

## Mega Prospectus



### Guaranteed MBS Pass-Through Securities (Mega Certificates)

#### The Mega Certificates

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

- Fannie Mae Guaranteed Mortgage Pass-Through Certificates (“MBS”) that represent beneficial ownership interests in distinct pools of mortgage loans secured by single-family properties or multifamily properties; and/or
- Fannie Mae Guaranteed Mega Certificates that were previously issued (“Previously Issued Mega certificates”) and that represent indirect beneficial ownership interests in single-family or multifamily loans.

A trust may hold single-family MBS and single-family Previously Issued Mega certificates or it may hold multifamily MBS and multifamily Previously Issued Mega certificates. A trust will not hold both single-family securities and multifamily securities.

#### Fannie Mae Guaranty

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

**Consider carefully the risk factors section beginning on page 8. Unless you understand and are able to tolerate these risks, you should not invest in the Mega certificates.**

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

The date of this Prospectus is December 1, 2007.

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## DISCLOSURE DOCUMENTS FOR ISSUES OF MEGA CERTIFICATES

### This Prospectus and the Prospectus Supplements

We will provide information that supplements this prospectus in connection with each issue of Mega certificates indirectly backed by fixed-rate single-family loans with prepayment features, adjustable-rate single-family loans or multifamily loans. Electronic copies of this prospectus and the prospectus supplement, if any, for each issue of Mega certificates will be available on our Web site listed below. This prospectus and any prospectus supplement for each issue of Mega certificates will also be available in paper form upon request. The disclosure documents for any particular issue of Mega certificates are this prospectus, the related prospectus supplement, if any, and any final data statement prepared in lieu of a prospectus supplement, as well as any information incorporated in these documents by reference as discussed in **“INCORPORATION BY REFERENCE”** below. We also provide updated information and corrections regarding each issue of Mega certificates, the single-family and multifamily securities underlying the Mega certificates (the “underlying securities”) and the mortgage loans backing those securities through our “PoolTalk”® web-based application or at other locations on our Web site. **In determining whether to purchase any issue of Mega certificates in any initial offering, you should rely ONLY on the information in this prospectus, any related prospectus supplement and any information that we incorporate into these documents by reference. You should not rely on any information that may be offered to you by a third party as that information may not be reliable.**

Each prospectus supplement will include information about the Mega certificates being offered as well as the underlying securities and the mortgage loans backing the underlying securities. Certain statistical information regarding the Mega certificates, the underlying securities and the related mortgage loans may also be found in the final data statement for the trust or in any prospectus supplement for the underlying securities. See **“PRELIMINARY COLLATERAL INFORMATION AND FINAL DATA STATEMENTS—Final Data Statements”** below. Certain information about the underlying securities and the related mortgage loans will be given as of the issue date of the underlying securities. Other information about the underlying securities and the related mortgage loans will be given as of the issue date of the Mega certificates. Because each prospectus supplement will contain specific information about a particular issue of Mega certificates, you should rely on the information in the prospectus supplement to the extent it is different from or more complete than the information in this prospectus.

A prospectus supplement also may include a section under the heading “Recent Developments” that may contain additional summary information with respect to current events, including certain regulatory, accounting and financial issues affecting Fannie Mae.

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

You may obtain copies of this prospectus and any related prospectus supplement, by writing to Fannie Mae, Attention: Fixed Income Investor Marketing, 3900 Wisconsin Avenue, NW, Area 2H-3S, Washington, DC 20016 or by calling the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-7115. Typically, the prospectus supplement for an issue of Mega certificates is available before settlement of that issue. These documents generally will also be available on our Web site at [www.fanniemae.com](http://www.fanniemae.com). We are providing our internet address solely for the information of prospective investors. We do not intend the internet address to be an active link. This means that we are not using this internet link to incorporate additional information into this prospectus or into any prospectus supplement.

## Final Data Statements in Lieu of Prospectus Supplements

If no prospectus supplement is prepared for a particular issue of Mega certificates, the related final data statement will be a disclosure document for that issue of Mega certificates. In that case, the final data statement may include a section under the heading “Recent Developments” that may contain additional summary information with respect to current events, including certain regulatory, accounting and financial issues affecting Fannie Mae. Final data statements are described more fully under **“PRELIMINARY COLLATERAL INFORMATION AND FINAL DATA STATEMENTS—Final Data Statements”** in this prospectus.

You may obtain copies of any final data statement prepared in lieu of a prospectus supplement by writing to Fannie Mae, Attention: Fixed Income Investor Marketing, 3900 Wisconsin Avenue, NW, Area 2H-3S, Washington, DC 20016 or by calling the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-7115. Typically, a final data statement prepared in lieu of a prospectus supplement for a particular issue of Mega certificates is available on or after settlement of that issue of Mega certificates. It generally will also be available on our Web site at [www.fanniemae.com](http://www.fanniemae.com).

## Prospectuses for the Underlying Securities

For each issue of Mega certificates, you should review the following:

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

## INCORPORATION BY REFERENCE

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

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

We incorporate by reference the documents specified above under **“DISCLOSURE DOCUMENTS FOR ISSUES OF MEGA CERTIFICATES—Prospectuses for the Underlying Securities.”** We also incorporate by reference the following documents we have filed, or may file, with the Securities and Exchange Commission (“SEC”):

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

to the date of this prospectus and prior to the completion of the offering of the related Mega certificates, but excluding any information “furnished” to the SEC on Form 8-K.

You may read our SEC filings and other information about us at the offices of the New York Stock Exchange and the Chicago Stock Exchange. Our SEC filings also are available at the SEC’s Web site at [www.sec.gov](http://www.sec.gov). You also may read and copy any document we file with the SEC by visiting the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. Please call the SEC at (800) SEC-0330 for further information about the operation of the Public Reference Room. We are providing the address of the SEC’s Web site solely for the information of prospective investors. We do not intend the internet address to be an active link.

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

## **PRELIMINARY COLLATERAL INFORMATION AND FINAL DATA STATEMENTS**

### **Preliminary Collateral Information**

Twice each business day, we post on our Web site under the caption “Monthly Collateral Summary” certain preliminary collateral information for issues of Mega certificates that have settled during the current month through the date of posting. This preliminary collateral information includes the weighted average coupon and the weighted average maturity of the underlying securities backing each issue. If the preliminary collateral information is posted before the settlement of some or all of those underlying securities, the final collateral information found in the final data statement for that issue of Mega certificates may differ from the preliminary collateral information.

### **Final Data Statements**

Once the trust for a particular issue of Mega certificates has been formed and the related Mega certificates have been issued, we will prepare a final data statement containing certain final information about the underlying securities. A final data statement will present aggregate data on all of the underlying securities held in the related trust (for example, highest and lowest current weighted average coupon, weighted average coupon, highest and lowest weighted average remaining term, and weighted average remaining term). If an underlying security has not yet settled when a final data statement is prepared, settlement of the underlying security may create a need for data in the final data statement to be updated. In that case, we will prepare a revised final data statement containing the updated data.

A final data statement generally will not accompany this prospectus or a prospectus supplement. Unless a final data statement is prepared in lieu of a prospectus supplement, a final data statement should **not** be considered a disclosure document for an issue of Mega certificates.

A final data statement for an issue of Mega certificates will be posted on our Web site on or after the settlement date for that issue. Our Web site address is [www.fanniemae.com](http://www.fanniemae.com). We will also provide final data statements in paper form upon request. To request one, call the Fannie Mae Helpline at 1-800-237-8627 or (202) 752-7115.

We may also post on our Web site some Mega-level information (to the extent available) in quartile format (loan-to-value ratio and borrower credit score) and in tabular format (occupancy type, loan purpose, property type by number of units, and servicer). In addition, we also generally update certain information about each Mega trust on an ongoing monthly basis on our Web site. See **“DESCRIPTION OF THE MEGA CERTIFICATES—Reports to Mega Certificateholders.”** Mega certificateholders should note that, unless otherwise stated in this prospectus, or in a final data statement prepared in lieu of a prospectus supplement, information on our Web site is **not** incorporated by reference in this prospectus.

## SUMMARY

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

Title of Security . . . . . Guaranteed MBS Pass-Through Securities (Mega certificates).

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

**The Mega certificates and payments of principal and interest on the Mega certificates are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. We alone are responsible for making payments on the Mega certificates.**

Description of Mega Certificates . . . . . Each Mega certificate will represent a fractional undivided ownership interest in a pool of underlying MBS and/or previously issued Mega certificates and in the principal and interest distributions from these underlying securities. We will issue the Mega certificates in book-entry form on the book-entry system of the U.S. Federal Reserve Banks, unless we specify a different system in the related prospectus supplement. The book-entry certificates will not be convertible into physical certificates.

Minimum Denomination . . . . . We will issue the Mega certificates in minimum denominations of \$1,000 with additional increments of \$1.

Issue Date . . . . . The first day of the month in which the Mega certificates of a particular issue are issued.

Settlement Date . . . . . No later than the last business day of the month in which the issue date occurs.

Distribution Date . . . . . The 25th day of each month is the date designated for payments to holders of Mega certificates. If that day is not a business day, payment will be made on the next business day. The first distribution date for an issue of Mega certificates will occur in the month following the month in which the Mega certificates are issued. For example, if an issue date is March 1st, the first distribution date will be April 25th or, if April 25th is not a business day, the first business day following April 25th.

Final Data Statements . . . . . The final data statement for an issue of Mega certificates identifies the underlying securities for that issue. It also provides certain data about the underlying securities and about the Mega issue itself. The final data statement



will be posted on our Web site on or after the settlement date for that issue.

Interest. . . . . On each distribution date, we will distribute interest on the Mega certificates of a particular issue in an amount equal to the interest accrued on the then-outstanding certificates of that issue for the related interest accrual period, minus the amount of any deferred interest resulting from negative amortization on the related mortgage loans with respect to that distribution date.

Principal. . . . . On each distribution date, we will distribute principal of the Mega certificates of a particular issue in an amount equal to the portion of the aggregate principal due on the related underlying securities during the preceding deposit period that is allocable to the then-outstanding certificates of that issue. (As to any distribution date, the deposit period is the period beginning immediately after the preceding distribution date and ending on the distribution date.)

Monthly Factor. . . . . On or about the fourth business day of each month, we will publish the monthly factor for each issue of Mega certificates. If you multiply the monthly factor by the original principal balance of your Mega certificates, you will obtain the current principal balance of your Mega certificates, after giving effect to the principal payment to be made on the distribution date in that month.

Business Day . . . . . Any day other than a Saturday or Sunday, a day when the fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York is closed, or a day when the Federal Reserve Bank in the district where the certificate account is maintained is closed.

Final Distribution Date . . . . . The distribution date immediately following the latest maturity date of a mortgage loan directly or indirectly backing the related underlying securities, as specified in the related final data statement.

Guaranty . . . . . We guarantee to each trust that we will supplement amounts received by the trust as required to permit payments on the Mega certificates on each distribution date in an amount equal to the sum of (i) the portion of the aggregate amount of principal due on the related underlying securities during the preceding deposit period that is allocable to the then-outstanding certificates of that issue and (ii) the interest accrued on the then-outstanding certificates of that issue for the related interest accrual period, minus the amount of any deferred interest resulting from negative amortization on the related mortgage loans with respect to that distribution date. In addition, we guarantee to each trust the full and final payment of the unpaid principal balance of the Mega certificates on the final distribution

date for that issue, even if less than the required amount has been remitted to us.

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

The Underlying Securities . . . . . Each Mega certificate is backed by one or more underlying securities representing the direct or indirect beneficial ownership of residential mortgage loans secured by single-family or multifamily properties, but not both. The underlying securities will include one or more of the following:

***For single-family Mega certificates:***

- single-family MBS and/or
- previously issued single-family Mega certificates.

***For multifamily Mega certificates:***

- multifamily MBS and/or
- previously issued multifamily Mega certificates.

Exchange of Mega Certificates . . . . . In certain circumstances, holders may exchange their Mega certificates for one or more classes of SMBS certificates issued from the same trust or for a combination of Mega certificates and one or more classes of SMBS certificates issued from the same trust. See **“DESCRIPTION OF THE MEGA CERTIFICATES—Exchange of Mega Certificates for SMBS Certificates”** in this prospectus.

Trust Agreement . . . . . Each issue of Mega certificates is issued in accordance with the provisions of a Mega-SMBS Master Trust Agreement and an issue supplement for that issue (together, the “trust agreement”). We summarize certain pertinent provisions of the trust agreement in this prospectus. You should refer to the trust agreement for a complete description of your rights and obligations as well as the rights and obligations of Fannie Mae in our various capacities.

Trustee . . . . . We serve as the trustee for each trust pursuant to the terms of the trust agreement.

Paying Agent . . . . . An entity designated by us to perform the functions of a paying agent. The Federal Reserve Bank of New York currently serves as our paying agent for the Mega certificates and our other mortgage pass-through securities.



Fiscal Agent . . . . .	An entity designated by us to perform certain administrative functions for the trust. The Federal Reserve Bank of New York currently serves as our fiscal agent for the Mega certificates and our other mortgage pass-through securities.
Termination . . . . .	Each trust will terminate upon distribution by the trustee to the holders of the related Mega certificates of all amounts required to be distributed under the trust agreement. In no event will any trust continue beyond the last day of the sixtieth year following the issue date of the Mega certificates. Fannie Mae has no option to terminate a trust early.
Federal Income Tax Consequences . . . .	Each trust will be classified as a fixed investment trust. Each beneficial owner of a Mega certificate of a particular issue will be treated as the owner of a pro rata undivided interest in each of the underlying securities held in the trust.
Legal Investment Considerations . . . . .	Under the Secondary Mortgage Market Enhancement Act of 1984 or SMMEA, the Mega certificates offered by this prospectus and any related prospectus supplement will be considered “securities issued or guaranteed by the Federal National Mortgage Association.” Nevertheless, you should consult your own legal advisor to determine whether and to what extent the Mega certificates of a particular issue constitute legal investments for you.
ERISA Considerations . . . . .	For the reasons discussed under “ <b>ERISA CONSIDERATIONS</b> ” in this prospectus, investment by a plan in the Mega certificates will not cause the assets of the plan to include the mortgage loans backing the underlying securities held in the trust or cause the sponsor, trustee and servicers of the mortgage pool to be subject to the fiduciary provisions of the Employee Retirement Income Security Act (ERISA) or the prohibited transaction provisions of ERISA or section 4975 of the Internal Revenue Code of 1986.

## RISK FACTORS

We have listed below some of the risks associated with an investment in Mega certificates. Additional risks related to the MBS that directly or indirectly back the Mega certificates are disclosed in the Single-Family MBS Prospectus or the Multifamily MBS Prospectus, as applicable. Moreover, we may identify additional risks associated with a specific issue of Mega certificates in the related prospectus supplement. Because each investor has different investment needs and a different risk tolerance, you should consult your own financial and legal advisors to determine whether the Mega certificates are a suitable investment for you.

### INVESTMENT FACTORS:

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

The Mega certificates are complex financial instruments. They are not a suitable investment for every investor. Before investing, you should:

- have sufficient knowledge and experience to evaluate (either alone or with the help of a financial or legal advisor) the merits and risks of the Mega certificates being offered and the underlying securities as well as the information contained in this prospectus, any related prospectus supplement, any supplement to the prospectus supplement, and the documents incorporated by reference;
- understand thoroughly the terms of the Mega certificates and the underlying securities;
- be able to evaluate (either alone or with the help of a financial or legal advisor) the economic, interest rate and other factors that may affect your investment;
- have sufficient financial resources and liquidity to bear all risks associated with the Mega certificates and the underlying securities;
- investigate any legal investment restrictions that may apply to you; and
- exercise particular caution if your circumstances do not permit you to hold the Mega certificates until maturity.

### PREPAYMENT FACTORS:

**We may withdraw some or all of the underlying securities due to a breach of representations or warranties, accelerating the rate at which you receive your return of principal.**

In delivering underlying securities to us, transferors make representations and warranties about the underlying securities. If these representations and warranties were not true when made, we may purchase from the trust the affected underlying securities at any time. When an underlying security is purchased, its principal balance is passed through to the related Mega certificateholders on the distribution date in the month of purchase. Thus, the purchase of an underlying security due to a breach of a representation and warranty will accelerate the rate at which you receive your return of principal. See “**THE TRUST AGREEMENT—Purchase or**

**The Mega certificates are affected by the prepayment and other risk factors to which the underlying securities are subject.**

**YIELD FACTORS:**

**Your yield will be subject to a number of factors, including the rate of prepayment on the related mortgage loans.**

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

**Substitution of Underlying Securities by the Issuer” below.**

Because the Mega certificates of a particular issue are affected by the prepayment and other risk factors to which the underlying securities are subject, investors should read and understand the risk factors contained in the Single-Family MBS Prospectus or Multifamily MBS Prospectus, as applicable.

Yields on the Mega certificates will be sensitive to the prepayment rate of the mortgage loans that indirectly back the Mega certificates. In general, the effective yield on your Mega certificates will depend upon:

- the price you paid for the Mega certificates;
- how quickly or slowly borrowers prepay their mortgage loans;
- the timing of any liquidations of the mortgage loans due to borrower defaults or to casualties or condemnations affecting the properties securing the loans;
- the timing of any purchase of the mortgage loans by us; and
- the actual characteristics of the mortgage loans.

If the related mortgage loans are repaid more quickly than you expect, principal on your Mega certificates will be paid to you sooner than you expect. Depending on then-prevailing economic conditions and interest rates, you may not be able to reinvest the proceeds at a yield that is equal to or greater than the yield on your Mega certificates.

In contrast, if the related mortgage loans are repaid more slowly than you expect, principal on your Mega certificates will be paid to you later than you expect. Your ability to reinvest these funds, therefore, would be delayed. If the yield on your Mega certificates is lower than the yield available on comparable investments at the date when you expect your Mega certificates to prepay, you will be disadvantaged by having less principal available to reinvest and by having your investment dollars remain invested in the Mega certificates for a longer than expected period.

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

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

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

Furthermore, in the case of Mega certificates purchased at a premium, you could lose money on your investment if principal payments occur at a rapid rate.

**Unpredictable timing of the last payment affects yields on Mega certificates.**

Mega certificates are delay securities. Since delay securities do not receive interest immediately following each interest accrual period, the Mega certificates have lower yields and lower market values than they would have if there were no such delay.

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

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

The rate of payments on the Mega certificates is uncertain. You may be unable to reinvest the payments on the Mega certificates at the same yields as the yields on the Mega certificates.

#### **LIQUIDITY FACTORS:**

**There may be no market for the Mega certificates, and no assurance can be given that a market will develop and continue. It may be difficult to resell the Mega certificates.**

We cannot be sure that new Mega certificates, when issued, will have a ready market or, if a market does develop, that the market will remain active during the entire term for which the Mega certificates are outstanding. Therefore, it is possible that if you wish to sell your Mega certificates in the future, you may have difficulty finding potential purchasers.

Some of the factors that may affect the resale of Mega certificates are:

- the method, frequency and complexity of calculating principal or interest on the underlying securities and unpaid principal balances of the related mortgage loans;
- the prepayment features of the related mortgage loans;
- the average age of the related mortgage loans;
- the outstanding principal amount (or notional principal amount) of the Mega certificates of that issue and other issues with similar features;
- the amount of Mega certificates offered for resale from time to time;
- any legal restrictions or tax treatment limiting demand for Mega certificates;
- the availability of comparable or complementary securities; and

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

- the level, direction and volatility of interest rates generally.

We will make all payments of principal and interest on the Mega certificates in U.S. dollars. If you conduct your financial activities in another currency, an investment in any U.S. dollar-denominated security such as the Mega certificates has significant additional risks. These include the possibility of significant changes in the rate of exchange and the possibility that exchange controls may be imposed. In recent years, the exchange rates between the U.S. dollar and certain currencies have been highly volatile. This volatility may continue. If the value of your currency appreciates relative to the value of the U.S. dollar, the yield on the Mega certificates, the value of payments on the Mega certificates and the market value of the Mega certificates all would decline in terms of your currency.

#### **FANNIE MAE CREDIT FACTORS:**

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

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

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

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

#### **OTHER FACTORS:**

**Only certain information is provided.**

You should be aware that the information in the prospectus supplement or final data statement for a particular series of Mega certificates will not contain information about certain characteristics of the related mortgage loans, even though under certain circumstances these characteristics could affect the prepayment experience of the mortgage loans and, therefore, the yield on your Mega certificates. In addition, weighted average information will not disclose the range of coupons or remaining terms to maturity of individual mortgage loans. For example, while extremely wide ranges of coupons are unusual in pools of mortgage loans backing MBS, a pool with a WAC that is 1.50% above the pass-

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



## **FANNIE MAE**

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

Under the Charter Act, we were created to:

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

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

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

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

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

## **USE OF PROCEEDS**

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

## **DESCRIPTION OF THE MEGA CERTIFICATES**

This prospectus relates to Mega certificates issued on and after December 1, 2007, which are issued under our Mega-SMBS Master Trust Agreement, effective December 1, 2007 (as it may be

amended supplemented, or replaced from time to time, the “Mega-SMBS Trust Agreement”). For information about Mega certificates issued before that date, see the Mega prospectus that was in effect at the time those Mega certificates were issued.

## **The Mega Certificates**

### ***General***

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

Each issue of Mega certificates represents fractional undivided beneficial ownership interests in a distinct pool of underlying securities held in a trust. We will hold the underlying securities, in our capacity as trustee under the trust agreement, for the benefit of all the holders of Mega certificates of the same issue. The fractional undivided interest of each Mega certificate is equal to the initial principal balance of that Mega certificate divided by the aggregate principal balance of the underlying securities in the related trust on the issue date.

### ***Settlement***

Settlement is expected to occur no later than the last business day of the month in which the issue date of the Mega certificates occurs. Settlement on fixed-rate Mega certificates may occur beginning one business day following the release of factors for the underlying trust assets, which are typically released on or about the 4th business day of the month in which the Mega certificates were issued. Settlement for adjustable-rate Mega certificates may occur beginning on or about the 12th business day of the month in which the Mega certificates were issued. Settlement for Mega certificates may not occur on the day designated by the Securities Industry and Financial Markets Association each month for settlement of 30-year Fannie Mae MBS transactions or on the last business day of a month. If the last business day of a month is the 31st, then settlement for Mega certificates may not occur on either of the last two business days of the month.

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

We will issue the Mega certificates in book-entry form using the book-entry system of the U.S. Federal Reserve Banks. Physical certificates are not available. Mega certificates must be issued in a minimum denomination of \$1,000 with additional increments of \$1. They are freely transferable on the records of any Federal Reserve Bank. Any transfers are subject to the minimum denomination requirement.

### ***Federal Reserve Banks***

A Mega certificateholder is an entity that appears in the records of a Federal Reserve Bank as the owner of a Mega certificate. Only entities that are eligible to maintain book-entry accounts with a Federal Reserve Bank may be Mega certificateholders. These entities are not necessarily the beneficial owners of the Mega certificates. They are banks, securities clearing organizations and similar companies that act as financial intermediaries. Beneficial owners ordinarily hold Mega certificates by having accounts at financial intermediaries that either have book-entry accounts with a Federal Reserve Bank or hold through other financial intermediaries, one of which has a book-entry account with a Federal Reserve Bank. A Mega certificateholder that is not also the beneficial owner of a Mega certificate, and all other financial intermediaries in the chain between the Mega certificateholder and the beneficial owner, are responsible for establishing and maintaining accounts for their customers.

The Federal Reserve Bank of New York currently serves as our fiscal agent, pursuant to a fiscal agency agreement, for Mega certificates. In that capacity, it performs certain administrative functions for us with respect to Mega certificateholders. Neither we nor the Federal Reserve Bank will have any direct obligation to the beneficial owner of a Mega certificate that is not also a Mega certificateholder. We and the Federal Reserve Bank may treat the Mega certificateholder as the absolute owner of a Mega certificate for all purposes, regardless of any contrary notice you may provide.

The Federal Reserve Bank of New York also currently serves as our paying agent. In that capacity it credits the account of the Mega certificateholder when we make a distribution on the Mega certificates. Each Mega certificateholder and any financial intermediaries are responsible for remitting distributions to the beneficial owners of the Mega certificates.

### **Distributions on Mega Certificates**

We as trustee will make distributions to Mega certificateholders on the 25th day of each month or, if the 25th day is not a business day, on the first business day following the 25th day of the month. We refer to this date as a distribution date. We will make the first payment for each issue of Mega certificates on the distribution date in the month following the month in which the Mega certificates are issued. For example, if an issue date is March 1st, the first distribution date for that issue will be April 25th, or the following business day if April 25th is not a business day. A business day is any day other than a Saturday or Sunday, a day when the fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York is closed, or a day when the Federal Reserve Bank in the district where the Mega certificate account is maintained is closed. We will pay the Mega certificateholder that is listed as the holder in the records of any Federal Reserve Bank as of the record date. The record date is the close of business on the last day of the month immediately preceding the month in which the distribution date occurs.

### ***Interest Distributions***

On each distribution date, we will distribute to Mega certificateholders one month's interest in an amount equal to the interest accrued on the principal balance of the then-outstanding Mega certificates of that issue for the related interest accrual period, less any deferred interest on the related mortgage loans with respect to that distribution date.

If any adjustable-rate mortgage loan (an "ARM loan") directly or indirectly backing an underlying security permits negative amortization, any deferred interest will be added to the principal balance of the mortgage loan and, consequently, to the principal balance of the underlying security. The amount of deferred interest is then added to the outstanding principal of the Mega certificates and allocated to Mega certificateholders according to their fractional undivided interests in the related trust. In this case, the amount of interest distributed on the underlying security on the related distribution date will not increase and, accordingly, the amount of interest distributed on the related Mega certificates will not increase.

### ***Principal Distributions***

On each distribution date, we will distribute to Mega certificateholders principal in an amount equal to the portion of the aggregate amount of principal due on the underlying securities during the preceding deposit period that is allocable to the then-outstanding Mega certificates of that issue. As to any distribution date, a "deposit period" is the period beginning immediately after the preceding distribution date (or in the case of the initial distribution date, beginning on the first day of the month of the initial distribution date) and ending on the current distribution date.

### ***Other Distributions***

If the related mortgage loans are multifamily loans, the loans may provide for the collection of yield maintenance premiums or other prepayment premiums upon a prepayment of the loans. In some cases, those premiums are shared with the holders of the underlying securities. If your Mega certificates are backed by multifamily underlying securities that provide for sharing of collected prepayment premiums, any fees and premiums distributed to the holders of the multifamily underlying securities will be passed through to the related Mega certificateholders. **We do not guarantee the payment of any yield maintenance premiums or prepayment premiums.**

### **Reports to Mega Certificateholders**

#### ***Monthly Factor and Other Monthly Disclosures***

On or about the 4th business day of each month, we will publish the current monthly factor for each issue of Mega certificates. If you multiply the monthly factor by the original unpaid principal balance of your Mega certificates, you will obtain the then-current principal balance of your Mega certificates, after giving effect to the monthly principal to be distributed on the distribution date in that month. On the same day, we will also publish the fixed-rate quartiles for certain critical data elements for the mortgage loans backing each issue of fixed-rate Mega certificates.

On or about the 9th business day of each month, we will provide additional information for our Mega certificates. For all Mega certificates, we will publish geographical statistics. For single-family Mega certificates, we will publish a supplemental file containing information for the related mortgage loans including, but not limited to, loan purpose and occupancy type. For single-family Mega certificates backed by mortgage loans with initial interest-only periods, we will specify the number of months remaining until the related mortgage loans begin amortizing. For our Mega certificates backed by ARM loans, we will publish the ARM statistics file and the adjustable-rate quartiles file that details rate, adjustment, and cap information as well as certain other critical data elements for the ARM loans backing the Mega certificates.

These monthly disclosures are made available each month on our Web site and in various financial publications. Mega certificateholders should note that, unless otherwise stated in the related prospectus supplement or final data statement, information on our Web site is **not** incorporated by reference in this prospectus, any prospectus supplement or any final data statement.

#### ***Monthly Reports***

Each Mega certificateholder that is listed as the holder in the records of any Federal Reserve Bank will receive the information below with respect to each monthly distribution, adjusted to reflect each Mega certificateholder's pro rata interest in the related trust as of the distribution date:

- the amount due on the Mega certificates on that distribution date on account of total scheduled and unscheduled principal;
- the amount due on the Mega certificates on that distribution date on account of interest;
- the total cash distribution on the Mega certificates on that distribution date;
- for Mega certificates indirectly backed by ARM loans that permit negative amortization, the amount of any deferred interest added to the principal balances of the ARM loans as of that distribution date as a result of negative amortization on the loans;
- the principal balances of the Mega certificates on that distribution date after giving effect to any distribution of principal on that date (and, for Mega certificates indirectly backed by ARM loans that permit negative amortization, after giving effect to any deferred interest added to the principal balances of the loans during the related interest accrual period); and

- for Mega certificates indirectly backed by ARM loans, the pool accrual rate for that distribution date.

### ***Tax Information***

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

### **Fannie Mae Guaranty**

We are the guarantor under the trust agreement. We guarantee to each trust that we will supplement amounts received by the trust as required to permit payments on the Mega certificates on each distribution date in an amount equal to:

- the portion of the aggregate amount of principal due on the underlying securities backing the Mega certificates during the preceding deposit period that is allocable to the then-outstanding certificates of that Mega issue; plus
- the interest accrued on the then-outstanding certificates of that Mega issue for the related interest accrual period, minus any deferred interest resulting from negative amortization on the related mortgage loans with respect to that distribution date.

For single-family Mega certificates indirectly backed by fixed-rate mortgage loans, interest will be paid at the same pass-through rates as those of the underlying securities. For single-family Mega certificates indirectly backed by ARM loans that do not permit negative amortization, interest will be paid at the weighted average of the then-current pool accrual rates of the underlying securities. For single-family Mega certificates indirectly backed by ARM loans that permit negative amortization, interest will be paid at the weighted average of the then-current pool accrual rates of the underlying securities minus the aggregate amount of any deferred interest. Any deferred interest will be added to the principal balance of the underlying securities and, in turn, will be added to the principal balance of the Mega certificates.

For multifamily Mega certificates indirectly backed by fixed-rate mortgage loans, interest will be paid at the weighted average of the then-current pool accrual rates of the underlying securities.

In addition, we guarantee to each trust the full and final payment of any unpaid principal balance of the related Mega certificates on the final distribution date, even if less than the required amount has been remitted to us. **We do not guarantee the payment of any yield maintenance premiums or prepayment premiums.**

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

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

**The Mega certificates and payments of principal and interest on the Mega certificates are not guaranteed by the United States government and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. We alone are responsible for making payments on our guaranty.**



## Exchange of Mega Certificates for SMBS Certificates

Certain issues of Mega certificates may be exchanged for Fannie Mae Guaranteed Stripped Mortgage-Backed Securities (the “SMBS certificates”) of one or more classes that are issued by the same trust as the Mega certificates. Trusts with exchangeable Mega certificates are listed on our Web site at <http://www.fanniemae.com/mbs/data/mega/exchangeablemegas.jhtml>. This list will be updated as exchangeable Mega certificates are issued. If you hold any of the eligible Mega certificates, then, subject to the conditions set forth below, you may exchange some or all of your Mega certificates for certain SMBS certificates that represent identical percentage interests in the underlying principal payments and underlying interest payments. The total outstanding principal balance of the SMBS certificates of authorized denominations that we will deliver in this type of exchange will equal the total outstanding principal balance of the Mega certificates surrendered for exchange. We may impose an administrative fee for the exchange of Mega certificates for the SMBS certificates. The SMBS certificates will have a minimum denomination of \$100,000 with additional increments of \$1. For further information about the SMBS certificates that may be delivered in such an exchange, see the Prospectus for Guaranteed Stripped Mortgage-Backed Securities dated December 1, 2007 and the related prospectus supplement for that issue of SMBS certificates.

There is no limit on the number of exchanges of certificates described above. However, if a proposed exchange would result in a Mega certificateholder holding a Mega certificate or an SMBS certificate in an amount less than the applicable minimum denomination, the proposed exchange will not be permitted. In addition, any Mega-SMBS certificate exchange must be made in accordance with book-entry requirements and Fannie Mae’s exchange procedures. Upon completion of an exchange, the portion or portions of the Mega certificates exchanged will be deemed cancelled and replaced by the SMBS certificates issued in the exchange. Unless the prospectus supplement for the related issue of SMBS certificates provides otherwise, the SMBS certificates delivered in the exchange may be exchanged for Mega certificates at a future date.

## YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS

Because payments from the underlying securities are passed through directly to the holders of the related Mega certificates, the yield, maturity and prepayment considerations and prepayment assumptions associated with an investment in the Mega certificates are the same as those described in the prospectus applicable to the related underlying securities.

### Effective Yield on Mega Certificates

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

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



## **Maturity and Prepayment Considerations**

The maturity and prepayment considerations for a particular issue of Mega certificates are directly related to those that apply to the MBS directly or indirectly underlying the related trust. See the discussion under the heading **“YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS”** in the Single-Family MBS Prospectus or the Multifamily MBS Prospectus, as applicable.

In addition, certificateholders will receive an early payment of principal of their Mega certificates if we purchase any underlying securities under the circumstances discussed under **“THE TRUST AGREEMENT—Purchase or Substitution of Underlying Securities by the Issuer”** in this prospectus.

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

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

- (a) multiplying the amount of the reduction, if any, of the principal balance of the Mega certificate from each distribution date to the next distribution date by the number of years from the settlement date of that Mega issue to the second such distribution date,
- (b) summing the results, and
- (c) dividing the sum by the aggregate amount of the reductions in principal balance of the Mega certificate referred to in clause (a).

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

The final distribution date for the Mega certificates of a particular issue is the date by which we must pay the holders the full outstanding principal balance of the Mega certificates of that issue. The final distribution date is the distribution date immediately following the latest maturity date of a mortgage loan backing the underlying securities.

It is likely that we will pay the full outstanding principal balance of the Mega certificates of a particular issue earlier, and perhaps much earlier, than their final distribution date, because the rate at which we pay principal on the Mega certificates will be determined by the rate at which principal payments are made on the related mortgage loans. We cannot assure that the outstanding principal balance of the Mega certificates of any issue will be paid in full before their final distribution date.

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

## **THE UNDERLYING SECURITIES**

### **General**

The assets of a trust may consist of MBS and/or Previously Issued Mega certificates. There is no limit on the number of MBS and Previously Issued Mega certificates that may back a particular Mega issue. The underlying securities will be directly or indirectly backed by pools of mortgage loans

secured by either single-family properties or multifamily properties. We do not include both single-family underlying securities and multifamily underlying securities in the same trust. The trust for a Mega issue may hold one or more underlying securities issued by a single trust (or by separate trusts) but need not hold all the underlying securities issued by any trust.

This prospectus describes certain common features of Mega certificates, the underlying securities and the mortgage loans directly or indirectly backing the underlying securities. The underlying securities and the related mortgage loans may have unique features. Before investing in an issue of Mega certificates, investors should read the prospectus supplements for the underlying securities to inform themselves about any such unique features.

Information concerning the underlying securities held in a particular trust may be found in the prospectus supplement, if any, for the related underlying securities and the final data statement for the related Mega issue.

For each issue of Mega certificates, the underlying securities will have certain characteristics in common.

### **Single-Family Mega Certificates**

A single-family trust may hold MBS backed by single-family mortgage loans and/or Previously Issued Mega certificates backed by single-family MBS or single-family Previously Issued Mega certificates. We will describe the characteristics of any single-family ARM loans backing the underlying securities in a prospectus supplement.

All of the single-family fixed-rate MBS and single-family fixed-rate Previously Issued Mega certificates directly or indirectly backing an issue of Mega certificates will have the same pass-through rate and generally will have the same pool prefix. All of the single-family ARM MBS and single-family ARM Previously Issued Mega certificates directly or indirectly backing an issue of Mega certificates will have the same subtype and may have the same pool prefix. You can find information on Mega and MBS pool prefixes and on Mega and MBS subtypes used for single-family underlying securities in **Exhibit A** to this prospectus (Megas), in **Exhibit A** to the Single-Family MBS Prospectus (MBS) or on our Web site (both Megas and MBS).

### **Multifamily Mega Certificates**

A multifamily trust may hold MBS backed by multifamily mortgage loans and/or Previously Issued Mega certificates backed by multifamily MBS or multifamily Previously Issued Mega certificates. We will describe the characteristics of the multifamily mortgage loans backing the underlying securities in a prospectus supplement. We currently issue only fixed-rate multifamily Mega certificates indirectly backed by fixed-rate mortgage loans. We may decide in the future to issue multifamily Mega certificates indirectly backed by ARM loans.

All of the multifamily fixed-rate MBS directly or indirectly backing a specific issue of Mega certificates will have the same MBS pool prefix, and may have the same pass-through rate or a combination of pass-through rates. The combination of pass-through rates typically is restricted to an inclusive 100 basis point range from the highest to the lowest pass-through rate. All of the multifamily fixed-rate Previously Issued Mega certificates backing a specific issue of Mega certificates may have the same pool prefix. You can find information on Mega and MBS pool prefixes used for multifamily underlying securities in **Exhibit A** to this prospectus (Megas), in **Exhibit A** to the Multifamily MBS Prospectus (MBS) or on our Web site (both Megas and MBS).

## **THE TRUST AGREEMENT**

We summarize below the important terms of the trust agreement. This summary is not complete. If there is any conflict between the information in this prospectus and the actual terms of the trust

agreement, the terms of the trust agreement, including the related issue supplement, will govern. You may obtain a copy of the trust agreement from our Washington, DC office or our Web site found at [www.fanniemae.com](http://www.fanniemae.com). You may obtain a copy of the issue supplement that applies to your issue of Mega certificates from our Washington, DC office.

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

If the Mega certificates are eligible to be exchanged for SMBS certificates as discussed under **“DESCRIPTION OF THE MEGA CERTIFICATES—Exchange of Mega Certificates for SMBS Certificates”** above, the Mega certificates and the related SMBS certificates will represent beneficial interests in the same trust. In the case of any trust that issues both Mega certificates and SMBS certificates, references to “Mega certificateholders,” “certificateholders” and “holders of certificates” in the following paragraphs of this section are deemed to refer collectively to holders of the Mega certificates and holders of the related SMBS certificates that are outstanding at any time.

### **Transfer of Assets to a Trust**

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

### **Purchase or Substitution of Underlying Securities by the Issuer**

In delivering underlying securities to us, a transferor makes, or is deemed to make, certain representations and warranties about the underlying securities. If the transferor’s representations and warranties were not true when they were made, we may, within 90 days of discovery of the breach, purchase from the related trust the underlying securities with respect to which the breach or error occurred. In addition, if we determine, or a court or governmental agency determines, that our acquisition of any underlying security prior to its being transferred to a trust was unauthorized or if a court or governmental agency requires us to purchase any underlying security from a trust, we will purchase it as soon as practicable. When an underlying security is purchased, its principal balance is passed through to the related Mega certificateholders on the distribution date immediately following the date of the purchase. The price to be paid for any underlying security that we purchase is calculated as set forth in the trust agreement. See also **“RISK FACTORS—PREPAYMENT FACTORS: We may withdraw some or all of the underlying securities due to a breach of representations or warranties, accelerating the rate at which you receive your return of principal”** in this prospectus.

In lieu of purchasing an underlying security as to which a breach of representation and warranty has occurred, we may remove the underlying security from the trust and replace it with one or more other underlying securities, provided that the following criteria are met:

- The substitute securities have the characteristics set forth in the related final data statement;
- The aggregate principal balance of the substitute securities on the date of substitution equals the aggregate certificate balance of the underlying securities being purchased;
- For fixed-rate Megas, the substitute securities have the same pool prefix as all other underlying securities in that trust;
- For adjustable-rate Megas, the substitute securities have the same subtype as the other underlying securities in that trust; and
- The substitution occurs within 90 days after the issue date of the Mega certificates.

If a security is removed from and a substitute security is added to a trust, we will amend the related final data statement to reflect the removal and substitution. Any purchase or substitution of an underlying security will be effective as of the first day of the calendar month in which the purchase or substitution occurs.

### **Certificate Account**

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

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

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

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

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

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

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

### **Guarantor Events of Default**

Any of the following events will be considered a "guarantor event of default" under the trust agreement for an issue of Mega certificates:

- if we fail to make a required payment under our guaranty, and our failure continues uncorrected for 15 days after Mega certificateholders representing at least 5% of the voting rights of the related trust have given us written notice of non-payment; or

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

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

### **Voting Rights**

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

- if the outstanding certificates of a trust include only Mega certificates, then holders of the Mega certificates will be allocated 100% of the voting rights in proportion to the aggregate certificate balances of their respective Mega certificates;
- if the outstanding certificates of a trust include both Mega certificates and SMBS certificates, then (x) the Mega certificates will be allocated a percentage of the total voting rights equal to the percentage equivalent of a fraction, the numerator of which is the aggregate certificate balance of the outstanding Mega certificates and the denominator of which is the aggregate principal amount of the related trust assets, and (y) the SMBS certificates will be allocated the remainder of the voting rights.

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

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

Unless the prospectus supplement provides otherwise, the holders of a certain minimum percentage ownership in the underlying securities may give their consent to any matter requiring consent under the trust documents for the related underlying securities. The trust agreement for a Mega trust, however, does not permit us, as trustee, to vote any such underlying securities held in the trust unless we have received consistent direction from Mega certificateholders representing at least 51% of the voting rights of that trust. Following its receipt of such direction, the trustee will vote the underlying securities in their entirety in accordance with the direction.

### **Mega Certificateholder Rights**

A Mega certificateholder generally does not have any right under the trust agreement to institute any proceeding against us with respect to the trust agreement. A Mega certificateholder



may institute such a proceeding only if a guarantor event of default has occurred and is continuing and

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

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

### **Amendment**

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

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

No amendment to cure an ambiguity or maintain the tax status of a trust can be made if it would otherwise require Mega certificateholder consent.

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

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

### **Termination**

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

Except in the limited circumstances discussed under “**—Purchase or Substitution of Underlying Securities by the Issuer**” above, we do *not* have an option to purchase the underlying



securities backing the Mega certificates or to purchase any of the related mortgage loans and then retire the Mega certificates. Moreover, we do **not** have any clean-up call option, *i.e.*, we cannot terminate the trust when the unpaid principal balance of the related pool declines to a certain amount or reaches a certain percentage of the original unpaid principal balance of the pool.

## **Merger**

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

## **MATERIAL FEDERAL INCOME TAX CONSEQUENCES**

Our special tax counsel has delivered an opinion to us that each trust will not be classified as an association taxable as a corporation for federal income tax purposes but instead will be classified as a fixed investment trust and, under subpart E of part I of subchapter J of the Internal Revenue Code, a beneficial owner of a Mega certificate will be considered to be the beneficial owner of a pro rata undivided interest in each of the underlying securities. For a general discussion of the federal income tax consequences of the ownership of MBS, see the discussion about federal income tax consequences in the Single-Family MBS Prospectus or Multifamily MBS Prospectus, as applicable, and the related prospectus supplements for the underlying MBS.

## **LEGAL INVESTMENT CONSIDERATIONS**

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities, you may be or may become subject to restrictions on investment in Mega certificates of a specific issue, including, without limitation, restrictions that may be imposed retroactively. If you are a financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Treasury Department or other federal or state agencies with similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing or pledging the Mega certificates of a specific issue. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Mega certificate. **You should consult your own legal advisors to determine whether and to what extent the Mega certificates of a specific issue constitute legal investments or are or may become subject to restrictions on investment and whether and to what extent the Mega certificates of a specific issue can be used as collateral for various types of borrowings.**

## **LEGAL OPINION**

If you purchase Mega 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 Mega certificates and the trust agreement for that issue of Mega certificates.

## **ERISA CONSIDERATIONS**

The Employee Retirement Income Security Act, as amended (“ERISA”), or section 4975 of the Code imposes requirements on employee benefit plans subject to ERISA (such as employer-sponsored retirement plans) and on other types of benefit plans and arrangements subject to section 4975 of the Code (such as individual retirement accounts). ERISA and section 4975 of the Code also impose these requirements on some entities in which these benefit plans or arrangements invest. We refer to these plans, arrangements and entities, collectively, as “plans”. Any person who is a fiduciary of a plan also

is subject to requirements imposed by ERISA and section 4975 of the Code. Before a plan invests in any Mega certificate, the plan fiduciary must consider whether the governing instruments for the plan permit the investment, whether the Mega certificates are a prudent and appropriate investment for the plan under its investment policy, and whether such an investment might result in a transaction prohibited under ERISA or section 4975 of the Code for which no exemption is available.

The U.S. Department of Labor issued a regulation covering the acquisition by a plan of a “guaranteed governmental mortgage pool certificate,” defined to include a certificate that is “backed by, or evidencing an interest in, specified mortgages or participation interests therein” and guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a plan in a “guaranteed governmental mortgage pool certificate” does not cause the assets of the plan to include the mortgage loans underlying the Mega certificate or cause 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. Our counsel, Sidley Austin LLP, has advised us that the Mega certificates qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of Mega certificates by plans will not cause the underlying mortgage loans or the assets of Fannie Mae to be subject to the fiduciary requirements of ERISA or to the prohibited transaction provisions of ERISA or section 4975 of the Code merely by reason of a plan’s holding of a Mega certificate. However, investors should consult with their own counsel regarding the consequences under ERISA of an investment in Mega certificates.

#### **PLAN OF DISTRIBUTION**

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

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

**Frequently Used Mega Pool Prefixes**

Below is a listing of some of the most frequently used Mega pool prefixes. For a complete listing and description of pool prefixes, please refer to our Web site at [www.fanniemae.com](http://www.fanniemae.com). Unless otherwise stated, the MBS pools underlying the Mega certificates contain fixed-rate mortgage loans.

- 2Y . . . . .** Weighted-Average Fixed-Rate Mega, backed by Conventional, Level-Payment Subordinate Mortgages; Multifamily; maturity dates vary.
- CI . . . . .** Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less.
- CL . . . . .** Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less.
- CN . . . . .** Conventional Short-Term, Level-Payment Mortgages; Single-Family; maturing or due in 10 years or less.
- CT . . . . .** Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 20 years or less.
- CX . . . . .** Conventional Balloon, Level-Payment Mortgages; Single-Family; maturing or due in 7 years or less.
- CY . . . . .** Conventional Balloon Level-Payment Mortgages; Single-Family; maturing or due in greater than 7 years.
- CZ . . . . .** Conventional Extra Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 40 years or less.
- GA . . . . .** Government, Adjustable-Rate Mortgages; Single-Family.
- GL . . . . .** Government, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less.
- GO . . . . .** Government, Level-Payment Mortgages; Single-Family; each pool is comprised entirely of loans that were delinquent for 90 days or more during the 12 months prior to the pool issue date. All loans are current as of the pool issue date.
- KO . . . . .** Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in greater than 15 years but less than or equal to 30 years. The pool issue balance is comprised entirely of loans that have a 3-year prepayment premium provision.
- K1 . . . . .** Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less. The pool issue balance is comprised entirely of loans that have a 3-year prepayment premium provision.
- K2 . . . . .** Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in greater than 15 years. The pool issue balance is comprised entirely of loans that have a 5-year prepayment premium provision.
- K3 . . . . .** Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in greater than 15 years. The pool issue balance is comprised entirely of loans that have a 5-year prepayment premium provision.
- KI . . . . .** Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less. The pool issue balance is comprised entirely of loans that have a prepayment premium provision.
- KL . . . . .** Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less. The pool issue balance is comprised entirely of loans that have a prepayment premium provision.

- LA** . . . . . Conventional Adjustable-Rate Mortgages; Single-Family; Uniform 5/1 hybrid; indexed to the one-year Wall Street Journal London Interbank Offered Rate (LIBOR); 5-year initial fixed period; 5 percent cap initial interest rate adjustment, 2 percent cap subsequent interest rate adjustments, with a 5 percent lifetime cap. Minimum servicing of 12.5 basis points; stated MBS pool accrual rate in initial fixed period and stated MBS margin.
- LB** . . . . . Adjustable-Rate Mortgages; Single-Family; LIBOR, lifetime caps are pool-specific.
- NO** . . . . . Conventional Long-Term Mortgages; Single-Family; commencing with Interest Only period greater than 3 years and less than or equal to 5 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.
- NP** . . . . . Conventional Long-Term Mortgages; Single-Family; commencing with Interest Only period greater than or equal to 7 years and less than or equal to 10 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.
- NQ** . . . . . Conventional Long-Term Mortgages; Single-Family; commencing with Interest Only period greater than 10 years and less than or equal to 15 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.
- NR** . . . . . Conventional Long-Term Mortgages; Single-Family; commencing with Interest Only period greater than 15 years and less than or equal to 20 years; fully amortizing level payments for the remaining term; maturing or due in 30 years or less.
- RE** . . . . . Conventional Long-Term, Level-Payment Relocation Mortgages; Single-Family.
- S1** . . . . . Conventional Long-Term, Adjustable-Rate Mortgages; Single-Family; includes a wide variety of ARM types and indices; maturing or due in 30 years or less. Minimum Servicing Fee on each loan in the pool is 12.5 bps.
- S2** . . . . . Conventional Extra Long-Term, Adjustable-Rate Mortgages; Single-Family; includes a wide variety of ARM types and indices; maturing or due in 40 years or less. Minimum Servicing Fee on each loan in the pool is 12.5 bps.
- W2** . . . . . Conventional Adjustable-Rate Mortgages; Single-Family; indexed to the one-year Treasury Constant Maturity; 2 percent per interest rate adjustment; lifetime caps are pool-specific.
- WC** . . . . . Conventional Adjustable-Rate Mortgages; Single-Family; indexed to the one-year Treasury Constant Maturity; 2 percent per interest rate adjustment; lifetime caps are pool-specific. Convertible to fixed-rate any month beginning on the 1st interest rate change date and ending on the 5th interest rate change date.
- WD** . . . . . Conventional Adjustable-Rate Mortgages; Single-Family; one-year Treasury Constant Maturity; extended fixed initial period; annual changes thereafter; various caps at first adjustment; 2 per cent per interest rate adjustment thereafter; lifetime caps are pool-specific.
- WS** . . . . . Conventional Adjustable-Rate Mortgages; Single-Family; includes a wide variety of ARM types and indices.
- WT** . . . . . Conventional Adjustable-Rate Mortgages; Single-Family; six-month CD; semi-annual rate/payment change; 1 per cent per interest rate adjustment; lifetime caps are pool-specific; convertible to a fixed rate any month beginning on the 2nd interest rate change date and ending on the 10th interest rate change date.
- WZ** . . . . . Conventional Extra Long-Term Mortgages; Single-Family; includes a variety of ARM types and indices; maturing or due in 40 years or less.
- X2** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Supplemental Lien Mortgages; Multifamily; actual/360 interest day basis calculation; maturity dates vary.
- XN** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Short-Term, Level-Payment Mortgages; Multifamily; actual/360 interest day basis calculation; maturing or due in 10 years or less.
- XX** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Short-Term, Level-Payment Mortgages; Balloon; Multifamily; actual/360 interest day basis calculation; maturing or due in 7 years or less.

- XY** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional Mortgages; Balloon; Multifamily; actual/360 interest day basis calculation; maturing or due in 7 years or more.
- YL** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Long-Term, Level-Payment Mortgages; Multifamily; maturing or due in 30 years or less.
- YT** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Intermediate-Term, Level-Payment Mortgages; Multifamily; maturing or due in 20 years or less.
- YX** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Level-Payment Mortgages; Balloon; Multifamily; maturity dates vary.
- YY** . . . . . Weighted-Average Fixed-Rate Mega, backed by Conventional, Level-Payment Mortgages; Balloon; Multifamily; maturing or due in 7 years or more.

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

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

Additional copies of the prospectus and information regarding outstanding Mega pools are available upon request by calling us at (800) 237-8627 or (202) 752-6547 or by visiting our Web site at [www.fanniemae.com](http://www.fanniemae.com).

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**Guaranteed MBS  
Pass-Through Securities  
(Mega Certificates)**

**MEGA PROSPECTUS**



December 1, 2007