has represented and agreed as follows:

(1) it has not offered or sold Certificates that have an original maturity of one year or more and, prior to six months after the issue date of such Certificates, will not offer or sell any the Certificates to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(2) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything it has done in relation to the Certificates in, from or otherwise involving the United Kingdom; and

(3) it has only issued or passed on and will only issue or pass on, in the United Kingdom any document received by it in connection with an issue of Certificates to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such documents may otherwise lawfully be issued or passed on.

LEGAL MATTERS

Brown & Wood LLP will provide legal representation for Fannie Mae. Cleary, Gottlieb, Steen & Hamilton will provide legal representation for the Dealer.

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**Summary Information About the
Group 1 Underlying Securities***

<u>Pass-Through Rate of Applicable Underlying Securities</u>	<u>Current Principal Balance</u>	<u>Weighted Average WAC</u>	<u>Weighted Average WAM</u>	<u>Weighted Average CAGE</u>
8.0%	\$ 25,556,129	8.538%	251	95
8.5	24,494,271	9.172	197	150
9.0**	46,029,689	9.656	225	123
9.5**	48,049,555	10.194	202	147
10.0**	31,941,019	10.659	212	137
10.5	17,517,123	11.079	224	127
11.0	32,760	11.500	124	232
Total	<u>\$193,620,546</u>			

**Summary Information About the
Group 2 Underlying Securities***

<u>Pass-Through Rate of Applicable Underlying Securities</u>	<u>Current Principal Balance</u>	<u>Weighted Average WAC</u>	<u>Weighted Average WARM</u>	<u>Weighted Average WALA</u>
8.5%	\$ 72,057,949	9.000%	262	85
9.0	105,950,734	9.501	223	127
9.5	11,262,190	10.004	220	130
10.0**	38,341,737	10.528	216	133
10.5	565,430	11.004	219	128
11.0	2,697,931	11.500	180	170
11.5	7,288,456	12.000	152	198
Total	<u>\$238,164,426</u>			

* This information relates solely to the Underlying Securities that have principal balances.

** In certain cases these represent blended rates that have been adjusted down to the indicated pass-through rate.

Exhibit B

Group 1 Private Label Underlying Securities*

<u>Issuer</u>	<u>Class Designation</u>	<u>Current Class Principal Balance</u>	<u>Pass-Through Rate</u>	<u>Weighted Average WAC</u>	<u>Original Term to Maturity</u>	<u>Weighted Average WAM</u>	<u>Weighted Average CAGE</u>	<u>Call Option Exercise %</u>
Bear Stearns Secured Investors Inc. CMO, Series 1988-6	6-D 6-F	\$ 6,035,737.00 1,192,462.00	10.000000% 10.000000	10.673600% 10.673600	360 360	199 199	151 151	10% 10
Bear Stearns Secured Investors Inc. CMO, Series 1988-8	8-D	6,209,287.36	9.000000	9.712198	360	194	152	10
Bear Stearns Secured Investors Inc. CMO, Series 1989-3	3-D	15,206,503.11	8.500000	9.199253	360	198	150	10
Drexel Burnham Lambert CMO Trust Series X ...	X-3	2,934,262.81	9.500000	10.181300	360	197	151	10
Drexel Burnham Lambert CMO Trust Series Z ...	Z-3	3,744,826.70	9.213262	9.944229	360	201	147	10
First Boston Mortgage Securities Corp., Strips of Participation Securities, Series 1987-B	B-1 Splits	291,123.06	9.000000	9.678371	360	191	158	**
L. F. Rothchild Mortgage Trust VII	E	2,139,533.03	10.000000	10.678732	360	207	141	1

* This information relates solely to the Group 1 Private Label Underlying Securities that have principal balances and is included in this Exhibit B for purposes of the Pricing Assumptions only.

** Not applicable.

Exhibit B

Group 2 Private Label Underlying Securities*

<u>Issuer</u>	<u>Class Designation</u>	<u>Current Class Principal Balance</u>	<u>Pass-Through Rate</u>	<u>Weighted Average WAC</u>	<u>Original Term to Maturity</u>	<u>Weighted Average WARM</u>	<u>Weighted Average WALA</u>	<u>Call Option Exercise %</u>
ML Trust XIII, Collateralized Mortgage Obligations (Government National Mortgage Association Backed Trust-1)	A	\$ 602,942.20	11.000000%	11.500000%	360	183	167	2%
Government National Mortgage Association REMIC Trust 1998-14	EM	6,806,211.14	8.500000	9.000000	360	259	89	1
		541,342.73	8.500000	9.027000	360	267	85	1
Collateralized Mortgage Obligation Trust 29	A	4,803,240.86	11.500000	12.000000	360	154	196	2
	B	12,061.05						
Collateralized Mortgage Obligation Trust 35	A	2,464,436.57	11.500000	12.000000	360	148	203	2
	B	8,717.32						
First Boston Mortgage Securities Corp., Strips of Participation Securities, Series 1987-C	C-1 Splits	401,712.06	11.000000	11.500000	360	183	165	**
First Boston Mortgage Securities Corp., Strips of Participation Securities, Series 1987-D	D-1 Splits	1,693,276.68	11.000000	11.500000	360	178	172	**
Morgan Stanley Mortgage Trust 36	36-4	1,156,740.38	10.000000	10.500000	360	225	124	1
Structured Asset Securities Corporation, Mortgage Certificate-Backed Certificates, Series 1998-P1	A-1	21,333,980.00	9.000000	9.500000	360	199	150	5

* This information relates solely to the Group 2 Private Label Underlying Securities that have principal balances and is included in this Exhibit B for purposes of the Pricing Assumptions only.

** Not applicable.

Fannie Mae REMIC Trust 1992-G55†

<u>Issuer</u>	<u>Class Designation</u>	<u>Current Class Principal Balance</u>	<u>Pass-Through Rate</u>	<u>Weighted Average WAC</u>	<u>Original Term to Maturity</u>	<u>Weighted Average WARM</u>	<u>Weighted Average WALA</u>	<u>Call Option Exercise %</u>
Federal National Mortgage Association, REMIC Trust 1992-G55	D	\$ 444,426.62	10.000000%	10.500000%	360	217	133	**
	E	3,283,000.00	10.000000	10.500000	360	217	133	**
	F	7,957,000.00	10.000000	10.500000	360	217	133	**

† This information is included in this Exhibit B for purposes of the Pricing Assumptions only.

** Not applicable.

Note to Following Tables

The information contained in the tables below relates solely to the interest only Underlying Securities. As described in this prospectus, all interest payments on the interest only Underlying Securities will be assigned to Fannie Mae in exchange for payments in amounts equal to the interest payable on the Certificates on each Distribution Date. See “Description of the Certificates—Calculation of LIBOR—Swap Arrangement” in this prospectus.

Group 1 Underlying Securities—Interest Only

<u>Pass-Through Rate of Applicable Underlying Securities</u>	<u>Current Notional Balance*</u>	<u>Weighted Average WAC</u>	<u>Weighted Average WAM</u>	<u>Weighted Average CAGE</u>
8.0%	\$ 28,985,902	8.735%	227	118
8.5	25,204,496	9.175	198	150
9.0	76,040,275	9.675	213	134
9.5	66,326,731	10.164	202	146
10.0	83,861,070	10.604	218	132
10.5	2,630,474	11.106	229	123
11.0	1,212,131	11.500	124	232
Total	<u>\$284,261,078</u>			

Group 2 Underlying Securities—Interest Only

<u>Pass-Through Rate of Applicable Underlying Securities</u>	<u>Current Notional Balance*</u>	<u>Weighted Average WAC</u>	<u>Weighted Average WARM</u>	<u>Weighted Average WALA</u>
8.5%	\$ 78,694,889	9.001%	257	91
9.0	39,733,751	9.502	237	113
9.5	26,535,284	10.002	210	141
10.0	22,651,989	10.500	223	126
11.0	1,302,166	11.500	180	169
11.5	8,296,187	12.000	151	199
Total	<u>\$177,214,267</u>			

* The current notional balance for any interest only Underlying Security with a coupon equal to the indicated pass-through rate means the related balance and, in any other case, a notionalized balance equal to the product of the actual balance of the Underlying Security and its coupon, such product being divided by the related pass-through rate.

No one is authorized to give information or to make representations in connection with this offering other than those contained in this prospectus and the other disclosure documents. You must not rely on any unauthorized information or representation. This prospectus and the other disclosure documents do not constitute an offer or solicitation with regard to the certificates if it is illegal to make such an offer or solicitation to you under state law. By delivering this prospectus and the other disclosure documents at any time, no one implies that the information contained in these documents is correct after their dates.

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

\$431,784,972
(Approximate)



FannieMae

Guaranteed Grantor Trust
Pass-Through Certificates
Fannie Mae Grantor Trust 1999-T3

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PROSPECTUS

Deutsche Banc Alex. Brown

September 2, 1999
