

**PROSPECTUS SUPPLEMENT**  
(To Prospectus dated June 14, 1996)

**\$150,000,000**



**FannieMae**

**Guaranteed REMIC Pass-Through Certificates**  
**Fannie Mae REMIC Trust 1996-65**

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "Certificates") will represent beneficial ownership interests in Fannie Mae REMIC Trust 1996-65 (the "Trust"). The assets of the Trust will consist of certain Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the "MBS"). Each MBS represents a beneficial interest in a pool (each a "Pool") of first lien, single-family, fixed-rate residential mortgage loans (the "Mortgage Loans") having the characteristics described herein. The Certificates will be issued and guaranteed as to timely distribution of principal and interest by Fannie Mae.

Investors should not purchase the Certificates before reading this Prospectus Supplement and the additional Disclosure Documents listed at the bottom of page S-2.

See "Additional Risk Factors" on page S-5 hereof and "Risk Factors" beginning on page 8 of the REMIC Prospectus attached hereto for a discussion of certain risks that should be considered in connection with an investment in the Certificates.

(Cover continued on next page)

**THE CERTIFICATES MAY NOT BE SUITABLE INVESTMENTS FOR ALL INVESTORS. NO INVESTOR SHOULD PURCHASE CERTIFICATES UNLESS SUCH INVESTOR UNDERSTANDS AND IS ABLE TO BEAR THE PREPAYMENT, YIELD, LIQUIDITY AND OTHER RISKS ASSOCIATED WITH SUCH CERTIFICATES.**

**THE CERTIFICATES, TOGETHER WITH ANY INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES. THE OBLIGATIONS OF FANNIE MAE UNDER ITS GUARANTY OF THE CERTIFICATES ARE OBLIGATIONS SOLELY OF FANNIE MAE AND DO NOT CONSTITUTE AN OBLIGATION OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY THEREOF OTHER THAN FANNIE MAE. THE CERTIFICATES ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND ARE "EXEMPTED SECURITIES" WITHIN THE MEANING OF THE SECURITIES EXCHANGE ACT OF 1934.**

Class	Original Principal Balance	Principal Type(1)	Interest Rate	Interest Type(1)	CUSIP Number	Final Distribution Date
A	\$ 2,000,000	SEQ	7.00%	FIX	31359K6T9	January 2023
A1	78,052,000	SEQ	6.50	FIX	31359K6U6	January 2023
A2	19,513,000	SEQ	9.00	FIX	31359K6V4	January 2023
B	24,418,000	SEQ	7.00	FIX	31359K6W2	March 2025
C	2,865,000	SEQ/AD/LIQ	7.00	FIX	31359K6X0	December 2001
D	16,280,000	SEQ/AD	7.00	FIX	31359K6Y8	January 2016
Z	6,872,000	SEQ	7.00	FIX/Z	31359K6Z5	January 2027
R	0	NPR	0	NPR	31359K7A9	January 2027

(1) See "Description of the Certificates—Class Definitions and Abbreviations" in the REMIC Prospectus and "Description of the Certificates—Distributions of Interest" and "—Distributions of Principal" herein.

The Certificates will be offered by Morgan Stanley & Co. Incorporated (the "Dealer") from time to time in negotiated transactions, at varying prices to be determined at the time of sale.

The Certificates will be offered by the Dealer, subject to issuance by Fannie Mae and to prior sale or to withdrawal or modification of the offer without notice, when, as and if delivered to and accepted by the Dealer, subject to the right by the Dealer to reject any order in whole or in part and subject to approval of certain legal matters by counsel. It is expected that the Certificates, except for the R Class, will be available through the book-entry facilities of The Depository Trust Company on or about December 27, 1996 (the "Settlement Date"). It is expected that the R Class in registered, certificated form will be available for delivery at the offices of the Dealer, New York, New York, on or about the Settlement Date.

**MORGAN STANLEY & CO.**  
Incorporated

November 25, 1996

*(Cover continued from previous page)*

The yield to investors in each Class will be sensitive in varying degrees to the rate of principal payments of the Mortgage Loans, the characteristics of the Mortgage Loans actually included in the Pool, and the purchase price paid for the related Class. Accordingly, investors should consider the following risks:

- The Mortgage Loans generally may be prepaid at any time without penalty, and, accordingly, the rate of principal payments thereon is likely to vary considerably from time to time.
- Slight variations in Mortgage Loan characteristics could substantially affect the weighted average lives and yields of some or all of the Classes.
- In the case of any Certificates purchased at a discount to their principal amounts, a slower than anticipated rate of principal payments is likely to result in a lower than anticipated yield.
- In the case of any Certificates purchased at a premium to their principal amounts, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield.

See “Risk Factors—Yield Considerations” in the REMIC Prospectus and “Additional Risk Factors—Additional Yield and Prepayment Considerations” herein.

In addition, investors should purchase Certificates only after considering the following:

- The actual final payment of any Class will likely occur earlier, and could occur much earlier, than the Final Distribution Date for such Class specified on the cover page. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus.
- The rate of principal distributions of the Certificates is uncertain and investors may be unable to reinvest the distributions thereon at yields equaling the yields on the Certificates. See “Risk Factors—Suitability and Reinvestment Considerations” in the REMIC Prospectus.
- Investors whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities may be subject to restrictions on investment in certain Classes of the Certificates. Investors should consult their legal advisors to determine whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment. See “Legal Investment Considerations” in the REMIC Prospectus.
- The Dealer intends to make a market for the Certificates but is not obligated to do so. There can be no assurance that such a secondary market will develop or, if developed, that it will continue. Thus, investors may not be able to sell their Certificates readily or at prices that will enable them to realize their anticipated yield. No investor should purchase Certificates unless such investor understands and is able to bear the risk that the value of the Certificates will fluctuate over time and that the Certificates may not be readily salable.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this Prospectus Supplement, the REMIC Prospectus or the MBS Prospectus. Any representation to the contrary is a criminal offense.

An election will be made to treat the Trust as a “real estate mortgage investment conduit” (“REMIC”) pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). The R Class will be subject to transfer restrictions. See “Description of the Certificates—Characteristics of the R Class” and “Certain Additional Federal Income Tax Consequences” herein, and “Description of the Certificates—Additional Characteristics of Residual Certificates” and “Certain Federal Income Tax Consequences” in the REMIC Prospectus.

Investors should purchase the Certificates only if they have read and understood this Prospectus Supplement and the following documents (collectively, the “Disclosure Documents”):

- Fannie Mae’s Prospectus for Guaranteed REMIC Pass-Through Certificates dated June 14, 1996 (the “REMIC Prospectus”), which is attached to this Prospectus Supplement;
- Fannie Mae’s Prospectus for Guaranteed Mortgage Pass-Through Certificates dated October 1, 1996 (the “MBS Prospectus”); and
- Fannie Mae’s Information Statement dated February 22, 1996 and any supplements thereto (collectively, the “Information Statement”).

The MBS Prospectus and the Information Statement are incorporated herein by reference and may be obtained from Fannie Mae by writing or calling its MBS Helpline at 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 (telephone 1-800-BEST-MBS or 202-752-6547). Such documents may also be obtained from Morgan Stanley & Co. Incorporated by writing or calling its Prospectus Department at 1585 Broadway, New York, New York 10036 (telephone 212-761-6775).

## TABLE OF CONTENTS

	Page		Page
<b>Reference Sheet</b> .....	S- 4	Distributions of Principal .....	S- 9
<b>Additional Risk Factors</b> .....	S- 5	<i>Categories of Classes</i> .....	S- 9
Additional Yield and Prepayment Considerations .....	S- 5	<i>Principal Distribution Amount</i> ....	S- 9
<b>Description of the Certificates</b> .....	S- 5	<i>Accrual Amount</i> .....	S- 9
General .....	S- 5	<i>Cash Flow Distribution Amount</i> ...	S- 9
<i>Structure</i> .....	S- 5	Structuring Assumptions .....	S- 9
<i>Fannie Mae Guaranty</i> .....	S- 5	<i>Pricing Assumptions</i> .....	S- 9
<i>Characteristics of Certificates</i> .....	S- 6	<i>Prepayment Assumptions</i> .....	S- 9
<i>Authorized Denominations</i> .....	S- 6	Weighted Average Lives of the Certificates .....	S-10
<i>Distribution Dates</i> .....	S- 6	Decrement Tables .....	S-10
<i>Record Date</i> .....	S- 6	Characteristics of the R Class .....	S-12
<i>REMIC Trust Factors</i> .....	S- 6	<b>Certain Additional Federal Income Tax Consequences</b> .....	S-12
<i>Optional Termination</i> .....	S- 6	REMIC Election and Special Tax Attributes .....	S-12
<i>Liquid Asset</i> .....	S- 6	Taxation of Beneficial Owners of Regular Certificates .....	S-13
Book-Entry Procedures .....	S- 7	Taxation of Beneficial Owners of Residual Certificates .....	S-13
<i>General</i> .....	S- 7	<b>Plan of Distribution</b> .....	S-13
<i>Method of Distribution</i> .....	S- 7	<i>General</i> .....	S-13
The MBS .....	S- 7	<i>Increase in Certificates</i> .....	S-13
Distributions of Interest .....	S- 8	<b>Legal Matters</b> .....	S-13
<i>Categories of Classes</i> .....	S- 8		
<i>General</i> .....	S- 8		
<i>Interest Accrual Period</i> .....	S- 8		
<i>Accrual Class</i> .....	S- 8		

## REFERENCE SHEET

This reference sheet is not a summary of the REMIC transaction and it does not contain complete information about the Certificates. Investors should purchase the Certificates only after reading this Prospectus Supplement and each of the additional Disclosure Documents described herein in their entirety.

### Assumed Characteristics of the Mortgage Loans (as of December 1, 1996)

Approximate Principal Balance	Approximate Weighted Average Remaining Term to Maturity (in months)	Approximate Calculated Loan Age (in months)	Approximate Weighted Average Coupon
\$150,000,000	341	16	7.50%

The actual remaining terms to maturity, calculated loan ages and interest rates of most of the related Mortgage Loans will differ from the weighted averages shown above, perhaps significantly. See “Description of the Certificates—Structuring Assumptions—Pricing Assumptions” herein.

### Interest Rates

The Certificates will bear interest at the applicable per annum interest rates set forth on the cover.

See “Description of the Certificates—Distributions of Interest” herein.

### Distributions of Principal

#### *Accrual Amount*

To the C and D Classes, in that order, to zero, and then to the Z Class.

#### *Cash Flow Distribution Amount*

1. To the A, A1 and A2 Classes, in proportion to their original principal balances, to zero.
2. To the B, C, D and Z Classes, in that order, to zero.

### Weighted Average Lives (years)\*

Class	PSA Prepayment Assumption				
	0%	100%	155%	300%	500%
A, A-1 and A-2 .....	17.9	6.0	4.3	2.4	1.5
B .....	27.1	16.3	12.1	6.8	4.0
C .....	2.7	2.7	2.7	2.7	2.7
D .....	13.2	13.2	12.6	9.2	6.0
Z .....	29.1	23.5	21.0	15.1	9.9

\* Determined as specified under “Description of the Certificates—Weighted Average Lives of the Certificates” herein.

## ADDITIONAL RISK FACTORS

### Additional Yield and Prepayment Considerations

The rate of distributions of principal of each Class will be sensitive in varying degrees to the rate of principal payments (including prepayments) of the Mortgage Loans. There can be no assurance that the Mortgage Loans will have the characteristics assumed herein or will prepay at any of the rates assumed herein, or at any other particular rate. Furthermore, because some of the Mortgage Loans are likely to include Mortgage Loans with remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the rate of principal distribution is likely to differ from the rate anticipated by an investor, even if all such Mortgage Loans prepay at the indicated *constant* percentages of PSA. In addition, it is not likely that the Mortgage Loans will prepay at a constant PSA rate until maturity or that all such Mortgage Loans will prepay at the same rate. Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the Certificates.

The effective yields on the Delay Classes (as defined herein) will be reduced below the yields otherwise produced because principal and interest payable on a Distribution Date will not be distributed until the 18th day following the end of the related Interest Accrual Period and will not bear interest during such delay. No interest at all will be paid on any Class after its principal balance has been reduced to zero. As a result of the foregoing, the market value of the Delay Classes will be lower than would have been the case if there were no such delay.

## DESCRIPTION OF THE CERTIFICATES

The following summaries describing certain provisions of the Certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the remaining provisions of this Prospectus Supplement, the additional Disclosure Documents and the provisions of the Trust Agreement (defined below). Capitalized terms used and not otherwise defined in this Prospectus Supplement have the meanings assigned to such terms in the applicable Disclosure Document or the Trust Agreement (as the context may require).

### General

*Structure.* The Trust will be created pursuant to a trust agreement dated as of September 1, 1987, as supplemented by an issue supplement thereto, dated as of December 1, 1996 (together, the “Trust Agreement”), executed by the Federal National Mortgage Association (“Fannie Mae”) in its corporate capacity and in its capacity as trustee (the “Trustee”), and the Certificates in the Classes and aggregate original principal balances set forth on the cover hereof will be issued by Fannie Mae pursuant thereto. A description of Fannie Mae and its business, together with certain financial statements and other financial information, is contained in the Information Statement.

The Certificates (other than the R Class) will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust. The assets of the Trust will consist of the MBS.

*Fannie Mae Guaranty.* Fannie Mae guarantees to each holder of an MBS the timely payment of scheduled installments of principal of and interest on the underlying Mortgage Loans, whether or not received, together with the full principal balance of any foreclosed Mortgage Loan, whether or not such balance is actually recovered. In addition, Fannie Mae will be obligated to distribute on a timely basis to the Holders of Certificates required installments of principal and interest and to distribute the principal balance of each Class of Certificates in full no later than the applicable Final Distribution Date, whether or not sufficient funds are available in the Trust Account. The guaranties of Fannie Mae are not backed by the full faith and credit of the United

States. See “Description of the Certificates—Fannie Mae’s Guaranty” in the REMIC Prospectus and “Description of Certificates—The Corporation’s Guaranty” in the MBS Prospectus.

*Characteristics of Certificates.* Each Class of Certificates, other than the R Class, will be represented by one or more certificates (the “DTC Certificates”) to be registered at all times in the name of the nominee of the Depository (as defined herein), which Depository will maintain such Certificates through its book-entry facilities. When used herein with respect to any DTC Certificate, the terms “Holders” and “Certificateholders” refer to the nominee of the Depository. A Holder is not necessarily the beneficial owner of a book-entry Certificate. Beneficial owners will ordinarily hold book-entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See “Description of the Certificates—Book-Entry Procedures” herein.

The R Certificate will not be issued in book-entry form but will be issued in fully registered, certificated form. As to the R Certificate, “Holder” or “Certificateholder” refers to the registered owner thereof. The R Certificate will be transferable at the corporate trust office of the Transfer Agent, or at the agency of the Transfer Agent in New York, New York. The Transfer Agent initially will be State Street Bank and Trust Company in Boston, Massachusetts (“State Street”). A service charge may be imposed for any registration of transfer of the R Certificate and Fannie Mae may require payment of a sum sufficient to cover any tax or other governmental charge. See also “Characteristics of the R Class” herein.

The distribution to the Holders of the R Class of the proceeds of any remaining assets of the Trust will be made only upon presentation and surrender of such Certificate at the office of the Paying Agent. The Paying Agent initially will be State Street.

*Authorized Denominations.* The Certificates, other than the R Certificate, will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. The R Class will be issued as a single certificate and will not have a principal balance.

*Distribution Dates.* Distributions on the Certificates will be made on the 18th day of each month (or, if such 18th day is not a business day, on the first business day next succeeding such 18th day) (each, a “Distribution Date”), commencing in the month following the Settlement Date. See “Distributions of Interest—General” and “—Interest Accrual Period” and “Distributions of Principal—Principal Distribution Amount” herein.

*Record Date.* Each monthly distribution on the Certificates will be made to Holders of record on the last day of the preceding month.

*REMIC Trust Factors.* As soon as practicable following the eleventh calendar day of each month, Fannie Mae will publish or otherwise make available for each Class of Certificates the factor (carried to eight decimal places) which, when multiplied by the original principal balance of a Certificate of such Class, will equal the remaining principal balance of such Certificate after giving effect to the distribution of principal to be made on the following Distribution Date and any interest to be added as principal to the principal balance of the Accrual Class on such Distribution Date.

*Optional Termination.* Consistent with its policy described under “Description of Certificates—Termination” in the MBS Prospectus, Fannie Mae will agree not to effect indirectly an early termination of the Trust through the exercise of its right to repurchase the Mortgage Loans underlying any MBS unless only one Mortgage Loan remains in the related Pool or the principal balance of such Pool at the time of repurchase is less than one percent of the original principal balance thereof.

*Liquid Asset.* The C Class is intended to qualify as a “liquid asset” for purposes of the liquidity requirements applicable to federal savings associations, federal savings banks and state chartered associations whose deposits are insured by the Federal Deposit Insurance Corporation.

## Book-Entry Procedures

*General.* Each Class of Certificates, other than the R Class, will be represented by one or more certificates (the “DTC Certificates”) to be registered at all times in the name of the nominee of The Depository Trust Company, a New York-chartered limited purpose trust company, or any successor depository selected or approved by Fannie Mae (the “Depository”). In accordance with its normal procedures, the Depository will record the positions held by each Depository participating firm (each, a “Depository Participant”) in the DTC Certificates, whether held for its own account or as a nominee for another person. State Street will act as Paying Agent for, and perform certain administrative functions with respect to, the DTC Certificates.

No person acquiring a beneficial ownership interest in the DTC Certificates (a “beneficial owner” or an “investor”) will be entitled to receive a physical certificate representing such ownership interest. An investor’s interest in the DTC Certificates will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (a “financial intermediary”) that maintains such investor’s account for such purpose. In turn, the financial intermediary’s record ownership of such interest will be recorded on the records of the Depository (or of a Depository Participant that acts as an agent for the financial intermediary if such intermediary is not a Depository Participant). Accordingly, an investor will not be recognized by the Trustee or the Depository as a Certificateholder and must rely on the foregoing arrangements to evidence its interest in the DTC Certificates. Beneficial ownership of an investor’s interest in the DTC Certificates may be transferred only by compliance with the procedures of an investor’s financial intermediary and of Depository Participants. In general, beneficial ownership of an investor’s interest in the DTC Certificates will be subject to the rules, regulations and procedures governing the Depository and Depository Participants as in effect from time to time.

*Method of Distribution.* Each distribution on the DTC Certificates will be distributed by the Paying Agent to the Depository in immediately available funds. The Depository will be responsible for crediting the amount of such distributions to the accounts of the Depository Participants entitled thereto, in accordance with the Depository’s normal procedures, which currently provide for distributions in same-day funds settled through the New York Clearing House. Each Depository Participant and each financial intermediary will be responsible for disbursing such distributions to the beneficial owners of the DTC Certificates that it represents. Accordingly, the beneficial owners may experience some delay in their receipt of distributions.

## The MBS

The MBS will have the aggregate unpaid principal balance and Pass-Through Rate set forth below and the general characteristics described in the MBS Prospectus. The MBS will provide that principal and interest on the related Mortgage Loans will be passed through monthly, commencing in the month following the month of the initial issuance of such MBS. The Mortgage Loans will be conventional Level Payment Mortgage Loans secured by first mortgages or deeds of trust on one- to four-family (“single-family”) residential properties and having original maturities of up to 30 years. See “The Mortgage Pools” and “Yield Considerations” in the MBS Prospectus. The characteristics of the MBS and the Mortgage Loans as of December 1, 1996 (the “Issue Date”) are expected to be as follows:

Aggregate Unpaid Principal Balance .....	\$150,000,000
MBS Pass-Through Rate .....	7.00%
Range of WACs (per annum percentages) .....	7.25% to 9.50%
Range of WAMs .....	241 months to 360 months
Approximate Weighted Average WAM .....	341 months
Approximate Weighted Average CAGE .....	16 months

Following the issuance of the Certificates, Fannie Mae will prepare a Final Data Statement setting forth, among other information, the Pool number, the current WAC (or original WAC, if the current WAC is not available) and the current WAM (or Adjusted WAM, if the current WAM is not available) of the Mortgage Loans underlying each MBS, along with the weighted average of all the current or original WACs and the weighted average of all the current or Adjusted WAMs, based on the current unpaid principal balances of the Mortgage Loans as of the Issue Date. The Final Data Statement will not accompany this Prospectus Supplement but will be made available by Fannie Mae. To request the Final Data Statement, telephone Fannie Mae at 1-800-BEST-MBS or 202-752-6547. The contents of the Final Data Statement and other data specific to the Certificates are available in electronic form by calling Fannie Mae at 1-800-752-6440 or 202-752-6000.

## Distributions of Interest

### *Categories of Classes*

For the purpose of payments of interest, the Classes will be categorized as follows:

<u>Interest Type*</u>	<u>Classes</u>
Fixed Rate	A, A1, A2, B, C, D and Z
Accrual	Z
No Payment Residual	R

\* See “Description of the Certificates—Class Definitions and Abbreviations” in the REMIC Prospectus.

*General.* The interest-bearing Certificates will bear interest at the applicable per annum interest rates set forth on the cover. Interest on the interest-bearing Certificates is calculated on the basis of a 360-day year consisting of twelve 30-day months and is distributable monthly on each Distribution Date, commencing (except with respect to the Accrual Class) in the month after the Settlement Date. Interest to be distributed or, in the case of the Accrual Class, added to principal on each interest-bearing Certificate on a Distribution Date will consist of one month’s interest on the outstanding principal balance of such Certificate immediately prior to such Distribution Date.

*Interest Accrual Period.* Interest to be distributed on a Distribution Date will accrue on the interest-bearing Certificates during the one-month period set forth below (an “Interest Accrual Period”).

<u>Classes</u>	<u>Interest Accrual Period</u>
All interest-bearing Classes (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs

See “Additional Risk Factors—Additional Yield and Prepayment Considerations” herein.

*Accrual Class.* The Z Class is an Accrual Class. Interest will accrue on the Accrual Class at the per annum rate set forth on the cover hereof; however, such interest will not be distributed thereon for so long as such Class remains outstanding. Interest so accrued and unpaid on the Accrual Class will be added as principal to the principal balance thereof on each Distribution Date. Distributions of principal of the Accrual Class will be made as described herein.

## Distributions of Principal

### *Categories of Classes*

For the purpose of payments of principal, the Classes will be categorized as follows:

<u>Principal Type*</u>	<u>Classes</u>
Sequential Pay	A, A1, A2, B, C, D and Z
Accretion Directed	C and D
Liquid Asset	C
No Payment Residual	R

\* See “Description of the Certificates—Class Definitions and Abbreviations” in the REMIC Prospectus.

### *Principal Distribution Amount*

Principal will be distributed monthly on the Certificates in an amount (the “Principal Distribution Amount”) equal to (i) the aggregate distributions of principal concurrently made on the MBS (the “Cash Flow Distribution Amount”), and (ii) any interest accrued and added on such Distribution Date to the principal balance of the Accrual Class (the “Accrual Amount” and together with the Cash Flow Distribution Amount, the “Principal Distribution Amount”).

### *Accrual Amount*

On each Distribution Date, the Accrual Amount, if any, will be distributed, sequentially, as principal of the C and D Classes, in that order, until the respective principal balances thereof are reduced to zero, and then to the Z Class. } **Accretion Directed and Accrual Classes**

### *Cash Flow Distribution Amount*

On each Distribution Date, the Cash Flow Distribution Amount will be distributed as principal of the Classes in the following order of priority:

(i) concurrently, to the A, A1 and A2 Classes, in proportion to their original principal balances (or 2.0087380104%, 78.3930095917% and 19.5982523979%, respectively), until the principal balances thereof are reduced to zero; and

(ii) sequentially, to the B, C, D and Z Classes, in that order, until the respective principal balances thereof are reduced to zero. } **Sequential Pay Classes**

## Structuring Assumptions

*Pricing Assumptions.* Unless otherwise specified, the information in the tables in this Prospectus Supplement has been prepared on the basis of the following assumptions (collectively, the “Pricing Assumptions”):

- the Mortgage Loans bear interest at a rate of 7.50% per annum and have an original term to maturity of 360 months, a CAGE of 16 months and a remaining term to maturity of 341 months;
- the Mortgage Loans prepay at the constant percentages of PSA specified in the related table;
- the closing date for the sale of the Certificates is the Settlement Date; and
- the first Distribution Date for the Certificates occurs in the month following the Settlement Date.

*Prepayment Assumptions.* Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used herein is the Public Securities Association’s standard prepayment model (“PSA”). To assume a specified rate of PSA is to assume a specified

rate of prepayment each month of the then outstanding principal balance of a pool of new mortgage loans computed as described under “Description of the Certificates—Prepayment Models” in the REMIC Prospectus. It is highly unlikely that prepayments will occur at any constant PSA rate or at any other constant rate.

### **Weighted Average Lives of the Certificates**

The weighted average life of a Certificate is determined by (a) multiplying the amount of the reduction, if any, of the principal balance of such Certificate from one Distribution Date to the next Distribution Date by the number of years from the Settlement Date to the second such Distribution Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the reductions in principal balance of such Certificate referred to in clause (a). For a description of the factors which may influence the weighted average life of a Certificate, see “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus.

In general, the weighted average lives of the Certificates will be shortened if the level of prepayments of principal of the related Mortgage Loans increases. However, the weighted average lives will depend upon a variety of other factors, including the timing of changes in such rate of principal payments and, the priority sequence of distributions of principal of the related Classes. See “—Distributions of Principal” herein.

The interaction of the foregoing factors may have different effects on various Classes and the effects on any Class may vary at different times during the life of such Class. Accordingly, no assurance can be given as to the weighted average life of any Class. Further, to the extent the prices of the Certificates represent discounts or premiums to their respective original principal balances, variability in the weighted average lives of such Classes of Certificates could result in variability in the related yields to maturity. For an example of how the weighted average lives of the Classes may be affected at various *constant* prepayment rates, see the Decrement Tables below.

### **Decrement Tables**

The following tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each of the dates shown at various *constant* PSA rates and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions, except that with respect to the information set forth for each such Class under 0% PSA it has been assumed that each underlying Mortgage Loan has an original and remaining term to maturity of 360 months, and bears interest at the per annum rate of 9.50%.

It is not likely that (i) all of the underlying Mortgage Loans will have the interest rates, CAGEs or remaining terms to maturity assumed or (ii) the underlying Mortgage Loans will prepay at a *constant* PSA rate. In addition, the diverse remaining terms to maturity of the Mortgage Loans (which may include recently originated Mortgage Loans) could produce slower or faster principal distributions than indicated in the tables at the specified *constant* PSA rates even if the weighted average remaining term to maturity and weighted average CAGE of the Mortgage Loans are identical to the remaining term to maturity and CAGE specified in the Pricing Assumptions.

## Percent of Original Principal Balances Outstanding

Date	A, A1 and A2 Classes					B Class					C Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	155%	300%	500%	0%	100%	155%	300%	500%	0%	100%	155%	300%	500%
Initial	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
December 1997	99	92	88	78	65	100	100	100	100	100	83	83	83	83	83
December 1998	98	82	74	54	29	100	100	100	100	100	64	64	64	64	64
December 1999	97	72	61	34	5	100	100	100	100	100	44	44	44	44	44
December 2000	96	63	49	18	0	100	100	100	100	49	23	23	23	23	23
December 2001	94	55	38	5	0	100	100	100	100	1	0	0	0	0	0
December 2002	93	47	29	0	0	100	100	100	75	0	0	0	0	0	0
December 2003	91	39	20	0	0	100	100	100	40	0	0	0	0	0	0
December 2004	89	32	12	0	0	100	100	100	11	0	0	0	0	0	0
December 2005	87	26	5	0	0	100	100	100	0	0	0	0	0	0	0
December 2006	85	19	0	0	0	100	100	95	0	0	0	0	0	0	0
December 2007	83	13	0	0	0	100	100	72	0	0	0	0	0	0	0
December 2008	80	8	0	0	0	100	100	50	0	0	0	0	0	0	0
December 2009	77	3	0	0	0	100	100	31	0	0	0	0	0	0	0
December 2010	74	0	0	0	0	100	90	14	0	0	0	0	0	0	0
December 2011	71	0	0	0	0	100	71	0	0	0	0	0	0	0	0
December 2012	67	0	0	0	0	100	53	0	0	0	0	0	0	0	0
December 2013	63	0	0	0	0	100	36	0	0	0	0	0	0	0	0
December 2014	58	0	0	0	0	100	19	0	0	0	0	0	0	0	0
December 2015	53	0	0	0	0	100	4	0	0	0	0	0	0	0	0
December 2016	47	0	0	0	0	100	0	0	0	0	0	0	0	0	0
December 2017	41	0	0	0	0	100	0	0	0	0	0	0	0	0	0
December 2018	34	0	0	0	0	100	0	0	0	0	0	0	0	0	0
December 2019	27	0	0	0	0	100	0	0	0	0	0	0	0	0	0
December 2020	19	0	0	0	0	100	0	0	0	0	0	0	0	0	0
December 2021	10	0	0	0	0	100	0	0	0	0	0	0	0	0	0
December 2022	0	0	0	0	0	99	0	0	0	0	0	0	0	0	0
December 2023	0	0	0	0	0	55	0	0	0	0	0	0	0	0	0
December 2024	0	0	0	0	0	6	0	0	0	0	0	0	0	0	0
December 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
December 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	17.9	6.0	4.3	2.4	1.5	27.1	16.3	12.1	6.8	4.0	2.7	2.7	2.7	2.7	2.7

Date	D Class					Z Class				
	PSA Prepayment Assumption					PSA Prepayment Assumption				
	0%	100%	155%	300%	500%	0%	100%	155%	300%	500%
Initial	100	100	100	100	100	100	100	100	100	100
December 1997	100	100	100	100	100	107	107	107	107	107
December 1998	100	100	100	100	100	115	115	115	115	115
December 1999	100	100	100	100	100	123	123	123	123	123
December 2000	100	100	100	100	100	132	132	132	132	132
December 2001	100	100	100	100	100	142	142	142	142	142
December 2002	96	96	96	96	47	152	152	152	152	152
December 2003	91	91	91	91	7	163	163	163	163	163
December 2004	86	86	86	86	0	175	175	175	175	175
December 2005	81	81	81	63	0	187	187	187	187	85
December 2006	75	75	75	29	0	201	201	201	201	58
December 2007	69	69	69	0	0	215	215	215	215	40
December 2008	62	62	62	0	0	231	231	231	171	27
December 2009	55	55	55	0	0	248	248	248	136	18
December 2010	48	48	48	0	0	266	266	266	107	12
December 2011	40	40	37	0	0	285	285	285	84	8
December 2012	31	31	7	0	0	305	305	305	66	6
December 2013	22	22	0	0	0	328	328	278	51	4
December 2014	12	12	0	0	0	351	351	237	40	2
December 2015	1	1	0	0	0	377	377	201	30	2
December 2016	0	0	0	0	0	379	341	169	23	1
December 2017	0	0	0	0	0	379	292	139	17	1
December 2018	0	0	0	0	0	379	246	113	13	*
December 2019	0	0	0	0	0	379	202	90	9	*
December 2020	0	0	0	0	0	379	160	69	6	*
December 2021	0	0	0	0	0	379	121	50	4	*
December 2022	0	0	0	0	0	379	83	33	2	*
December 2023	0	0	0	0	0	379	48	18	1	*
December 2024	0	0	0	0	0	379	14	5	*	*
December 2025	0	0	0	0	0	209	0	0	0	0
December 2026	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	13.2	13.2	12.6	9.2	6.0	29.1	23.5	21.0	15.1	9.9

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

\*\* Determined as specified under "Weighted Average Lives of the Certificates" herein.

## **Characteristics of the R Class**

The R Class will not have a principal balance and will not bear interest. The Holder of the R Class will be entitled to receive the proceeds of the remaining assets of the Trust, if any, after the principal balances of all Classes have been reduced to zero. It is not anticipated that there will be any material assets remaining in such circumstance.

The R Class will be subject to certain transfer restrictions. No transfer of record or beneficial ownership of the R Certificate will be allowed to a “disqualified organization.” In addition, no transfer of record or beneficial ownership of the R Certificate will be allowed to any person that is not a “U.S. Person” without the written consent of Fannie Mae. Under regulations issued by the Treasury Department on December 23, 1992 (the “Regulations”), a transfer of a “noneconomic residual interest” to a U.S. Person will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. The R Class will constitute a noneconomic residual interest under the Regulations. Any transferee of the R Certificate must execute and deliver an affidavit and an Internal Revenue Service Form W-9 on which the transferee provides its taxpayer identification number. See “Description of the Certificates—Additional Characteristics of Residual Certificates” and “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates” in the REMIC Prospectus. Transferors of the R Certificate should consult with their own tax advisors for further information regarding such transfers.

The Holder of the R Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Trust. See “Certain Federal Income Tax Consequences” in the REMIC Prospectus. Pursuant to the Trust Agreement, Fannie Mae will be obligated to provide to such Holder (i) such information as is necessary to enable it to prepare its federal income tax returns and (ii) any reports regarding the R Class that may be required under the Code.

## **CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES**

The following tax discussion, when read in conjunction with the discussion of “Certain Federal Income Tax Consequences” in the REMIC Prospectus, describes the current federal income tax treatment of investors in the Certificates. These two tax discussions do not purport to deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the Certificates.

### **REMIC Election and Special Tax Attributes**

An election will be made to treat the Trust as a REMIC for federal income tax purposes. The Certificates, other than the R Class, will be designated as the “regular interests,” and the R Class will be designated as the “residual interest,” in the REMIC constituted by the Trust.

As a consequence of the qualification of the Trust as a REMIC, the Certificates generally will be treated as “regular or residual interests in a REMIC” for domestic building and loan associations, “real estate assets” for real estate investment trusts, and, except for the R Class, as “qualified mortgages” for other REMICs. The Small Business Job Protection Act of 1996 repeals the bad debt reserve method of accounting for mutual savings banks and domestic building and loan associations for tax years beginning after December 31, 1995. As a result, section 593(d) of the Code is no longer applicable to treat the Certificates as “qualifying real property loans.” See “Certain Federal Income Tax Consequences—Special Tax Attributes” in the REMIC Prospectus.

## **Taxation of Beneficial Owners of Regular Certificates**

The Accrual Class will be, and certain other Classes of Certificates may be, issued with original issue discount for federal income tax purposes, which generally will result in recognition of some taxable income in advance of the receipt of the cash attributable to such income. The Prepayment Assumption that will be used in determining the rate of accrual of original issue discount will be 155% PSA. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*” in the REMIC Prospectus. No representation is made as to whether the Mortgage Loans underlying the MBS will prepay at that rate or any other rate. See “Description of the Certificates—Weighted Average Lives of the Certificates” herein and “Description of the Certificates—Weighted Average Life and Final Distribution Dates” in the REMIC Prospectus. In addition, certain classes of Certificates may be treated as having been issued at a premium for federal income tax purposes. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Certificates Purchased at a Premium*” in the REMIC Prospectus.

## **Taxation of Beneficial Owners of Residual Certificates**

Under the Regulations, the R Class will not have significant value. Special rules regarding the treatment of “excess inclusions” by certain thrift institutions no longer apply because of the amendment of section 593 of the Code by the Small Business Job Protection Act of 1996. See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” in the REMIC Prospectus.

For purposes of determining the portion of the taxable income of the Trust that generally will not be treated as excess inclusions, the rate to be used is 7.91% (which is 120% of the “federal long-term rate”). See “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*” and “—Foreign Investors—*Residual Certificates*” in the REMIC Prospectus. The federal income tax consequences of any consideration paid to a transferee on the transfer of an R Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

## **PLAN OF DISTRIBUTION**

*General.* The Dealer will receive the Certificates in exchange for the MBS pursuant to a Fannie Mae commitment. The Dealer proposes to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect such transactions to or through dealers.

*Increase in Certificates.* Before the Settlement Date, Fannie Mae and the Dealer may agree to offer hereby Certificates in addition to those contemplated as of the date hereof. In such event, the MBS will be increased in principal balance, but it is expected that all additional MBS will have the same characteristics as described herein under “Description of the Certificates—The MBS.”

## **LEGAL MATTERS**

Certain legal matters will be passed upon for the Dealer by Brown & Wood LLP. Brown & Wood LLP also performs legal services for Fannie Mae.

No dealer, salesman or other person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this Prospectus Supplement and the additional Disclosure Documents and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus Supplement and the aforementioned documents do not constitute an offer to sell or a solicitation of an offer to buy any of the Certificates offered hereby in any state to any person to whom it is unlawful to make such offer or solicitation in such state. The delivery of this Prospectus Supplement and the aforementioned documents at any time does not imply that the information contained herein or therein is correct as of any time subsequent to the date hereof or thereof.

**\$150,000,000**



**FannieMae**

**Guaranteed REMIC  
Pass-Through Certificates**

**Fannie Mae REMIC Trust 1996-65**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Prospectus Supplement</b>	
Table of Contents .....	S- 3
Reference Sheet .....	S- 4
Additional Risk Factors .....	S- 5
Description of the Certificates .....	S- 5
Certain Additional Federal Income Tax Consequences .....	S-12
Plan of Distribution .....	S-13
Legal Matters .....	S-13
<b>REMIC Prospectus</b>	
Prospectus Supplement .....	2
Summary of Prospectus .....	3
Risk Factors .....	8
Description of the Certificates .....	10
The Trust Agreement .....	23
Certain Federal Income Tax Consequences .....	25
Legal Investment Considerations .....	37
Legal Opinion .....	37
ERISA Considerations .....	37
Glossary .....	39

**PROSPECTUS SUPPLEMENT**

**MORGAN STANLEY & CO.**  
*Incorporated*

*November 25, 1996*