

Supplement

(To Mega Prospectus for Mega Certificates Backed
by Ginnie Mae Certificates dated January 1, 2005)



Guaranteed MBS Pass-Through Securities (Mega Certificates) (Backed by Ginnie Mae Certificates)

This is a supplement to the Mega Prospectus for Mega Certificates Backed by Ginnie Mae Certificates dated January 1, 2005.

The section entitled "Recent Developments" in the Mega prospectus is hereby deleted and replaced in its entirety by the following:

RECENT DEVELOPMENTS

On December 21, 2004, our Board of Directors (the "Board") announced the retirement of Chairman and Chief Executive Officer Franklin D. Raines and the resignation of Vice Chairman and Chief Financial Officer J. Timothy Howard. A member of the Board, Stephen B. Ashley, currently is serving as the non-executive chairman of the Board, Vice Chairman and Chief Operating Officer Daniel H. Mudd currently is serving as interim chief executive officer, and Executive Vice President Robert Levin currently is serving as interim chief financial officer. The Board further announced that the Audit Committee of the Board dismissed KPMG LLP as our independent auditor. On January 4, 2005, the Audit Committee of the Board approved the engagement of Deloitte & Touche LLP ("Deloitte") as our independent auditor. Deloitte will serve as our auditor for each of the fiscal years 2001, 2002, 2003 and 2004.

On December 21, 2004, the Office of Federal Housing Enterprise Oversight ("OFHEO") issued a letter (the "Letter") to the Board stating that we were significantly undercapitalized at September 30, 2004. In accordance with the provisions of the Federal Housing Enterprise Financial Safety and Soundness Act of 1992, we submitted a capital restoration plan proposal to OFHEO for review and approval, and we are prohibited from making any capital distribution that would result in Fannie Mae being reclassified as critically undercapitalized. In addition, even if a capital distribution would not cause the company to become critically undercapitalized, we are prohibited from making the capital distribution unless OFHEO provides prior approval of the distribution after it finds that the distribution (i) will enhance the ability of the company to meet its capital requirements promptly; (ii) will contribute to long term safety and soundness; or (iii) is otherwise in the public interest. The Letter further states that the reclassification to significantly undercapitalized may lead to structural changes and restrictions on growth as well as OFHEO directives to terminate or modify any business activities that pose excessive risk. On January 18, 2005, the Board decided to reduce the first quarter 2005 dividend on our common stock by 50 percent in order to accelerate an increase in our capital. On February 23, 2005, we announced that OFHEO approved our proposed capital restoration plan. Under the plan, we detail how we expect to meet our minimum capital requirement on an ongoing basis as well as achieve OFHEO's 30 percent surplus capital requirement by September 30, 2005. A summary of the capital restoration plan was filed as an exhibit to a Form 8-K that we filed with the Securities and Exchange Commission (the "SEC") on February 23, 2005.

Consider carefully the risk factors section beginning on page 11 of the Mega prospectus. 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 certificates or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Supplement is March 1, 2005.

On December 15, 2004, the Office of the Chief Accountant of the SEC issued a statement (the “Statement”) regarding certain accounting issues relating to Fannie Mae, including determinations by the SEC that Fannie Mae should (i) restate our financial statements to eliminate the use of hedge accounting under Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities (“FAS 133”), (ii) evaluate the accounting under Financial Accounting Standard No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases (“FAS 91”) and restate our financial statements filed with the SEC if the amounts required for correction are material, and (iii) re-evaluate the information prepared under generally accepted accounting principles (“GAAP”) and non-GAAP information that we previously provided to investors. On December 16, 2004, we filed a Current Report on Form 8-K with the SEC that includes a copy of the Statement.

As a result of the SEC’s findings, we will restate our financial results from 2001 through June 30, 2004 to comply fully with the SEC’s determination. In a Form 12b-25 filed with the SEC on November 15, 2004, we estimated that a loss of hedge accounting under FAS 133 for all derivatives could result in recording into earnings a net cumulative loss on derivative transactions of approximately \$9.0 billion as of September 30, 2004. We also stated that there would be a corresponding decrease to retained earnings and, accordingly, regulatory capital. We are working to determine the effect of the restatement, including the effect on each prior reporting period. We expect that the impact will be material to our reported GAAP and core business results for many, if not all, periods and will vary substantially from period to period based on the amount and types of derivatives held and fluctuations in interest rates and volatility. Our restated financial statements also will reflect corrections as a result of our misapplication of FAS 91 for each prior reporting period described above. We also will consider the impact, if any, of the SEC’s decision on FAS 91 for periods prior to those described above.

Accordingly, on December 17, 2004, the Audit Committee of the Board concluded that our previously filed interim and audited financial statements and the independent auditor’s reports thereon for the periods from January 2001 through the second quarter of 2004 should no longer be relied upon because such financial statements were prepared applying accounting practices that did not comply with GAAP. We have not yet filed our quarterly report on Form 10-Q for the quarter ended September 30, 2004. The financial information regarding our anticipated results of operations for the quarter ended September 30, 2004 that was contained in our Form 12b-25 filed on November 15, 2004 and in a Form 8-K filed on November 16, 2004 was prepared applying the same policies and practices, and, accordingly, should not be relied upon. The Audit Committee has discussed the matters described above and in a Form 8-K filed with the SEC on December 22, 2004 with KPMG LLP, our independent auditor through December 21, 2004.

On September 20, 2004, OFHEO delivered its report to the Board of its findings to date of the agency’s special examination. Among other matters, the OFHEO report raised a number of questions and concerns about our accounting policies and practices with respect to FAS 91 and FAS 133. On February 23, 2005, we announced that OFHEO notified our Board and management of several additional accounting and internal control issues and questions that OFHEO identified in its ongoing special examination and directed that these matters be included in the internal reviews by the Board and management and reviewed by Deloitte. OFHEO indicated that it has not completed its review of all aspects of these issues but has identified policies that it believes appear to be inconsistent with generally accepted accounting principles as well as internal control deficiencies that raise safety and soundness concerns. The issues and questions include the following areas: securities accounting, loan accounting, consolidations, accounting for commitments, and practices to smooth certain income and expense amounts. OFHEO also raised concerns regarding journal entry controls, systems limitations, and database modifications, as well as new developments relating to FAS 91. A summary of the additional questions raised in OFHEO’s special examination of Fannie Mae has been filed as an exhibit to a Form 8-K that we filed with the SEC on February 23, 2005.

Forms 8-K that we file with the SEC prior to the completion of the offering of the Mega certificates are incorporated by reference in this prospectus supplement. This means that we are disclosing information to you by referring you to those documents. You should refer to the section entitled “**Incorporation by Reference**” in this Mega prospectus for further details on the information that we incorporate by reference in this Mega prospectus and where to find it.

**Mega Prospectus
(for Mega Certificates backed by
Ginnie Mae Certificates)**



**Guaranteed MBS Pass-Through Securities
(Mega Certificates)
(Backed by Ginnie Mae Certificates)**

The Mega Certificates

We, the Federal National Mortgage Association or Fannie Mae, will issue and guarantee the Mega certificates. Each issue of Mega certificates will have its own identification number and will represent the ownership of principal and interest distributions on certain Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates. The Ginnie Mae Certificates and Ginnie Mae Platinum Certificates represent the direct or indirect ownership of pools of residential mortgage loans secured by single-family or multifamily properties. Ginnie Mae guarantees the timely payment of principal and interest on the Ginnie Mae Certificates and Ginnie Mae Platinum Certificates underlying the Mega certificates.

We will prepare a prospectus supplement for each issue of Mega certificates. This prospectus does not contain complete information and **must** be read together with the prospectus supplement and the disclosure documents described on page 3.

Fannie Mae Guaranty

We guarantee that the holders of the Mega certificates will receive timely payments of interest and principal. 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 11. 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 “exempt securities” under the Securities Exchange Act of 1934, as amended. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these certificates or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is January 1, 2005.

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INFORMATION ABOUT THIS PROSPECTUS AND OTHER MEGA DISCLOSURE DOCUMENTS

We will prepare a prospectus supplement for each issue of Mega certificates. This prospectus and the prospectus supplement for each issue of Mega certificates will be available in paper form and on our Web site identified below. We will deliver these documents electronically to parties who so request in accordance with our procedures. The disclosure documents for any particular issue of Mega certificates are this prospectus, the related prospectus supplement and the following:

- for issues of Mega certificates backed, in whole or in part, by Ginnie Mae Certificates, the applicable Ginnie Mae MBS prospectus (“Ginnie Mae MBS Prospectus”) for the related Ginnie Mae Certificates;
- for issues of Mega certificates backed, in whole or in part, by Ginnie Mae Platinum Certificates, the related Base Offering Circular and Offering Circular Supplement for the Ginnie Mae Platinum Series (the “Ginnie Mae Platinum Offering Documents”); and
- any information incorporated in these documents by reference as discussed below under the heading “**Incorporation by Reference.**”

Fannie Mae did not prepare, and Fannie Mae does not accept responsibility for, any information disclosed in, the related Ginnie Mae MBS Prospectus or the related Ginnie Mae Platinum Offering Documents. The disclosure documents do **not** include the final data statement/collateral related to the Mega trust. **In determining whether to purchase any issue of Mega certificates in any initial offering, you should rely ONLY on the information in this prospectus, the related prospectus supplement, the related Ginnie Mae MBS Prospectus, the related Ginnie Mae Platinum Offering Documents, and any information that we have otherwise incorporated into these documents by reference. You should not rely on information that may be offered to you by a third party. It may not be reliable.**

The prospectus supplement for each issue of Mega certificates will include specific information about the Mega certificates being offered, including the following:

- identification of the particular FHA Programs under which any multifamily mortgage loans backing the related Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates were made; and
- information with respect to prepayment fee terms and lockout terms applicable to the multifamily mortgage loans backing the related Ginnie Mae Certificates and/or Ginnie Mae Platinum 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. Certain statistical information regarding the Mega certificates may also be found in the final data statement/collateral related to the Mega trust. Information about the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates will be given as of the issue date of the Mega certificates.

Holders of Mega certificates should note that the 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 the 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 (800) 237-8627. Generally, the prospectus supplement is available two business days before settlement of the related issue of Mega certificates. These documents generally will also be available on our corporate Web site at www.fanniemae.com. We are providing our internet address solely for the information of prospective investors. We do not intend the internet address to be an active link. This means that we are not using

this internet link to incorporate additional information into this prospectus or into any prospectus supplement.

You may obtain copies of the Ginnie Mae MBS Prospectus for the related Ginnie Mae Certificates and the Ginnie Mae Platinum Offering Documents from JPMorgan Chase, which acts as the information agent for Ginnie Mae, by calling (800) 234-GNMA (4662).

INCORPORATION BY REFERENCE

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

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

We 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, 2003 (“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, 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 after the date of this prospectus and before the completion of the offering of the Mega certificates, excluding any information we “furnish” to the SEC on Form 8-K.

Any information incorporated by reference in this prospectus is deemed to be modified or superseded for purposes of this prospectus to the extent information contained or incorporated by reference in this prospectus modifies or supersedes such information. In that case, the information will constitute a part of this prospectus only as so modified or superseded.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can obtain copies of the periodic reports we file with the SEC without charge by calling or writing our Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, NW, Washington, DC 20016, telephone: (202) 752-7115. The periodic and current reports that we file with the SEC are also available on our Web site at www.fanniemae.com. Information appearing on our Web site is not incorporated in this prospectus except as specifically stated in this prospectus.

In addition, you may read our SEC filings and other information about Fannie Mae at the offices of the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Exchange. Our SEC filings are also available at the SEC’s Web site at www.sec.gov. You also may read and copy any document we file with the SEC by visiting the SEC’s Public Reference Room at 450 Fifth Street NW, 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 internet site solely for the information of prospective investors. Information on the SEC’s Web site is not incorporated in this prospectus except as specifically stated in this prospectus.

RECENT DEVELOPMENTS

On December 21, 2004, our Board of Directors (the “Board”) announced the retirement of Chairman and Chief Executive Officer Franklin D. Raines and the resignation of Vice Chairman and Chief Financial Officer J. Timothy Howard. A member of the Board, Stephen B. Ashley, currently is

serving as the non-executive chairman of the Board, Vice Chairman and Chief Operating Officer Daniel H. Mudd currently is serving as interim chief executive officer, and Executive Vice President Robert Levin currently is serving as interim chief financial officer. The Board further announced that the Audit Committee of the Board dismissed KPMG LLP as our independent auditor. On January 4, 2005, the Audit Committee of the Board approved the engagement of Deloitte & Touche LLP (“Deloitte”) as our independent auditor, effective upon completion of Deloitte’s customary client acceptance procedures and execution of an engagement letter. Upon such completion, Deloitte will serve as the company’s auditor for each of the fiscal years 2001, 2002, 2003 and 2004.

On December 21, 2004, the Office of Federal Housing Enterprise Oversight (“OFHEO”) issued a letter (the “Letter”) to the Board stating that we were significantly undercapitalized at September 30, 2004. In accordance with the provisions of the Federal Housing Enterprise Financial Safety and Soundness Act of 1992, we must submit a capital restoration plan proposal to OFHEO for review and approval, and we are prohibited from making any capital distribution that would result in Fannie Mae being reclassified as critically undercapitalized. In addition, even if a capital distribution would not cause the company to become critically undercapitalized, we are prohibited from making the capital distribution unless OFHEO provides prior approval of the distribution after it finds that the distribution (i) will enhance the ability of the company to meet its capital requirements promptly; (ii) will contribute to long term safety and soundness; or (iii) is otherwise in the public interest. The Letter further states that the reclassification to significantly undercapitalized may lead to structural changes and restrictions on growth as well as OFHEO directives to terminate or modify any business activities that pose excessive risk. On January 18, 2005, the Board decided to reduce the first quarter 2005 dividend on our common stock by 50 percent in order to accelerate an increase in our capital.

On December 15, 2004, the Office of the Chief Accountant of the Securities and Exchange Commission (the “SEC”) issued a statement (the “Statement”) regarding certain accounting issues relating to Fannie Mae, including determinations by the SEC that Fannie Mae should (i) restate our financial statements to eliminate the use of hedge accounting under Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities* (“FAS 133”), (ii) evaluate the accounting under Financial Accounting Standard No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases* (“FAS 91”) and restate our financial statements filed with the SEC if the amounts required for correction are material, and (iii) re-evaluate the information prepared under generally accepted accounting principles (“GAAP”) and non-GAAP information that we previously provided to investors. On December 16, 2004, we filed a Current Report on Form 8-K with the SEC that includes a copy of the Statement.

As a result of the SEC’s findings, we will restate our financial results from 2001 through June 30, 2004 to comply fully with the SEC’s determination. In a Form 12b-25 filed with the SEC on November 15, 2004, we estimated that a loss of hedge accounting under FAS 133 for all derivatives could result in recording into earnings a net cumulative loss on derivative transactions of approximately \$9.0 billion as of September 30, 2004. We also stated that there would be a corresponding decrease to retained earnings and, accordingly, regulatory capital. We are working to determine the effect of the restatement, including the effect on each prior reporting period. We expect that the impact will be material to our reported GAAP and core business results for many, if not all, periods and will vary substantially from period to period based on the amount and types of derivatives held and fluctuations in interest rates and volatility. Our restated financial statements also will reflect corrections as a result of our misapplication of FAS 91 for each prior reporting period described above. We also will consider the impact, if any, of the SEC’s decision on FAS 91 for periods prior to those described above.

Accordingly, on December 17, 2004, the Audit Committee of the Board concluded that our previously filed interim and audited financial statements and the independent auditor’s reports thereon for the periods from January 2001 through the second quarter of 2004 should no longer be relied upon because such financial statements were prepared applying accounting practices that did

not comply with GAAP. We have not yet filed our quarterly report on Form 10-Q for the quarter ended September 30, 2004. The financial information regarding our anticipated results of operations for the quarter ended September 30, 2004 that was contained in our Form 12b-25 filed on November 15, 2004 and in a Form 8-K filed on November 16, 2004 was prepared applying the same policies and practices, and, accordingly, should not be relied upon. The Audit Committee has discussed the matters described above and in a Form 8-K filed with the SEC on December 22, 2004 with KPMG LLP, our independent auditor through December 21, 2004.

On September 20, 2004, OFHEO delivered its report to the Board of its findings to date of the agency's special examination. Among other matters, the OFHEO report raised a number of questions and concerns about our accounting policies and practices with respect to FAS 91 and FAS 133.

Forms 8-K that we file with the SEC prior to the completion of the offering of Mega certificates are incorporated by reference in this prospectus. This means that we are disclosing information to you by referring you to those documents. You should refer to the section entitled “**Incorporation by Reference**” in this prospectus for further details on the information that we incorporate by reference in this prospectus and where to find it.

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 an investment decision. For that, you must read this prospectus (as well as any documents to which we refer you in this prospectus) in its entirety and any related prospectus supplement for that issue. In addition, you must read the applicable Ginnie Mae MBS Prospectus and/or the applicable Ginnie Mae Platinum Offering Documents.

Title of Security Guaranteed MBS Pass-Through Securities (Mega certificates) (Backed by Ginnie Mae Certificates).

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

Neither the Mega certificates nor payments of principal and interest on the Mega certificates are guaranteed by the United States, and the Mega certificates 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 Certificates Each Mega certificate will represent a fractional undivided ownership interest in the principal and interest distributions from the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates underlying the Mega certificates. 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 any related prospectus supplement. The book-entry Mega certificates will not be convertible into physical certificates.

Securities Backing the Mega Certificates Each Mega certificate will be backed by one or more Ginnie Mae Certificates or Ginnie Mae Platinum Certificates. Each Ginnie Mae Certificate or Ginnie Mae Platinum Certificate underlying a Mega certificate will be backed by mortgage loans secured by a first or subordinate lien on either single-family or multifamily residential real properties, but not both.

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

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

Settlement Date The settlement date for the Mega certificates will occur no later than the last business day of the month in which the issue date occurs.

Distribution Date The distribution date for the Mega certificates is the 25th day of each month. If that day is not a business day, payment will be made on the next business day. The first distribution date after an issuance 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 distribu-

	tion date will be April 25th or, if April 25th is not a business day, the first business day following the 25th.
Record Date	We will make each monthly payment on the Mega certificates to holders of record on the record date, which is the last day of the month immediately preceding the month in which the distribution date occurs.
Maturity Date	Unless there is an exchange as described below, the maturity date of the Mega certificates is the date on which we make the final payment of all required principal and interest to the holders of the Mega certificates.
Exchange	Before the maturity date, a holder of all of the Mega certificates of a single issue with a total original balance of at least \$25,000 may exchange those Mega certificates for the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates.
Payments	<p>On each distribution date, we will pay each Mega certificateholder its respective Percentage Interest (as defined in “Description of the Mega Certificates—Payments on the Mega Certificates”) of</p> <ul style="list-style-type: none"> • principal payments on the related Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates (as calculated by us using the method described in “Description of the Mega Certificates—Payments on the Mega Certificates”), • interest payments on the related Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates, and • unless otherwise specified in the related prospectus supplement, any related mortgage prepayment fees that we receive.
Final Data Statements/Collateral...	The final data statement/collateral for an issue of Mega certificates is posted on our Web site on or about the last business day of the month in which the Mega certificates were issued and identifies the Ginnie Mae Certificates and Ginnie Mae Platinum Certificates underlying the Mega issue. The final data statement/collateral also provides certain data about the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates and about the issue of Mega certificates itself.
Mega Factors	On or shortly after the eleventh calendar day of each month, we will publish the monthly Mega factor for each issue of Mega certificates. If you multiply the monthly Mega 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 monthly principal payment that is being passed through on the distribution date in that month.

Guaranty.....	<p>We guarantee that the holders of the Mega certificates will receive:</p> <ul style="list-style-type: none"> • timely payment of interest in an amount equal to one month’s interest on the unpaid principal balance of the Mega certificates at the pass-through rate borne by the related Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates, and • principal in an amount calculated as described in “Description of the Mega Certificates—Payments on the Mega Certificates,” the total of which principal payments over the life of the Mega certificates will equal the original principal amount of the Mega certificates.
Trustee	We issue the Mega certificates for each Mega pool under a trust agreement. Fannie Mae serves as the trustee for each issuance of Mega certificates pursuant to the terms of the trust agreement.
Termination	The Mega trust will terminate when we have paid the Mega certificateholders all required interest and principal amounts. A Mega trust may also terminate if the Mega certificateholder chooses to exchange its Mega certificates as described in “Description of the Mega Certificates—Exchange of Mega Certificates for Ginnie Mae Certificates or Ginnie Mae Platinum Certificates.”
No Optional Termination	We have no clean-up call option. That is, we have no right to terminate the Mega trust early when the unpaid principal balance of the Mega pool reaches a certain dollar amount or when it represents a certain percentage of the original issue date unpaid principal balance of the Mega pool.
Federal Tax Consequences	Each Mega pool will be classified as a grantor trust. Each beneficial owner of a Mega certificate will be treated as the owner of a pro rata undivided interest in each of the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates that back that Mega certificate. Accordingly, each beneficial owner will be required to include in income its pro rata share of the entire income from each mortgage loan in the pool and, generally, will be entitled to deduct its pro rata share of the expenses of the trust, subject to the limitations described in this prospectus.
Marginability; Repurchase Agreements	The Mega certificates are exempted securities for purposes of the margin rules of the Board of Governors of the Federal Reserve System and the New York Stock Exchange. The margin rules treat transactions in Mega certificates, including repurchase agreements, in the same manner as the margin rules treat transactions in Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates.
ERISA Considerations	Before investing in any Mega certificates, a fiduciary of an employee benefit plan subject to ERISA or a plan subject to Section 4975 of the Internal Revenue Code should consider

whether the investment is permissible under the terms of the plan, whether the investment is consistent with the standards of fiduciary conduct prescribed by ERISA and whether the investment is permissible under the prohibited transaction rules of ERISA and Section 4975 of the Internal Revenue Code.

RISK FACTORS

We have listed below some of the risks associated with an investment in the Mega certificates. Additional risks related to the Ginnie Mae Certificates or Ginnie Mae Platinum Certificates may be disclosed in the related Ginnie Mae MBS Prospectus and/or related Ginnie Mae Platinum Offering Documents. Moreover, we may identify additional risks associated with a specific offering of Mega certificates in the related prospectus supplement. Because each investor has different investment needs and a different tolerance for risk, you should consult your own financial and legal advisors to determine whether the Mega certificates are suitable investments 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 Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates underlying the Mega certificates as well as the information contained in this prospectus, the prospectus supplement for the Mega certificates, the related Ginnie Mae MBS Prospectus or Ginnie Mae Platinum Offering Documents and the documents incorporated by reference;
- understand thoroughly the terms of the Mega certificates and the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates;
- evaluate (either alone or with the help of a financial or legal advisor) the economics, 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 underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates; and
- investigate any legal investment restrictions that may apply to you. You should exercise particular caution if your circumstances do not permit you to hold the Mega certificates until maturity.

PREPAYMENT FACTORS:

Your yield will be subject to a number of factors, especially to the rate of prepayment on the underlying mortgage loans.

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 mortgage loans underlying the related Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates;
- the timing of any liquidations of mortgage loans underlying the related Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates due to borrower defaults or

to casualties or condemnations affecting the properties securing the loans;

- the timing of any repurchase of the mortgage loans underlying the related Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates; and
- the actual characteristics of the mortgage loans underlying the related Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates.

Generally, a borrower may repay a mortgage loan at any time, although some single-family mortgage loans and most multifamily mortgage loans require the borrower to pay a prepayment premium

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

Moreover, if the loans are repaid more slowly than you expected, principal on your Mega certificates will be paid to you later than you predicted. 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 expected your Mega certificates to prepay or mature, 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.

Multifamily loans may present different prepayment risks than do single-family loans.

If the mortgage loans underlying the related Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates are secured by multifamily properties, you should consider the following additional factors:

- A multifamily loan typically has a much greater principal balance than a single-family loan, with the result that a default on a multifamily loan may have a greater effect on your yield than would a default on a single-family loan;
- Repayment of a multifamily loan typically depends on the successful operation of the multifamily property that secures the loan;
- Changing economic conditions will affect the supply of and demand for rental units and the rents that prospective tenants are willing or able to pay; and
- Government regulations (for example, rent control laws) may adversely affect future income from a multifamily property.

LIQUIDITY FACTORS:

There may be no market for the Mega certificates of a particular issue, and no assurance can be given that a market will develop and continue.

We cannot be sure that each issuance of Mega certificates, when created, will have a ready market or that, if a market develops, 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. Even if you are able to sell your Mega certificates, the sale price may not be comparable to similar investments that have a developed market. Moreover, you may not be able to sell small or large amounts of Mega certificates at prices comparable to those available to other investors. Some of the factors that may affect the resale of Mega certificates include:

- the method, frequency and complexity of calculating principal or interest on the related Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates or the underlying mortgage loans;
- the age and unpaid principal balances of the mortgage loans underlying the related Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates;
- the prepayment features of the mortgage loans underlying the related Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates;
- the outstanding principal amount of the Mega certificates of that series and other series with similar features;
- the number and outstanding principal amount of Mega certificates in general and Mega certificates with similar features offered for resale from time to time;
- any legal restrictions or tax treatment that limit demand for the Mega certificates;
- the availability of comparable securities; and
- the level of interest rates generally, the volatility with which prevailing interest rates are changing and the direction in which interest rates are, or appear to be, trending.

Terrorist activities and accompanying military and political actions by the United States Government could cause reductions in investor confidence and substantial volatility in real estate and securities markets.

It is impossible to predict the extent to which terrorist activities may occur or, if they do occur, the extent of the effect on the Mega certificates in general or Mega certificates of a particular issue. Moreover, it is uncertain what effects any past or future terrorist activities and/or any consequent military and/or political actions on the part of the United States Government and others will have on the United States and world financial markets; local, regional and national economies; real estate markets across the United States; or particular business segments,

including those that are important to the performance of the real properties that secure the mortgage loans backing the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates. Among other things, reduced investor confidence could result in substantial volatility in securities markets and a decline in real estate-related investments. As a result, defaults on the underlying mortgage loans could increase, causing early payments of principal on the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates and, thus, early prepayments of principal on the Mega certificates. Moreover, regardless of the performance of the mortgage loans backing the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates, the liquidity and market value of the Mega certificates may be impaired.

CREDIT FACTORS:

If our credit should become impaired, a buyer may be willing to pay only a reduced price for your Mega certificates, if you wanted to sell them in the future.

If we become insolvent, your Mega certificates' interests in the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates could be adversely affected.

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

The law is unclear regarding any liquidation, reorganization, receivership or similar proceedings involving Fannie Mae or our assets, so no assurance can be given regarding the treatment or status of your Mega certificates or the interests of your Mega certificates in the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates if we were to become subject to such a proceeding.

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. We are the largest investor in residential mortgage loans in the United States.

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 on-going 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 residential 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, including Mega certificates backed by Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates. By issuing Mega certificates, we further fulfill our statutory mandate to increase the liquidity of residential mortgage loans.

We receive fees in connection with issuing certain types of structured mortgage-backed certificates, including Mega 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 Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates that back the Mega certificates being issued.

GINNIE MAE AND THE GINNIE MAE CERTIFICATES

Ginnie Mae

The Government National Mortgage Association (“Ginnie Mae”) is a wholly owned corporate instrumentality of the United States within the Department of Housing and Urban Development (“HUD”). Section 306(g) of Title III of the National Housing Act of 1934, as amended (the “Housing Act”), authorizes Ginnie Mae to guarantee the timely payment of principal of, and interest on, certificates or securities that are based on and backed by a pool of mortgage loans insured or guaranteed by the Federal Housing Administration (“FHA”), the Veterans Administration (“VA”) or the Rural Housing Service (“RHS”).

Section 306(g) of the Housing Act provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” To meet these guaranty obligations, Ginnie Mae may borrow from the United States Treasury with no limitations as to amounts.

Ginnie Mae Certificates and Ginnie Mae Platinum Certificates

A “Ginnie Mae Certificate” is a “fully modified pass-through” mortgage-backed security, guaranteed as to timely distribution of principal and interest by Ginnie Mae. A “Ginnie Mae Platinum Certificate” is a security, guaranteed as to timely distribution of principal and interest by Ginnie Mae, that is itself backed by Ginnie Mae Certificates.

Ginnie Mae Single Family Programs

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

Ginnie Mae I Program

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

Ginnie Mae II Program

Mortgage pools may be formed by aggregating packages of mortgage loans (originated within two years of issuance) of more than one Ginnie Mae issuer. Under this option, packages submitted by various Ginnie Mae issuers for a particular issue date and pass-through rate are aggregated into a single pool that backs a single issue of Ginnie Mae II Certificates. Each Ginnie Mae II Certificate issued under a multiple issuer pool is backed by a proportionate interest in the entire pool rather than solely by the loan package contributed by any one Ginnie Mae issuer. In addition, single issuer pools also may be formed under the Ginnie Mae II program. Each Ginnie Mae II Certificate pool consists entirely of fixed-rate mortgage loans or entirely of adjustable-rate mortgage loans.

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

Adjustable-rate mortgage loans backing any particular Ginnie Mae II Certificate will have interest rates that adjust annually based on the weekly average of the U.S. Treasury one-year constant maturity index. Ginnie Mae pooling specifications require that all adjustable-rate mortgage loans in a given pool have an identical first interest adjustment date, annual interest adjustment date, first payment adjustment date, annual payment adjustment date, index reference date and means of adjustment.

- For mortgage loans underlying Ginnie Mae II Certificates issued before July 1, 2003, the mortgage loans must have initial interest rates that are at least 0.50% but not more than 1.50% per annum above the interest rate of the related Ginnie Mae II Certificates. In addition, the mortgage loan margin with respect to those mortgage loans must be at least 0.50% but not more than 1.50% per annum greater than the margin for the related Ginnie Mae II Certificates.
- For mortgage loans underlying Ginnie Mae II Certificates issued on or after July 1, 2003, the mortgage loans must have initial interest rates that are at least 0.25% but not more than 0.75% per annum above the interest rate of the related Ginnie Mae II Certificates. In addition, the mortgage margin with respect to those mortgage loans must be at least 0.25% but not more than 0.75% per annum greater than the margin for the related Ginnie Mae II Certificates.

With one exception, all Ginnie Mae II Certificates and related mortgage loans will be subject to an annual adjustment cap of 1.00% per annum above or below the interest rate being adjusted and to a lifetime cap of 5.00% per annum above or below the initial interest rate. The exception is for Ginnie Mae II Certificates issued on or after October 1, 2003 and backed by 7-year and 10-year hybrid adjustable-rate mortgages. These Ginnie Mae II Certificates and related mortgage loans will be subject to an annual adjustment cap of 2.00% per annum above or below the interest rate being adjusted and to a lifetime cap of 6.00% per annum above or below the initial interest rate.

For all Ginnie Mae II Certificates, one month after each annual interest adjustment date, the payment amount of an adjustable-rate mortgage loan will be reset so that the remaining principal balance of that mortgage loan would fully amortize in equal monthly payments over its remaining term to maturity, assuming its interest rate were to remain constant at the new rate. Registered holders of each Ginnie Mae II Certificate receive payments of principal and interest through a paying agent (currently JPMorgan Chase Bank) on the 20th of each month or, if the 20th is not a business day, on the first business day after the 20th.

Ginnie Mae Platinum Program

Under the Ginnie Mae Platinum program, a holder of Ginnie Mae I Certificates with identical coupon rates may deposit the certificates into a trust, and the holder of Ginnie Mae II Certificates with identical coupon rates may deposit those certificates into a trust. In each case, the depositor will receive a larger denominated Ginnie Mae Platinum Certificate with the same fixed coupon rate as the underlying Ginnie Mae Certificates. For purposes of this prospectus, references to “Ginnie Mae I Certificates” and “Ginnie Mae II Certificates” include Ginnie Mae Platinum Certificates backed by Ginnie Mae I Certificates and Ginnie Mae II Certificates, respectively.

Ginnie Mae and the FHA Multifamily Insurance Programs

General

Each Ginnie Mae Certificate that underlies an issue of Mega certificates (directly or indirectly through a Ginnie Mae Platinum Certificate) and that represents ownership interests in a pool of multifamily mortgage loans will be a “fully modified pass-through” mortgage-backed security issued and serviced by a mortgage banking company or other financial concern approved by Ginnie Mae as a seller-servicer of loans insured by the FHA.

The underlying multifamily mortgage loans may be fixed-rate mortgages or adjustable-rate mortgages and may have balloon payments, deferred interest and other unique features. Each

multifamily mortgage loan is secured by a mortgage, deed of trust or deed to secure debt that creates a first or second lien on the borrower's fee simple estate in a property consisting of five or more dwelling units. Certain characteristics of the multifamily mortgage loans underlying a particular issue of Ginnie Mae Certificates that back Mega certificates, including lien priority, are available on the Ginnie Mae Multifamily MBS Database that is accessible on Ginnie Mae's Web site located at www.ginniemae.gov.

FHA Insurance Programs

FHA multifamily insurance programs generally are designed to assist private and public borrowers in obtaining insured financing for the construction, purchase or rehabilitation of rental housing pursuant to the Housing Act. Mortgages are provided by FHA-approved institutions, including:

- mortgage bankers,
- commercial banks,
- savings and loan associations,
- trust companies,
- insurance companies,
- pension funds,
- state and local housing finance agencies, and
- certain other approved entities.

The Housing Act provides that mortgages for multifamily projects must not exceed certain dollar amounts or loan ratio limitations that vary with the particular section of the Housing Act under which a given mortgage is being insured. However, the FHA may increase the dollar amount limitations by up to 110% in certain high cost areas and by up to 140% on a project-by-project basis.

In general, to qualify under the FHA multifamily insurance programs, specific Housing Act sections provide that mortgage loans must not exceed 90% of the estimated value or replacement cost of the mortgaged property. In some cases, however, the applicable limit may be as low as 70% or as high as 100%. In addition, in some cases, the insurable loan limit is equal to the cost of refinancing or to aggregate operating losses. Further, certain sections provide that insurable loan limits may be based on statutory dollar amounts calculated on a per unit basis (which may vary depending on the number of bedrooms in each unit).

Mortgages insured under the programs described below will have the maturities and amortization features that the FHA approves. In general, the minimum mortgage term will be at least ten years and the maximum mortgage term will not exceed the lesser of (i) 40 years or (b) 75% of the estimated remaining economic life of the improvements on the mortgaged property.

Tenant eligibility for FHA-insured projects generally is not restricted by income, except for projects where rental subsidies are made available for some or all of the units or to specified tenants.

The sections that follow give a brief description of the FHA multifamily insurance programs under which the multifamily mortgage loans backing the Ginnie Mae Certificates may be insured.

Section 207 (Mortgage Insurance for Multifamily Housing). Section 207 of the Housing Act provides for federal insurance of mortgage loans originated by FHA-approved lenders in connection with the construction or substantial rehabilitation of detached, semidetached, row, walk-up, or elevator type structures with 5 or more units, including manufactured home parks. A project is eligible for mortgage insurance if the sponsor can demonstrate that there is a definite market demand, that the project is economically self-sufficient, and that financing is secure. The program has statutory per unit mortgage limits, which vary according to the size of the unit, the type of structure, and the

location of the project. There are also loan-to-value and debt service limitations. The mortgage is limited to 90 percent of the HUD appraised value.

Section 213 (Cooperative Housing Projects). Section 213 of the Housing Act provides for FHA insurance of mortgage loans on cooperative housing projects. Section 213 mortgage insurance enables nonprofit cooperative ownership housing corporations or trusts to develop or sponsor housing projects that will be operated as cooperatives. By using Section 213 insurance, investors can construct or rehabilitate multifamily housing that will be sold to these nonprofit corporations or trusts.

Section 220 (Urban Renewal Mortgage Insurance). Section 220 of the Housing Act provides for federal insurance of mortgage loans on multifamily rental projects located in federally aided urban renewal areas or in areas having a local redevelopment or urban renewal plan certified by the FHA. The mortgage loans may finance the rehabilitation of existing salvable housing (including the refinancing of existing loans) or new construction in targeted areas. The purpose of Section 220 is to encourage quality rental housing in urban areas targeted for overall revitalization.

Section 221(d)(3) and (4) (Housing for Moderate Income and Displaced Families). Section 221(d)(3) and 221(d)(4) of the Housing Act insures mortgage loans to facilitate the new construction or substantial rehabilitation of multifamily rental or cooperative housing for moderate-income families, elderly, and persons with disabilities. Single Room Occupancy (SRO) projects may also be insured under this section, thus enabling persons with very limited incomes to find clean and safe housing. Both programs assist private industry in the construction or rehabilitation of rental and cooperative housing for moderate-income and displaced families by making capital more readily available.

Section 223(a)(7) (Refinancing of FHA-Insured Mortgages). Section 223(a)(7) of the Housing Act permits the FHA to refinance existing insured mortgage loans under any section or title of the Housing Act. The refinancing results in prepayment of the existing insured mortgage. The new, refinanced mortgage loan is limited to the original principal amount of the existing mortgage loan and the unexpired term of the existing mortgage loan plus 12 years.

Section 223(d) (Two-Year Operating Loss Loans). Section 223(d) of the Housing Act insures two-year operating loss loans that cover operating losses during the first two years after completion (or any other two-year period within the first ten years after completion) of multifamily projects with a HUD-insured first mortgage. The purpose is to help avoid insurance claims on HUD-insured multifamily mortgages by insuring separate loans to cover operating losses.

Section 223(f) (Purchase or Refinancing of Existing Projects). Section 223(f) of the Housing Act provides for federal insurance of mortgage loans originated by FHA-approved lenders in connection with the purchase or refinancing of existing multifamily housing complexes that contain at least five residential units with complete kitchens and baths and that were completed or substantially rehabilitated three or more years before the date of the application for mortgage insurance. The principal objective of the Section 223(f) program is to permit the refinancing of mortgage loans to provide for lower debt service or the purchase of existing properties in order to preserve an adequate supply of affordable rental housing. These projects may have been financed originally with conventional or FHA-insured mortgage loans.

Section 231 (Mortgage Insurance for Elderly Housing Projects). Section 231 of the Housing Act provides federal mortgage insurance for loans obtained to construct, acquire, substantially rehabilitate or refinance housing projects for the elderly and/or persons with disabilities.

Section 232 (Mortgage Insurance for Nursing Homes, Intermediate Care Facilities and Board and Care Homes). Section 232 of the Housing Act provides for FHA insurance of private construction mortgage loans to finance new or rehabilitated nursing homes, intermediate care facilities, board and care homes, assisted living facilities for the frail or elderly or allowable combinations of these facilities, and also covers equipment to be used in the operation of these facilities. Section 232 also provides for supplemental loans to finance the purchase and installation of fire safety equipment in these facilities.

Section 234(d) (Substantial Rehabilitation of Condominium Projects). Section 234(d) of the Housing Act insures blanket mortgage loans for the construction or substantial rehabilitation of multifamily projects to be sold upon completion as individual condominium units. The program enables sponsors to develop condominium projects in which individual units will be sold to home buyers.

Section 241(a) (Supplemental Loans for Multifamily Projects). Section 241(a) of the Housing Act provides for FHA insurance to finance property improvements, energy-conserving improvements or supplemental increases to any FHA-insured multifamily loan. The overall purpose of the Section 241 loan program is to provide a project with a means to remain competitive, to extend its economic life and to finance the replacement of obsolete equipment without the refinancing of the existing mortgage.

Certain Additional Characteristics of the Multifamily Mortgage Loans

Lockouts. Certain of the multifamily mortgage loans underlying the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates may have provisions that prohibit voluntary prepayment for a number of years following origination (“lockout provisions”). Further, in the case of mortgage loans insured under Section 232 of the Housing Act, non-profit borrowers cannot make full or partial prepayments without the prior written consent of the FHA. The enforceability of these lockout provisions under certain state laws is unclear. The prospectus supplement for each issue of Mega certificates will set forth certain information with respect to any lockout provisions in the related multifamily mortgage loans.

Mortgage Prepayment Fees. Certain of the multifamily mortgage loans underlying the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates may have a period (a “prepayment fee period”) during which voluntary and involuntary prepayments (except for prepayments resulting from condemnation or casualty losses) must be accompanied by a mortgage prepayment fee equal to a specified percentage of the principal amount of the multifamily mortgage loan being prepaid. The prepayment fee period may extend beyond the termination of the related lockout provision. Exhibit A to each prospectus supplement will disclose, for each underlying multifamily mortgage loan, any applicable mortgage prepayment fee, the period during which the mortgage prepayment fee applies and the last month of any applicable lockout provision. Unless the related prospectus supplement provides otherwise, any mortgage prepayment fees actually received with respect to the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates will be distributed to the related Mega certificateholders.

Despite the foregoing, the multifamily mortgage loans underlying the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates must include a provision that allows the FHA to override any lockout and/or prepayment fee provisions when the loan is in default, if the FHA determines that it is in the best interest of the federal government to allow the borrower to refinance or partially prepay the loan without restrictions or fees and thereby avoid or mitigate an FHA insurance claim.

Coinsurance. Certain of the multifamily mortgage loans underlying the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates may be federally insured under FHA coinsurance programs. Under these programs, the mortgage lender retains a portion of the mortgage insurance risk that the FHA otherwise would assume. As part of these programs, the FHA may delegate certain underwriting functions generally performed by the FHA to mortgage lenders that the FHA approves for participation in the coinsurance programs. Accordingly, no assurance can be given that the coinsured mortgage loans were underwritten in conformity with FHA underwriting guidelines applicable to mortgage loans that were solely federally insured, or that the default risk with respect to coinsured mortgage loans is comparable to that of FHA-insured mortgage loans. As a result, the likelihood of future default or the prepayment rate on any coinsured multifamily mortgage loans underlying the Mega certificates cannot be predicted.

DESCRIPTION OF THE MEGA CERTIFICATES

We will issue the Mega certificates under a trust agreement. For each issue of Mega certificates, there will be an issue supplement to the trust agreement along with a schedule of the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates and any underlying Mega certificates for that Mega issue. Each issue of Mega certificates will have a separate trust fund.

We have summarized the important terms of the trust agreement below. This summary is not complete. If there is any conflict between the information in this prospectus and the actual provisions of the trust agreement, the terms of the trust agreement and its related issue supplement will govern. The trust agreement is available on our Web site. You may obtain a copy of the issue supplement (with the schedule of the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates and any underlying Mega certificates) that applies to your Mega certificates from our Washington, DC office.

Mega Certificates

Each issue of Mega certificates will consist of a single class representing the beneficial ownership interest in the trust created by the related Trust Agreement. This prospectus contains a general description of the rights of the Mega certificates. The prospectus supplement for each issue will provide a more detailed description and disclose the particular terms that apply to that issue. The trust for each issue of Mega certificates will consist of

- underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates, and
- the trust account, including all cash and investments in the trust account (the “Mega certificate account”).

For each issue of Mega certificates, we will deliver the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates into a trust for that issue of Mega certificates. We will register the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates in our name, as trustee of the Mega trust for that issue of Mega certificates, on the books of a U.S. Federal Reserve Bank and will hold the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates in trust for the benefit of the Mega certificateholders of that issue of Mega certificates.

On the last business day of each month, we post on our Web site the final data statement/collateral for each issue of Mega certificates settled during that month. You may also obtain the final data statement/collateral for a Mega issue by contacting us at the address and phone number shown under “**Fannie Mae**” above.

Settlement

Settlement may occur on any business day following the 16th business day of the month in which the issue date of the Mega certificates occurs. Both the day designated by the Bond Market Association each month for settlement of thirty-year Fannie Mae MBS transactions and the last business day of the month are ineligible for settlement. If the last business day of the month is the 31st, then the last two business days of the month are ineligible for 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.

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, unless we specify and describe a different method in the prospectus supplement. Physical certificates are not available. Book-entry 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 but are not convertible to physical certificates. Any transfers

are subject to the minimum denomination requirements. Each issue of Mega certificates will be assigned a CUSIP number and will trade separately under that number, subject to the rights of certain Mega certificateholders to exchange all the Mega certificates of a particular issue for the related Ginnie Mae Certificates or Ginnie Mae Platinum Certificates. See “—**Exchange of Mega Certificates for Ginnie Mae Certificates or Ginnie Mae Platinum Certificates**” below.

A Mega certificateholder is an entity whose name appears in the records of a Federal Reserve Bank as the owner of the 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, brokerage firms, securities clearing organizations and similar companies, which act as financial intermediaries. Beneficial owners ordinarily hold Mega certificates by having accounts at financial intermediaries, which either have book-entry accounts with a Federal Reserve Bank or hold through other financial intermediaries, one of which has such a book-entry account with a Federal Reserve Bank. A certificateholder that is not also the beneficial owner of a Mega certificate, and all the other financial intermediaries in the chain between the certificateholder and the beneficial owner, are responsible for establishing and maintaining accounts for their customers.

Neither we nor the Federal Reserve Banks will have any direct obligation to the beneficial owner of a Mega certificate who is not also a Mega certificateholder. We and the Federal Reserve Banks may treat the Mega certificateholder as the absolute owner of the Mega certificate for all purposes, regardless of any contrary notice that the beneficial owner may provide. For example, we will make distribution payments on the Mega certificates only to Mega certificateholders and will give effect to a transfer of a Mega certificate only if we receive the notice from a Mega certificateholder.

The applicable Federal Reserve Bank 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 certificate.

Payments on Ginnie Mae Certificates and Ginnie Mae Platinum Certificates; Deposits in the Mega Certificate Account

We will deposit or credit to the Mega certificate account an amount equal to the sum of the payments of principal and interest on the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates held in each trust as we receive them. Unless we specify otherwise in the related prospectus supplement, we also will credit or deposit to the Mega certificate account any mortgage prepayment fees in connection with the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates as, and to the extent, we receive them. Amounts credited to the Mega certificate account as of a distribution date will be available for payment to the related Mega certificateholders on that date to the extent described under “—**Payments on the Mega Certificates**” below. We will use any reinvestment earnings on amounts on deposit to pay the expenses of the trust; these earnings will not be included in the calculation of amounts payable to Mega certificateholders.

The trust agreement permits us, as trustee, to maintain the Mega certificate account in one of two ways:

- as a trust account with an eligible depository institution (which account may contain other funds that we hold in a trust capacity), or
- as part of our general assets (with appropriate credit entries to the related trust).

We are required to hold all of these appropriately credited funds in our general accounts (and all funds in each Mega certificate account that we have invested) for the related Mega certificateholders. Nevertheless, if a liquidation, reorganization or similar proceeding involving our assets were to occur, it is not clear what law would be applicable. As a result, we cannot render a legal opinion about the Mega certificateholders’ rights to those funds in the event of a proceeding of this type.

Payments on the Mega Certificates

Under the trust agreement pursuant to which we pool Ginnie Mae Certificates (either directly or indirectly through Ginnie Mae Platinum Certificates) into a trust, we will perform certain calculations.

We will aggregate the amount of principal reported as receivable on the Ginnie Mae I Certificates during each month on the basis of published Ginnie Mae factors for that month. For any Ginnie Mae I Certificate for which a factor is not available at that time (and for all Ginnie Mae II Certificates), we will calculate the amount of scheduled payments of principal payable in respect of the Ginnie Mae Certificates during that month on the basis of the assumed amortization schedules of the underlying mortgage loans.

If the Ginnie Mae Certificates relate to a pool of single-family mortgage loans, we will prepare the amortization schedules using the following assumptions:

- each of the mortgage loans underlying a single related Ginnie Mae Certificate had an original term to maturity of 360 months (or in the case of Ginnie Mae Certificates backed by 15-year mortgage loans, 180 months) and has a remaining term to maturity equal to the remaining term to maturity of the latest maturing mortgage loan backing that Ginnie Mae Certificate at the date it was issued;
- each mortgage loan backing a Ginnie Mae I Certificate bears an annual interest rate 0.50% above the pass-through rate of that Ginnie Mae I Certificate; and
- each mortgage loan backing a Ginnie Mae II Certificate issued before July 1, 2003 bears an annual interest rate 1.50% above the pass-through rate of that Ginnie Mae II Certificate.

We have not issued any Mega certificates backed by Ginnie Mae II Certificates issued on or after July 1, 2003. If we do issue such Mega certificates, we currently expect that we will prepare the amortization schedules using the assumption that each mortgage loan backing the Ginnie Mae II Certificate bears an annual interest rate 0.75% above the pass-through rate of that Ginnie Mae II Certificate.

If the Ginnie Mae Certificates or Ginnie Mae Platinum Certificates relate to a pool of multifamily mortgage loans, we will prepare the amortization schedules using available remaining term to maturity and interest rate information and adjusting the remaining term to maturity to the current month. These calculations will reflect both payment factor information previously reported to us and later scheduled amortization (but not prepayments) on the related mortgage loans.

Our determination of principal payments in accordance with the methodology described above will be final and binding.

All of these amounts, whether reported in Ginnie Mae factors or calculated by us, will be reflected in the factors for the related issue of Mega certificates for the distribution date (the “Mega trust factors”) in that month and will be distributed to the related Mega certificateholders on the following distribution date, whether or not we receive them. In addition, the excess of (i) the payments of principal on the Ginnie Mae Certificates and Ginnie Mae Platinum Certificates that we received during the month before the month of the distribution date, over (ii) the amounts of principal previously calculated as payable in accordance with the Ginnie Mae factors and the assumed amortization schedules specified above will be reflected in the Mega trust factors and will be payable as principal on that distribution date.

On each distribution date, we will pay each Mega certificateholder of record on the close of business of the last day of the immediately preceding month its respective Percentage Interest (as defined below) in the following:

- principal payments on the related Ginnie Mae Certificates and Ginnie Mae Platinum Certificates (calculated as described above),

- interest payments on the related Ginnie Mae Certificates and Ginnie Mae Platinum Certificates, and
- unless we specify otherwise in the related prospectus supplement, any related mortgage prepayment fees that we receive.

The “Percentage Interest” of a Mega certificate in principal and interest payments on the underlying Ginnie Mae Certificates and Ginnie Mae Platinum Certificates is equal to the percentage equivalent of a fraction, the numerator of which is the principal denomination of that Mega certificate and the denominator of which is the total of the principal denominations of all Mega certificates of the related issue.

Exchange of Mega Certificates for Ginnie Mae Certificates or Ginnie Mae Platinum Certificates

A holder of record who holds all the Mega certificates of a single Mega issue that had a total original balance of at least \$25,000 may exchange the Mega certificates for the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates held in the related trust. We may impose a fee for this exchange.

As a result of the way in which we calculate principal payments on the Mega certificates, it is unlikely that the total outstanding principal balance of the Mega certificates will equal the total outstanding principal balance of the Ginnie Mae Certificates or Ginnie Mae Platinum Certificates received in exchange. If you make an exchange, you will receive only the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates; you will not receive any funds remaining in the related trust. In no event will we be responsible for any funds remaining in the trust or for any difference between the total outstanding principal balance of the Mega certificates you deliver for exchange and the total outstanding principal balance of the Ginnie Mae Certificates or Ginnie Mae Platinum Certificates you receive in exchange.

We have the right to limit the days of the month when these exchanges may occur. When Mega certificates are exchanged, we will dissolve the related trust.

Reports to the Mega Certificateholders

Monthly Reports. On each monthly distribution date, each person who is listed as a Mega certificateholder in the records of any Federal Reserve Bank on the close of business of the last day of the immediately preceding month will receive certain information in connection with the payments made by the related Mega pool. The information, adjusted to reflect each Mega certificateholder’s pro rata interest in the related Mega trust fund as of the distribution date, will include the following:

- the amount due on the Mega certificates on that distribution date on account of total principal;
- the amount due on the Mega certificates on that distribution date on account of interest; and
- the total cash distribution on the Mega certificates on that distribution date.

Annual Reports. Within a reasonable time after the end of each calendar year, we will furnish to each person who was listed as a Mega certificateholder in the records of any Federal Reserve Bank at any time during that year a statement containing any information required by the federal income tax laws.

Fannie Mae Guaranty

We guarantee to Mega certificateholders the payment of:

- interest in an amount equal to one month’s interest on the unpaid principal balance of the Mega certificates at the pass-through rate borne by the related Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates, and

- principal in an amount calculated as described under the heading “—**Payments on the Mega Certificates**” above, with the total of all principal payments over the life of the Mega certificates equaling the original principal amount of the Mega certificates.

We do **not** guarantee the collection or distribution to Mega certificateholders of any mortgage prepayment fees.

We alone are responsible for making payments on our guaranty. **Neither the Mega certificates nor payments of principal and interest on the Mega certificates are 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.**

Certain Matters Regarding Our Duties as Trustee

We serve as the trustee for each issuance of Mega certificates pursuant to the terms of the trust agreement. We receive no fees for serving as the trustee. We may not resign from our duties as trustee under the trust agreement unless a change in law requires it. Even then, our resignation would not become effective until a successor has assumed our duties under the trust agreement. A successor would not take over our guaranty obligations. Even if our other duties under the trust agreement terminate, we would still be obligated under our guaranty.

We are not liable under the trust agreement to Mega certificateholders for errors in judgment or for any action we take, or refrain from taking, in good faith. This standard of care also applies to our directors, officers, employees and agents. 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.

The trust agreement provides that we are free to refuse involvement in any legal action that we think will expose us to expense or liability unless the action is related to our duties under the trust agreement. On the other hand, we may decide to participate in legal actions if we think our participation is necessary or desirable in the interests of the Mega certificateholders. In that case, we will pay the legal expenses and costs of the action.

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.

Events of Default

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

- if we fail to make a required payment to Mega certificateholders, and our failure continues uncorrected for 15 days after Mega certificateholders having Percentage Interest totaling at 5% of that issue of Mega certificates have given us written notice of nonpayment; or
- if we fail in any material way to fulfill any of our other obligations under the trust agreement or the related issue supplement, and our failure continues uncorrected for 60 days after Mega certificateholders having Percentage Interests totaling at least 25% of that issue of Mega certificates have given us written notice of our failure; or
- if we become insolvent or unable to pay our debts or if other events of insolvency occur.

If one of the events of default occurs and continues uncorrected, Mega certificateholders having Percentage Interests totaling at least 25% of the related issue of Mega certificates will have the right to terminate all of our rights and obligations under the trust agreement for that issue. These obligations include our duties as trustee and in our corporate capacity. However, our guaranty obligations will continue in effect. The same proportion of Mega certificateholders that has the right to terminate us

also may appoint a successor to all of our terminated obligations. This successor will take legal title to the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates and any underlying Mega certificates included in the related Mega trust fund. The acts of Mega certificateholders to terminate us and appoint a successor must be in writing.

Amendment

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

- add to our duties;
- evidence that another party has become our successor and has assumed our duties under the trust agreement in our capacity as trustee or in our corporate capacity or both;
- eliminate any of our rights in our corporate capacity under the trust agreement; and
- take an action to cure any ambiguity or correct or add to any provision in the trust agreement or the related issue supplement, so long as the action does not adversely affect any Mega certificateholder.

In addition, if Mega certificateholders having Percentage Interests totaling at least 66% of an issue of Mega certificates give their consent, we may amend the trust agreement for a purpose not listed above, except that we may not terminate or change our guaranty obligations, reduce or delay payments to Mega certificateholders or reduce from 66% the Percentage Interest of Mega certificateholders of an issue of Mega certificates who must give their consent to the types of amendments listed in the preceding sentence unless all Mega certificateholders of an issue have given their consent.

Termination

The trust for an issue of Mega certificates will terminate when we have paid the related Mega certificateholders all required interest and principal amounts. A trust may also be terminated earlier under the conditions set forth in “—**Exchange of Mega Certificates for Ginnie Mae Certificates or Ginnie Mae Platinum Certificates**” above. We do *not* have an option, in the nature of a clean-up call, to repurchase the underlying Ginnie Mae Certificates and Ginnie Mae Platinum Certificates and thereby to retire the Mega certificates.

YIELD AND PREPAYMENT CONSIDERATIONS

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 the outstanding principal balance. In general, if you purchase a Mega certificate at a discount from its outstanding principal balance and the mortgage loans backing the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates are prepaid at a rate that is slower than you expected, your yield on that Mega certificate will be less than you expected. If you purchase a Mega certificate at a premium over its outstanding principal balance and the mortgage loans backing the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates are prepaid at a rate that is faster than you expected, your yield on that Mega certificate also will be less than you expected.

Variations in the rate of prepayment on the mortgage loans backing the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates may significantly affect your yield on the Mega certificates even if the mortgage loans are prepaid at a rate that on average is consistent with your expectations. In general, the earlier the payment of principal, the greater the effect on the yield to maturity. As a result, if the rate of principal prepayment during any period is faster or slower than you expected, a corresponding reduction or increase in the prepayment rate during a later period may not fully offset the effect on your yield of the earlier prepayment rate. **You must make your own**

decision as to the principal prepayment assumptions you will use in deciding whether to purchase the Mega certificates. We do not provide delinquency experience or decrement tables for the Mega certificates.

Although interest accrues on the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates during a calendar month, we do not distribute interest to Mega certificate-holders 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.

Prepayment Considerations

The rate of principal payments on the underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates will depend on the rate of principal payments on the underlying mortgage loans. Principal payments will occur as a result of scheduled amortization, prepayments and repurchases.

Many factors influence the rate of principal prepayments. When prevailing interest rates decline, borrowers often seek to refinance their loans by obtaining new loans secured by the same properties. Refinancings of single-family mortgage loans may occur more often than refinancings of multifamily mortgage loans because many multifamily loans require the payment of prepayment fees. In general, the rates of prepayment may be affected by one or more of the following factors:

- current interest rates compared to the interest rates on the mortgage loans in a particular pool;
- homeowner mobility;
- prepayment fees or prepayment restrictions;
- borrower sophistication about the benefits of refinancing;
- solicitation by competing lenders; and
- general economic conditions.

Although many mortgage loans provide that the lender may require prepayment in full if the borrower sells the property securing the mortgage loan, the Federal Housing Administration generally permits the assumption of FHA-insured loans.

Because so many factors affect the rate of prepayment of mortgage loans, we cannot estimate the future prepayment experience of the mortgage loans underlying the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates backing your Mega certificates.

THE MEGA POOLS

This prospectus describes certain common features of Mega certificates, Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates backing Mega certificates and mortgage loans underlying Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates. From time to time, the mortgage loans underlying the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates backing an issue of Mega certificates may have unique features. Before investing in an issue of Mega certificates, investors should become aware of any unique features by reading the Ginnie Mae MBS Prospectus for the related Ginnie Mae Certificates and/or the Ginnie Mae Platinum Offering Documents for the related Ginnie Mae Platinum Certificates backing that issue.

The Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates underlying each Mega certificate will be backed by pools of mortgage loans secured by either single-family properties or multifamily properties, with either fixed or adjustable rates of interest and loan terms of 15 or 30 years. For each issue of Mega certificates, the mortgage loans backing the Ginnie Mae Certificates

and/or Ginnie Mae Platinum will have certain characteristics in common. We follow the following guidelines when creating an issue of Mega certificates:

- We may commingle Ginnie Mae I Certificates and Ginnie Mae II Certificates.
- We may commingle Ginnie Mae Certificates with Ginnie Mae Platinum Certificates.
- We may commingle Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates that bear different coupons.
- We will not commingle Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates backed by loans secured by single-family properties with those backed by loans secured by multifamily properties.
- We will not commingle Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates backed by loans with fixed rates of interest with those backed by loans with adjustable rates of interest.
- We will not commingle Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates backed by loans with 15-year terms with those backed by loans with 30-year terms.

The final data statement/collateral for each issue of Mega certificates will specify the characteristics of the certificates.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The Mega certificates and payments on the Mega certificates generally are subject to taxation. Therefore, you should consider the tax consequences of holding a Mega certificate before you acquire one. The following discussion describes certain U.S. federal income tax consequences to beneficial owners of Mega certificates. The discussion is general and does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. This discussion may not apply to your particular circumstances for various reasons, including the following:

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

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

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

Taxation of the Mega Certificates

Our special tax counsel, Arnold & Porter LLP, has delivered an opinion to us that each trust pursuant to which Mega certificates are issued will not be classified as an association taxable as a corporation for federal income tax purposes but instead will be classified as a trust under subpart E of part I of subchapter J of the Internal Revenue Code of 1986, as amended (the “Code”), and that a beneficial owner of a Mega certificate will be considered the beneficial owner of a pro rata undivided interest in each of the Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates that back that Mega certificate. A general discussion of the federal income tax consequences of the beneficial ownership of Ginnie Mae Certificates and Ginnie Mae Platinum Certificates is set forth below. (For purposes of this discussion, Ginnie Mae Certificates and Ginnie Mae Platinum Certificates are collectively referred to as “Ginnie Mae Certificates.”)

Taxation of the Ginnie Mae Certificates

In Revenue Ruling 70-545, 1970-2 C.B. 7, the Internal Revenue Service (“IRS”) set forth certain federal income tax consequences relating to investments in the Ginnie Mae Certificates issued with respect to a pool. Pursuant to Revenue Ruling 70-545, a pool will not be classified as an association taxable as a corporation for federal income tax purposes. Instead, a pool will be classified as a trust under subpart E of part I of subchapter J of the Code, and each beneficial owner of a Ginnie Mae Certificate will be considered to be the beneficial owner of a pro rata undivided interest in each of the mortgage loans included in that particular pool.

Revenue Ruling 70-545 does not specifically address participation interests in mortgage loans or Ginnie Mae Certificates held in the form of Platinum Certificates. Other IRS pronouncements, however, clearly indicate that the holdings of Revenue Ruling 70-545 are equally applicable to a Ginnie Mae Certificate backed by a pool consisting (in whole or in part) of participation interests and that a beneficial owner of a Platinum Certificate will be considered the beneficial owner of a pro rata undivided interest in each of the Ginnie Mae Certificates underlying that Platinum Certificate.

Pursuant to the holdings of Revenue Ruling 70-545, a beneficial owner of a particular issue of Ginnie Mae Certificates must report on its federal income tax return its pro rata share of the entire income from each mortgage loan in that particular pool, consistent with the beneficial owner’s method of accounting. The items of income from a mortgage loan include interest, original issue discount (discussed below), prepayment fees, assumption fees and late payment charges, plus any amount received by us and passed through as interest under the Ginnie Mae guaranty. A beneficial owner can deduct its pro rata share of the Ginnie Mae guaranty fee and any compensation for servicing the mortgage loans as provided in section 162 or section 212 of the Code, consistent with its method of accounting and subject to the discussion below.

A beneficial owner must also allocate its basis in a Ginnie Mae Certificate among the mortgage loans included in that pool in proportion to the relative fair market values of those mortgage loans. If the basis allocated to a mortgage loan is less than the principal amount of that mortgage loan, the beneficial owner may have “market discount” with respect to that mortgage loan, and if the basis exceeds the principal amount, the beneficial owner may have “premium” with respect to that mortgage loan. (Market discount and premium are discussed below.)

Original Issue Discount

Certain mortgage loans may be issued with original issue discount within the meaning of section 1273(a) of the Code. Original issue discount generally arises only with respect to adjustable rate mortgages that provide for an incentive interest rate or mortgage loans, including adjustable rate mortgages, that provide for the deferral of interest. If a mortgage loan is issued with original issue discount, a beneficial owner must include the original issue discount in income as it accrues, generally in advance of the receipt of cash attributable to such income.

Market Discount

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

A beneficial owner must determine the amount of accrued market discount for a period using a straight-line method, based on the maturity of the mortgage loan, unless the beneficial owner elects to determine accrued market discount using a constant yield method. The IRS has authority to provide regulations for determining the accrual of market discount in the case of debt instruments, including mortgage loans, that provide for more than one principal payment, but has not yet issued such regulations. In addition, the legislative history to the Tax Reform Act of 1986 states that market discount on certain types of debt instruments may be treated as accruing in proportion to remaining accruals of original issue discount, if any, or if none, in proportion to remaining distributions of interest. You should consult your own tax advisors regarding the method a beneficial owner should use to determine accrued market discount.

Notwithstanding the above rules, market discount on a mortgage loan is considered to be zero if the discount is less than 0.25 percent of the principal balance of the mortgage loan multiplied by the number of complete years from the date the beneficial owner acquires an interest in the mortgage loan to the maturity of the mortgage loan (referred to as the “market discount de minimis amount”). The IRS has authority to provide regulations to adjust the computation of the market discount de minimis amount in the case of debt instruments, including mortgage loans, which provide for more than one principal payment, but has not yet issued such regulations. The IRS could assert, nonetheless, that the market discount de minimis amount should be calculated using the remaining weighted average life of a mortgage loan rather than its final maturity. You should consult your own tax advisors regarding the ability to compute the market discount de minimis amount based on the final maturity of a mortgage loan.

Premium

A beneficial owner that acquires a mortgage loan for more than its principal amount generally will have premium with respect to that mortgage loan in the amount of the excess. In that event, the beneficial owner may elect to treat the premium as “amortizable bond premium.” This election is available only with respect to an undivided interest in a mortgage loan that was originated after September 27, 1985. If the election is made, a beneficial owner must also apply the election to all debt instruments the interest on which is not excludible from gross income (“fully taxable bonds”) held by the beneficial owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by the beneficial owner. A beneficial owner may revoke the election only with the consent of the IRS.

If a beneficial owner makes this election, the beneficial owner reduces the amount of any interest payment that must be included in the beneficial owner's income by the portion of the premium allocable to the period based on the mortgage loan's yield to maturity. Correspondingly, a beneficial owner must reduce its basis in the mortgage loan by the amount of premium applied to reduce any interest income. The amount of premium to be allocated among the interest payments on an adjustable rate mortgage is determined by reference to an equivalent fixed-rate debt instrument constructed as of the date the beneficial owner acquires an interest in the mortgage loan.

If a beneficial owner does not elect to amortize premium, (i) the beneficial owner must include the full amount of each interest payment in income, and (ii) the premium must be allocated to the principal distributions on the mortgage loan and, when each principal distribution is received, a loss equal to the premium allocated to that distribution will be recognized. Any tax benefit from premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the related Mega certificate. See “—**Sales and Other Dispositions of Mega Certificates.**”

Accrual Method Election

A beneficial owner may elect to include in income its entire return on a mortgage loan (*i.e.*, the excess of all remaining payments to be received on the mortgage loan over the amount of the beneficial owner's basis in the mortgage loan) based on the compounding of interest at a constant yield. Such an election for a mortgage loan with amortizable bond premium (or market discount) will result in a deemed election to amortize premium for all the beneficial owner's debt instruments with amortizable bond premium (or to accrue market discount currently for all the beneficial owner's debt instruments with market discount) as discussed above.

Servicing Compensation and Guaranty Fees

A beneficial owner's ability to deduct its share of the servicing compensation paid to service the mortgage loans and its share of the guaranty fees is limited under section 67 of the Code in the case of (i) estates and trusts, and (ii) individuals owning an interest in the related Mega certificate directly or through an investment in a “pass-through entity” (other than in connection with such individual's trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, certain limited liability companies and non-publicly offered regulated investment companies, but do not include estates, nongrantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies.

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

Sales and Other Dispositions of Mega Certificates

Upon the sale, exchange or other disposition of a Mega certificate, a beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner's adjusted basis in the Mega certificate. The adjusted basis of a Mega certificate generally will equal the cost of the Mega certificate to the beneficial owner, increased by any amounts of original issue discount and market discount included in the beneficial owner's gross

income with respect to the Mega certificate, and reduced by distributions on the Mega certificate previously received by the beneficial owner as principal and by any premium that has reduced the beneficial owner's interest income with respect to the Mega certificate. Any such gain or loss generally will be capital gain or loss, except (i) as provided in section 582(c) of the Code (which generally applies to banks) or (ii) to the extent any gain represents original issue discount or accrued market discount not previously included in income (to which extent such gain would be treated as ordinary income). Any capital gain (or loss) will be long-term capital gain (or loss) if at the time of disposition the beneficial owner held the Mega certificate for more than one year. The ability to deduct capital losses is subject to limitations.

The Taxpayer Relief Act of 1997 amended section 1271 of the Code to provide that amounts received by a beneficial owner upon retirement of a mortgage loan of a natural person are considered to be amounts received in exchange therefor. The legislation applies to mortgage loans originated after June 8, 1997, and any interest in a mortgage loan acquired after June 8, 1997. The application of section 1271 to a retirement of a mortgage loan that was acquired at a discount is unclear, and you should consult your own tax advisors regarding the application of section 1271 to a Mega certificate in such a case.

Exchanges

A beneficial owner's exchange of a Mega certificate for the underlying Ginnie Mae Certificates or Ginnie Mae Platinum Certificates will not be a taxable event. Other federal income tax consequences are unclear, however, because the principal balance of the Mega certificate may not equal the principal balances of the Ginnie Mae Certificates or Ginnie Mae Platinum Certificates for which it is exchanged. See "**Description of the Mega Certificates—Exchange of Mega Certificates for Ginnie Mae Certificates or Ginnie Mae Platinum Certificates**" above. You should consult your own tax advisors regarding the federal income tax consequences of any such exchange.

Special Tax Attributes

In Revenue Ruling 70-545, as modified by Revenue Ruling 74-169, 1974-1 C.B. 147, the IRS ruled on the status of the Ginnie Mae Certificates under specific sections of the Code. In particular, the IRS ruled as follows:

1. A Ginnie Mae Certificate owned by a domestic building and loan association is considered as representing "loans secured by an interest in real property" within the meaning of section 7701(a)(19)(C)(v) of the Code, provided the real property underlying each mortgage loan is (or, from the proceeds of the mortgage loans, will become) the type of real property described in that section of the Code.

2. A Ginnie Mae Certificate owned by a real estate investment trust is considered as representing "real estate assets" within the meaning of section 856(c)(5)(B) of the Code, and the interest income is considered "interest on obligations secured by mortgages on real property" within the meaning of section 856(c)(3)(B) of the Code.

If a Ginnie Mae Certificate represents an interest in a pool that contains a cooperative share loan, an escrow mortgage loan or a lender buydown loan, you should also consider the following tax consequences applicable to an undivided interest in those loans.

Cooperative Share Loans

The IRS has ruled that a loan (a "cooperative share loan") that is made for the purchase of stock in a cooperative housing corporation described in section 216(b) of the Code (a "cooperative") and that is secured by such stock will be treated as "a loan secured by an interest in real property" within the meaning of section 7701(a)(19)(C)(v) of the Code, provided that the dwelling unit that the cooperative's stock entitles the tenant-shareholder to occupy is to be used as a residence. The IRS also

has ruled that stock in a cooperative qualifies as an interest in real property within the meaning of section 856(c)(5)(C) of the Code. Accordingly, interest on cooperative share loans qualifies as “interest on obligations secured by mortgages on interests in real property” for purposes of section 856(c)(3)(B) of the Code.

Escrow Mortgage Loans

In certain cases, a mortgage loan may be secured by additional collateral consisting of an escrow account held with a financial institution (an “escrow mortgage loan”). A beneficial owner’s investment in an escrow mortgage loan generally should be treated as a “loan secured by an interest in real property” within the meaning of section 7701(a)(19)(C)(v) of the Code, provided the escrow account does not represent an account with the beneficial owner. In addition, an investment in an escrow mortgage loan by a real estate investment trust generally should be treated in its entirety as a “real estate asset” within the meaning of section 856(c)(5)(B) of the Code, provided the fair market value of the real property securing the escrow mortgage loan equals or exceeds the principal amount of such escrow mortgage loan at the time the real estate investment trust makes a commitment to acquire the related Mega certificate. Because of uncertainties regarding the tax treatment of escrow mortgage loans, you should consult with your tax advisors concerning the federal income tax treatment of investments in escrow mortgage loans.

Lender Buydown Loans

Lenders may provide the funds for the interest rate buydown accounts that secure certain escrow mortgage loans (“lender buydown loans”). If the borrower is liable for the entire payment on a lender buydown loan, without offset by any payments due from the buydown account, a lender buydown loan may be treated properly as entirely the obligation of the borrower.

The IRS could take the position, however, that a lender buydown loan should be treated as if the borrower were obligated only to the extent of the net payment after application of the interest rate buydown account. If the IRS were able to maintain this position successfully, a beneficial owner of a lender buydown loan would be treated as holding two instruments: one representing the Lender’s rights with respect to the buydown account, and the other representing the borrower’s debt to the extent of the net payment by the borrower. With respect to the instrument represented by the borrower’s debt, this treatment would require the beneficial owner to accelerate the recognition of a portion of the interest payable after the buydown period. Moreover, during the buydown period and to the extent of the buydown account, the rulings described above regarding sections 856(c)(3)(B), 856(c)(5)(B) and 7701(a)(19)(C)(v) of the Code would be inapplicable. Because of uncertainties regarding the tax treatment of lender buydown loans, you should consult with your tax advisors concerning the federal income tax treatment of investments in lender buydown loans.

Mortgage Loan Servicing

The IRS issued guidance on the tax treatment of mortgage loans in cases in which the fee retained by the servicer of the mortgage loans exceeds what is established under tax law to be reasonable compensation for the services to be performed. This guidance is directed primarily to servicers and, in most cases, should not have a significant effect on beneficial owners of mortgage loans.

Under the IRS guidance, if a servicing fee on a mortgage loan is determined to exceed reasonable compensation, the payments of the excess servicing fee are treated as a series of “stripped coupons” and the mortgage loan is treated as a “stripped bond” within the meaning of section 1286 of the Code. In general, if a mortgage loan is treated as a stripped bond, any discount with respect to that mortgage loan will be treated as original issue discount. Any premium with respect to such a mortgage loan may be treated as amortizable bond premium regardless of the date the mortgage loan was originated, because a stripped bond is treated as originally issued on the date a beneficial owner acquires the stripped bond. See “—**Taxation of the Ginnie Mae Certificates—Premium.**” In addition, the

excess portion of servicing compensation will be excluded from the income of beneficial owners and thus will not be subject to the limitations on the deductibility of miscellaneous itemized deductions. See “—**Taxation of the Ginnie Mae Certificates**—*Servicing Compensation and Guaranty Fees*.”

A mortgage loan is effectively not treated as a stripped bond, however, if the mortgage loan meets either the “100 basis point” test or the “de minimis” test. A mortgage loan meets the 100 basis point test if the total amount of servicing compensation on the mortgage loan does not exceed reasonable compensation for servicing by more than 100 basis points. A mortgage loan meets the de minimis test if (i) the discount at which the mortgage loan is acquired is less than 0.25 percent of the remaining principal balance of the mortgage loan multiplied by its weighted average remaining life; or (ii) in the case of wholly self-amortizing mortgage loans, the acquisition discount is less than $\frac{1}{6}$ of one percent times the number of whole years to final stated maturity. In addition, servicers are given the opportunity to elect to treat mortgage servicing fees up to a specified number of basis points (which depends on the type of mortgage loans) as “reasonable” servicing. No guidance has been provided as to the effect, if any, of such safe harbors and any elections thereunder on beneficial owners of mortgage loans.

The IRS guidance contains a number of ambiguities. For example, it is not clear whether the rules described above are to be applied on an individual loan or an aggregate basis. You should consult your tax advisors about the IRS guidance and its application to investments in the Mega certificates.

Information Reporting and Backup Withholding

With each distribution, we will furnish to each Mega certificateholder a statement setting forth the portions of such distribution allocable to principal and to interest. In addition, we will furnish or make available, within a reasonable time after the end of each calendar year, to each Mega certificateholder who at any time during such year received a distribution from us, a statement setting forth that holder’s pro rata share of income, servicing compensation and guaranty fees for that calendar year.

Payments of interest and principal, as well as payments of proceeds from the sale of Mega certificates, may be subject to the “backup withholding” tax under section 3406 of the Code if the recipient of the payment is not an “exempt recipient” and fails to furnish certain information, including its taxpayer identification number, to us or our agent, or otherwise fails to establish an exemption from such tax. Any amounts deducted and withheld from such a payment would be allowed as a credit against the beneficial owner’s federal income tax. Furthermore, certain penalties may be imposed by the IRS on a holder or beneficial owner who is required to supply information but who does not do so in the proper manner.

Foreign Investors

Additional rules apply to a beneficial owner that is not a U.S. Person (a “non-U.S. Person”). “U.S. Person” means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, an estate the income of which is subject to U.S. federal income tax regardless of the source of its income, or a trust if a court within the United States can exercise primary supervision over its administration and at least one U.S. Person has the authority to control all substantial decisions of the trust.

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

- the beneficial owner does not hold the Mega certificate in connection with its conduct of a trade or business in the United States,

- the beneficial owner is not, with respect to the United States, a personal holding company or a corporation that accumulates earnings in order to avoid U.S. federal income tax,
- the beneficial owner is not a U.S. expatriate or former U.S. resident who is taxable in the manner provided in section 877(b) of the Code,
- the beneficial owner is not an “excluded person” (*i.e.*, a 10-percent shareholder of Fannie Mae within the meaning of section 871(h)(3)(B) of the Code or a “controlled foreign corporation” related to Fannie Mae within the meaning of section 881(c)(3)(C) of the Code),
- the beneficial owner signs a statement under penalties of perjury certifying that it is a non-U.S. Person or, in the case of an individual, that the beneficial owner is neither a citizen nor resident of the United States, and provides the name, address and taxpayer identification number, if any, of the beneficial owner,
- the last U.S. Person in the chain of payment to the beneficial owner (the “withholding agent”) receives such non-U.S. beneficial ownership statement from the beneficial owner or a financial institution holding on behalf of the beneficial owner and does not have actual knowledge that such statement is false, and
- the Mega certificate represents an undivided interest in a pool of mortgage loans all of which were originated after July 18, 1984.

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

A non-U.S. beneficial ownership statement may be made on an IRS Form W-8BEN or a substantially similar substitute form. The beneficial owner or financial institution holding on behalf of the beneficial owner must inform the withholding agent of any change in the information on the statement within 30 days of such change. In all cases, the withholding agent must file the Form W-8BEN or substitute form with the IRS.

MARGINABILITY; REPURCHASE AGREEMENTS

The Mega certificates are exempted securities for purposes of the margin rules of the Board of Governors of the Federal Reserve System and the New York Stock Exchange. Transactions in the Mega certificates, including repurchase agreements, are treated under those margin rules in the same manner as transactions in Fannie Mae MBS certificates.

ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with an investment in Mega certificates on behalf of a plan subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) (such as employer-sponsored pension and profit sharing plans) and other types of benefit plans and arrangements subject to Section 4975 of the Code (such as individual retirement accounts). ERISA and the Code also impose these requirements on some entities in which these benefit plans or arrangements invest. We refer to these plans, arrangements and entities, collectively, as plans.

A fiduciary considering investing assets of a plan in any Mega certificate should consult its legal advisor about ERISA, fiduciary and other legal considerations before making such an investment. Specifically, before authorizing an investment in any Mega certificates, any such fiduciary should,

after considering the plan's particular circumstances, determine whether the investment is appropriate under the plan's governing documents and whether the investment is appropriate under the fiduciary standards of ERISA or other applicable law, including standards with respect to prudence, diversification and delegation of control and the prohibited transaction provisions of ERISA and the Code.

Regulations (the "Plan Asset Regulations") promulgated under ERISA by the United States Department of Labor generally provide that when a plan acquires an interest in an entity that is neither a publicly offered security nor a security issued by an investment company registered under the Investment Company Act of 1940, the plan's assets include both the security and an undivided interest in each of the underlying assets of the issuer unless it is established that an exception under the Plan Asset Regulations applies. The application of this general rule could cause the sponsor, the trustee and any other person providing services with respect to the mortgage loans in the underlying mortgage loan pools to be subject to the fiduciary responsibility rules of ERISA and could cause an investment in Mega certificates to be a prohibited transaction under ERISA or the Code.

The Plan Asset Regulation provides that the general rule stated above does not apply to a plan's acquisition of a guaranteed governmental mortgage pool certificate. The definition of "guaranteed governmental mortgage pool certificate" includes certificates which are backed by, or evidence an interest in, specified mortgages or participation interest therein and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the Plan Asset Regulation, investment by a plan in a guaranteed governmental mortgage pool certificate does not cause the assets of the plan to include the mortgage loans underlying the certificate or cause the sponsor, the trustee and any other person providing services with respect to the mortgage loans in the underlying mortgage loan pools to be subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA or section 4975 of the Code by providing services with respect to the mortgages in the pool. Our counsel, Hunton & Williams 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 and the Code merely by reason of that plan's holding of a Mega certificate. However, investors should consult with their own counsel regarding the ERISA eligibility of Mega certificates they may purchase.

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, the trust agreement for that issue of Mega certificates and the issue supplement for that issue.

Frequently Used Mega Pool Prefixes

Below is a listing of some of the most frequently used prefixes for Megas backed by Ginnie Mae Certificates and/or Ginnie Mae Platinum Certificates. For a complete listing and description of pool prefixes, please refer to our Web site at www.fanniemae.com.

- GM** Fixed-Rate Mega, backed by Ginnie Mae I and/or Ginnie Mae II Certificates; maturing or due in 15 years or less.
- GN** Fixed-Rate Mega, backed by Ginnie Mae I and/or Ginnie Mae II Certificates; maturing or due in 30 years or less.
- GQ** Weighted-Average Fixed-Rate Mega, backed by Ginnie Mae I and/or Ginnie Mae II Certificates; maturing or due in 15 years or less.
- GR** Adjustable-Rate Mega, backed by Ginnie Mae II Certificates.
- GW** Weighted-Average Fixed-Rate Mega, backed by Ginnie Mae I and/or Ginnie Mae II Certificates; maturing or due in 30 years or less.

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 prospectuses 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.

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Guaranteed MBS Pass-Through Securities (MEGA Certificates) (Backed by Ginnie Mae Certificates)

MEGA PROSPECTUS



January 1, 2005
