

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045

AREA CODE 212-720-5000

July 29, 1991
Clearing Memo #168

Memorandum to Institutions Maintaining
Direct Wire Links with the Federal Reserve
Bank of New York for Securities Transfer

RE: Expansion of Book-Entry Services for Federal National
Mortgage Association

The Federal National Mortgage Association ("Fannie Mae") has announced that it will offer a new kind of stripped mortgage-backed security in book-entry form in the near future. In this connection, the Federal Reserve Banks have been named Fiscal Agent for these securities.

These stripped securities will be handled by the Federal Reserve Bank New York's (FRBNY) securities transfer system and will be identified within the security description field and not through the assignment of a new alpha mnemonic. In that regard, Fannie Mae will continue to use the alpha mnemonic "FNST" for its stripped mortgage-backed securities product. Transfers of these obligations will be governed by the same procedures and prices applicable to transfers of other non-Treasury book-entry securities and will be transferable nationwide upon issuance.

A. CUSIP Numbers/Securities Description

These offerings will consist of two or more classes, each of which represents principal and/or interest payments packaged together in varying amounts. For example, a stripped security of \$200,000,000 could be offered with one class receiving 100% of the principal payments and no interest payments on the underlying mortgage-backed securities, a second class receiving no principal payments and 100% of the interest payments on the underlying mortgage-backed securities for a certain period of time, and a third class receiving no principal payments and no interest payments until a specified time. The prospectus for each offering will indicate the principal and interest amounts to be distributed to each class. Each class will be assigned a unique nine character CUSIP number.

The security description field (on line 8 of the securities transfer message) for this type of security will be as follows:

Stripped Principal Only securities will include the alpha mnemonic (FNST), trust number (TRNNN), security type and class number (PON) and collateral prefix. An example of this is "FNST TR900 P03 CI".

Stripped Interest Only securities will include the alpha mnemonic (FNST), trust number (TRNNN), security type and class number (ION), and collateral prefix. An example of this is "FNST TR506 IO3 CL".

Combination Stripped Principal and Interest securities, where each class receives some portion of both principal and interest, will include the alpha mnemonic (FNST), trust number (TRNNN), security type and class number (IPN), and collateral prefix. An example of this is "FNST TR304 IP3 CL".

B. Denominations

The minimum and multiple denominations will be \$1,000 and \$1.00 respectively.

C. Original Issue

On the original issue settlement date, Fannie Mae will transmit the securities through the securities transfer system to depository institutions (DIs). The original issue will be effected by sending a type code 25 message (Reversal code 2502) which will transfer the securities against payment to the purchaser's account from Fannie Mae's issuer account.

D. Secondary Market Transactions

These transfers will be effected using the standard type code 20 message, and will be governed by the same procedures and prices applicable to transfers of other non-Treasury book-entry securities.

E. Recombination of Stripped Mortgage-Backed Securities

Effective on the original issue date and thereafter, the stripped securities may be recombined. The prospectus for each offering will indicate the requirements for recombining the securities. To initiate a recombination, the DI must send type code 20 messages (free of payment) to FMAE DC MBS/FNCTRL (ABA 021039539) for each of the classes of securities to be

recombined. These messages must comply with requirements established by Fannie Mae for that series. The closing time for recombination requests will be 2:30 p.m. Fannie Mae will return, via type code 20, the recombined security from FMAE DC MBS/FNCTRL on the next business day. Recombination requests will not be accepted on the last business day of the month. Any such requests will be reversed by Fannie Mae on the same day. Each FNST wire sent to Fannie Mae requesting a recombined security must be sent from the same DI and third party name. Fannie Mae will return the recombined security to the exact telegraphic due from description that appeared on the FNST wires sent to Fannie Mae. Therefore, DIs may wish to include additional text on line four, after the third party name, in order to control the matching of the returned recombined security.

F. Principal and Interest Payments

The monthly principal and interest payments will be automated. On the payment date, the FRBNY will wire the proceeds, via type code 8906, to book-entry account holders. The procedures for processing these payments will be similar to those currently in place for effecting payments for other book-entry mortgage-backed securities. These payments will be identified as FNST on the type code 8906 wire and credit advices (hard copy and magnetic tape).

Questions regarding this announcement should be directed to Patricia Hilt-Lupack, Manager, Securities Transfer Department on (212) 720-5379.

Sincerely,



Carol W. Barrett
Vice President
Funds and Securities Group