The Certificates

We, the Federal National Mortgage Association or Fannie Mae, will issue and guarantee the mortgage pass-through certificates. Each issue of certificates will have its own identification number and will represent the ownership of a pool of one or more multifamily residential mortgage loans secured by multifamily properties that contain at least five residential units or by a pool of participation interests in loans of that type.

Fannie Mae Guaranty

We guarantee that the holders of the certificates will receive timely payments of interest and principal. In addition, we guarantee the full and final payment of the unpaid principal balance of the certificates by the distribution date in the month of the maturity date of the certificates. We alone are responsible for making payments under our guaranty. The certificates and payments of principal and interest on the 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 12. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.

The 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 Prospectus is November 1, 2004.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information about this Prospectus and Prospectus Supplements</td>
<td>4</td>
</tr>
<tr>
<td>Incorporation by Reference</td>
<td>4</td>
</tr>
<tr>
<td>Summary</td>
<td>6</td>
</tr>
<tr>
<td>Risk Factors</td>
<td>12</td>
</tr>
<tr>
<td>Fannie Mae</td>
<td>28</td>
</tr>
<tr>
<td>Use of Proceeds</td>
<td>28</td>
</tr>
<tr>
<td>Description of the Certificates</td>
<td>28</td>
</tr>
<tr>
<td>Certificates for Mortgage-Backed Securities (MBS)</td>
<td>29</td>
</tr>
<tr>
<td>Certificates for Discount Mortgage-Backed Securities (DMBS)</td>
<td>29</td>
</tr>
<tr>
<td>Issuance in Book-Entry Form</td>
<td>29</td>
</tr>
<tr>
<td>Distributions on Certificates</td>
<td>30</td>
</tr>
<tr>
<td>Reports to Certificateholders</td>
<td>32</td>
</tr>
<tr>
<td>Fannie Mae Guaranty</td>
<td>32</td>
</tr>
<tr>
<td>Collection and Other Servicing Procedures</td>
<td>33</td>
</tr>
<tr>
<td>Certain Matters Regarding Our Duties as Trustee</td>
<td>33</td>
</tr>
<tr>
<td>Events of Default</td>
<td>34</td>
</tr>
<tr>
<td>Amendment</td>
<td>34</td>
</tr>
<tr>
<td>Termination</td>
<td>34</td>
</tr>
<tr>
<td>Yield, Maturity and Prepayment Considerations</td>
<td>35</td>
</tr>
<tr>
<td>Effective Yield on Certificates</td>
<td>35</td>
</tr>
<tr>
<td>Yield of Adjustable-Rate Certificates</td>
<td>35</td>
</tr>
<tr>
<td>Maturity Considerations</td>
<td>37</td>
</tr>
<tr>
<td>Prepayment Considerations</td>
<td>38</td>
</tr>
<tr>
<td>Defeasance</td>
<td>39</td>
</tr>
<tr>
<td>Multifamily Mortgage Loan Pools</td>
<td>39</td>
</tr>
<tr>
<td>Pool Prefixes</td>
<td>39</td>
</tr>
<tr>
<td>Mortgage Loan Pool Statistics</td>
<td>40</td>
</tr>
<tr>
<td>Monthly Pool Factor and Other Updated Information</td>
<td>41</td>
</tr>
<tr>
<td>Types of Multifamily Mortgage Loan Pools</td>
<td>41</td>
</tr>
<tr>
<td>Multifamily Mortgage Loans</td>
<td>42</td>
</tr>
<tr>
<td>Types of Loans</td>
<td>43</td>
</tr>
<tr>
<td>Fixed-Rate Loans</td>
<td>43</td>
</tr>
<tr>
<td>Adjustable-Rate Loans (ARM Loans)</td>
<td>44</td>
</tr>
<tr>
<td>Non-Interest Bearing Loans</td>
<td>49</td>
</tr>
<tr>
<td>General Characteristics of Multifamily Loans</td>
<td>49</td>
</tr>
<tr>
<td>Special Feature Mortgage Loans</td>
<td>55</td>
</tr>
<tr>
<td>DUS Loans</td>
<td>59</td>
</tr>
<tr>
<td>Negotiated Transactions</td>
<td>70</td>
</tr>
<tr>
<td>Fannie Mae Purchase Program</td>
<td>71</td>
</tr>
<tr>
<td>Multifamily Guides</td>
<td>71</td>
</tr>
<tr>
<td>Multifamily Mortgage Loan Eligibility Standards</td>
<td>71</td>
</tr>
<tr>
<td>Seller and Servicer Eligibility</td>
<td>72</td>
</tr>
<tr>
<td>Servicing Arrangements</td>
<td>73</td>
</tr>
<tr>
<td>Servicing Compensation and Payment of Certain Expenses</td>
<td>73</td>
</tr>
<tr>
<td>Seller Representations and Warranties</td>
<td>73</td>
</tr>
<tr>
<td>Certain Federal Income Tax Consequences</td>
<td>74</td>
</tr>
<tr>
<td>Internal Revenue Guidance Regarding the Certificates</td>
<td>74</td>
</tr>
<tr>
<td>Application of Revenue Ruling 84-10</td>
<td>75</td>
</tr>
<tr>
<td>Sales and Other Dispositions of Certificates</td>
<td>77</td>
</tr>
<tr>
<td>Special Tax Attributes</td>
<td>78</td>
</tr>
<tr>
<td>Multifamily Mortgage Loan Servicing</td>
<td>79</td>
</tr>
<tr>
<td>Information Reporting and Backup Withholding</td>
<td>79</td>
</tr>
<tr>
<td>Foreign Investors</td>
<td>80</td>
</tr>
<tr>
<td>ERISA Considerations</td>
<td>81</td>
</tr>
<tr>
<td>Legal Opinion</td>
<td>81</td>
</tr>
<tr>
<td>Exhibits</td>
<td></td>
</tr>
<tr>
<td>Exhibit A—Frequently Used Multifamily MBS Pool Prefixes</td>
<td>A-1</td>
</tr>
<tr>
<td>Exhibit B(1)—Sample Pool Statistics for Fixed-Rate Loans</td>
<td>B(1)-1</td>
</tr>
<tr>
<td>Exhibit B(2)—Sample Pool Statistics for ARM Loans</td>
<td>B(2)-1</td>
</tr>
<tr>
<td>Exhibit B(3)—Pool Statistics Methodology</td>
<td>B(3)-1</td>
</tr>
<tr>
<td>Exhibit C(1)—Sample Schedule of Loan Information for Fixed-Rate Loans</td>
<td>C(1)-1</td>
</tr>
<tr>
<td>Exhibit C(2)—Sample Schedule of Loan Information for ARM Loans</td>
<td>C(2)-1</td>
</tr>
</tbody>
</table>
INFORMATION ABOUT THIS PROSPECTUS AND PROSPECTUS SUPPLEMENTS

We will provide information that supplements this prospectus in connection with each issue of certificates. This prospectus and the prospectus supplement for each issuance of certificates will be available in paper form and on our corporate Web site listed 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 certificates are this prospectus and the related prospectus supplement (which includes a prospectus supplement narrative, a schedule of loan information and the final pool statistics), together with any information incorporated in these documents by reference as discussed below under the heading “Incorporation by Reference.” We also provide updated information and corrections regarding mortgage loans and mortgage loan pools on our corporate Web site. In determining whether to purchase any issue of certificates in any initial offering, you should rely ONLY on the information in this prospectus, the related prospectus supplement 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.

Each prospectus supplement will include information about the pooled multifamily mortgage loan or loans backing that particular issue of certificates and about the certificates themselves. Unless otherwise stated in this prospectus or a related prospectus supplement, information about the multifamily mortgage loans will be the most current information available to us as of the date on which the certificates are being issued. Because the prospectus supplement will contain specific information about a particular issue of 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.

Certificateholders should note that the certificates are not traded on any exchange and that the market price of a particular issuance of 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, MS 2H-3S/17, Washington, DC 20016 or by calling the Fannie Mae Helpline at (800) 237-8627. Generally, the prospectus supplement is available two business days before delivery of the related issue of 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.

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, 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 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 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. 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 1-800-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 appearing on the SEC’s Web site is not incorporated in this prospectus except as specifically stated in this prospectus.
SUMMARY

This summary highlights information contained elsewhere in this prospectus. As a summary, it speaks in general terms without giving details or discussing any exceptions. Before buying any issue of 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 as well as any applicable prospectus supplement for that issue.

<table>
<thead>
<tr>
<th>Title of Security</th>
<th>Guaranteed Mortgage Pass-Through Certificates (Multifamily Residential Mortgage Loans).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer and Guarantor</td>
<td>Fannie Mae, a federally chartered and stockholder-owned corporation.</td>
</tr>
<tr>
<td></td>
<td>Neither the certificates nor payments of principal and interest on the certificates are guaranteed by the United States, and the 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 our guaranty.</td>
</tr>
<tr>
<td>Description of Certificates</td>
<td>Each certificate will represent an ownership interest in a pool of one or more multifamily mortgage loans or a pool of participation interests in multifamily mortgage loans. We will issue the certificates in book-entry form on the book-entry system of the U.S. Federal Reserve Banks, unless we specify a different system in the related prospectus supplement. The book-entry certificates will not be convertible into physical certificates.</td>
</tr>
<tr>
<td>Minimum Denomination</td>
<td>We will issue the certificates in minimum denominations of $1,000 with additional increments of $1.</td>
</tr>
<tr>
<td>Issue Date</td>
<td>The issue date of the certificates is the first day of the month in which the certificates are issued.</td>
</tr>
<tr>
<td>Settlement Date</td>
<td>The settlement date for the certificates will occur no later than the last business day of the month in which the issue date occurs.</td>
</tr>
<tr>
<td>Distribution Date</td>
<td>The distribution date for the certificates is the 25th day of each month for certificateholders that do not hold discount mortgage-backed securities (unless a different date is specified in the prospectus supplement). 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 certificates that are not discount mortgage-backed securities will occur in the month following the month in which the certificates are issued. For example, if an issue date is March 1st, the first distribution date will be April 25th or, if April 25th is not a business day, the first business day after April 25th (unless a different date is specified in the prospectus supplement).</td>
</tr>
<tr>
<td>Maturity Date</td>
<td>The maturity date of the certificates is the date specified in the prospectus supplement for each issue of certificates.</td>
</tr>
</tbody>
</table>
Discount Mortgage-Backed Securities (DMBS)

Some series of certificates are issued as discount mortgage-backed securities (DMBS), which are short-term mortgage-backed securities that do not bear interest and that have terms of one year or less. Investors purchase DMBS at a discount. On the maturity date, the holder of the DMBS receives the original stated principal amount of the DMBS.

If any voluntary or involuntary prepayments on the multifamily mortgage loans underlying a series of DMBS are received during the term of the DMBS, those prepayments are not passed through to DMBS certificateholders until the maturity date.

We guarantee the full and final payment to DMBS certificateholders of the full original stated principal amount of the certificates on the maturity date of the DMBS.

The related prospectus supplement will set forth the term and other specific characteristics of an issue of DMBS certificates.

Unless otherwise noted, references in this prospectus to distributions to certificateholders do not apply to distributions to DMBS certificateholders. In addition, unless otherwise noted, the disclosures in this prospectus, including risk factors that relate to prepayments and defeasance, do not apply to DMBS.

Interest

We will pay interest on the certificates each month on the distribution date.

Interest on the certificates may be calculated using a variety of methods. The related prospectus supplement will specify the method being used for a specific series of certificates.

If a pool contains multifamily fixed-rate mortgage loans, we will pay to certificateholders interest at the fixed pass-through rate stated in the related prospectus supplement.

If a pool contains adjustable-rate multifamily mortgage loans (other than those multifamily mortgage loans permitting negative amortization), we will pay to certificateholders interest at the variable pool accrual rate. The initial pool accrual rate is specified in the related prospectus supplement.

If a pool contains adjustable-rate multifamily mortgage loans permitting negative amortization, we will pay to certificateholders interest at the variable pool accrual rate minus the aggregate amount of any deferred interest that is added to the principal balance of the mortgage loans. The related prospectus supplement will state when a pool contains adjustable-rate multifamily mortgage loans permitting negative amortization.

If a pool contains loans backing DMBS, those loans do not bear interest. The borrower instead receives a discounted amount of loan proceeds.
We receive collections on the multifamily mortgage loans on a monthly basis. The period we use to differentiate between collections in one month and collections in another month is called the due period. The due period is the period from and including the second day of the preceding month to and including the first day of the month in which the distribution date occurs.

On each distribution date, we will pass through to certificateholders:

- the aggregate amount of the borrowers’ scheduled principal payments for the related due period;
- the stated principal balance of multifamily mortgage loans that were prepaid in full during the calendar month preceding the month in which the distribution date occurs;
- the stated principal balance of multifamily mortgage loans that were purchased out of the pool for any reason during the calendar month preceding the month in which the distribution date occurs; and
- the amount of any partial prepayments on multifamily mortgage loans received during the calendar month preceding the month in which the distribution date occurs.

The stated principal balance of a multifamily mortgage loan is the principal balance of the loan as of the issue date of the certificates, reduced by all payments of principal paid to certificateholders after the issue date with respect to the loan (and, in the case of a negatively amortizing loan, increased by accrued interest, if any, that has been added to principal).

Prepayments in full received on the first day of a month may be treated as if received on the last day of the preceding month. If they are so treated, they will be passed through on the distribution date in the month of actual receipt. For example, if a prepayment is received on February 1st, it may be treated as if it had been received on January 31st. If it is so treated, the prepayment will be passed through on February 25th (or the next business day, if February 25th is not a business day).

Some multifamily mortgage loans allow prepayment at any time. Other loans prohibit prepayment during an initial period but allow prepayment later in the term. When prepayment is permitted, the borrower may be assessed a prepayment premium. Prepayment premiums may take a variety of forms. Some prepayment premiums may be designed as yield maintenance, others may equal a percentage of the unpaid principal balance of the multifamily mortgage loan being prepaid, and still others may take different forms. The prospectus supplement will specify when prepayments would be permitted on the multifamily mortgage loans in the pool, whether any prepayment premiums would be assessed and whether any of the prepayment premiums, if collected, would be shared with
We do not guarantee the payment to you of any prepayment premiums.

Defeasance

Some multifamily mortgage loans prohibit voluntary prepayments of principal during all or a substantial portion of their term. These loans instead permit borrowers to defease the loans. When a borrower chooses to defease a loan, the borrower will deliver to us substitute collateral acceptable to us and structured to make principal and interest payments identical to those being made on the mortgage loan being defeased. After delivery of the acceptable substitute collateral, we will release the mortgaged property from the lien of the mortgage. Although defeased, the loan remains in the pool. The acceptable substitute collateral then funds the scheduled principal and interest payments on the loan for the remainder of the loan term. If there is a release of the mortgaged property, the related loan will no longer qualify as a “loan secured by an interest in real property.”

Monthly Pool Factors

On or about the fourth business day of each month, we will publish the monthly pool factor for each issue of certificates. If you multiply the monthly pool factor by the original principal balance of the certificates, you will obtain the current principal balance of the certificates, after giving effect to the monthly principal payment to be passed through to certificateholders on the distribution date in that month. You may find the most current pool factor on our Web site.

Guaranty

On each distribution date, we guarantee payment to certificateholders of:

- the aggregate amount of the borrowers’ scheduled principal payments for the related due period, whether or not received; and

- an amount equal to one month’s interest on the certificates.

  - If a pool is a fixed-rate pool, we guarantee payment of interest at the stated pass-through rate specified in the prospectus supplement.

  - If a pool is an adjustable-rate pool without any mortgage loans that permit negative amortization, we guarantee payment of interest at the variable pool accrual rate.

  - If a pool is an adjustable-rate pool with mortgage loans that permit negative amortization, we guarantee payment of interest at the variable pool accrual rate minus the aggregate amount of any deferred interest that is added to the principal balance of those loans.

In addition, we guarantee the full and final payment of the unpaid principal balance of the certificates by the distribution date in the month of the maturity date of the certificates.

Servicing

We are responsible for servicing the multifamily mortgage loans in each pool. We typically contract with mortgage lenders to perform many servicing functions for us. We or a lender
may hold an equity interest in a property on which we also hold the multifamily mortgage loan. In these circumstances, we may be required to contract with a party not affiliated with Fannie Mae or the transaction to perform certain servicing functions.

**Trustee**
We issue the certificates in each pool under a trust indenture. Fannie Mae serves as the trustee for each issuance of certificates pursuant to the terms of the trust indenture.

**Multifamily Mortgage Pools**
We establish eligibility criteria and policies for the mortgage loans we purchase, the sellers from which we purchase the loans and the servicers who service our loans. Each mortgage pool will contain one or more multifamily mortgage loans (or participation interests in multifamily mortgage loans) of the type described in the related prospectus supplement.

**Types of Real Property Securing Multifamily Mortgage Loans**
Except to the extent that it has been defeased, a multifamily mortgage loan will be secured by a first or a subordinate lien on residential property containing five or more dwelling units. The real property may be one or more of the following types:

- Multifamily apartment buildings
- Multifamily affordable housing
- Seniors housing (projects offering independent living, assisted living, or both independent living and assisted living, as well as Alzheimer’s care)
- Cooperative housing projects
- Manufactured housing communities
- Student housing
- Rural multifamily housing
- Military housing

**Types of Multifamily Mortgage Loans**
Multifamily mortgage loans will have the following characteristics:

- A loan may be either a conventional or a government insured/guaranteed loan.
- A loan may have a fixed or an adjustable rate of interest or may not bear interest.
- A loan may be secured by a first mortgage lien or a subordinate mortgage lien.
- A loan may provide for payments of principal and interest or payments of interest only during all or part of its term.
- A loan may fully amortize over its term or may partially amortize over its term with a balloon payment at maturity.
- A loan may permit negative amortization and accretion of interest.
The related prospectus supplement will specify the type and characteristics of the multifamily mortgage loans in a particular pool.

### Termination

The trust will terminate when the last multifamily mortgage loan in the related pool has been paid off or liquidated (and the proceeds resulting have been distributed to certificateholders).

### No Optional Termination

We have no clean-up call option. That is, we have no right to terminate the trust early when the unpaid principal balance of a pool reaches a certain amount or reaches a certain percentage of the original issue date unpaid principal balance of a pool.

### Federal Tax Consequences

Each mortgage pool will be classified as a grantor trust. Each beneficial owner of a certificate will be treated as the owner of a pro rata undivided interest in each of the mortgage loans included in that pool. Accordingly, each 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.

### ERISA Considerations

Before investing in any certificates, a fiduciary of an employee benefit plan subject to ERISA or a plan subject to Section 4975 of the 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 Code.
RISK FACTORS

We have listed below some of the risks associated with an investment in the certificates. We may identify additional risks associated with a specific offering of 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 certificates are suitable investments for you.

INVESTMENT FACTORS:

The certificates may not be a suitable investment for you. The 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 certificates and the information contained in this prospectus, the applicable prospectus supplement and the documents incorporated by reference;
- understand thoroughly the terms of the certificates;
- be able to 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 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 certificates until maturity.

PREPAYMENT FACTORS:

General

Multifamily mortgage loans in the pool could be repaid at a different speed than you expected, affecting the timing of repayment of principal on your certificates. As a result, the return on your investment in the certificates could be less than you predicted when you purchased the certificates. Some of the specific reasons that loans could be repaid at varying speeds are described in separate paragraphs below. Regardless of the reason, if the loans are repaid more quickly than you expected, the principal on your 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 those proceeds at a yield that is equal to or greater than the yield on your certificates. If the loans are repaid more slowly than you expected, the principal on your certificates will be repaid to you later than you predicted. Your ability to reinvest these funds, therefore, would be delayed. If the yield on your certificates is lower than the yield available on comparable investments at the date when you expected your 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 certificates for a longer than expected period.
Variations in the rate of prepayment over time may significantly affect your yield even if the multifamily mortgage loans are prepaid at a rate that on average is consistent with your expectations. Generally, 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. Because many multifamily pools consist of only one or two loans, a difference in prepayment rates between what you expected and what actually occurs may not only have a significant effect on your yield but also lead to a full prepayment of your certificate at a date much earlier or much later than you expected. Some of the specific reasons that multifamily mortgage loans could be repaid at a rate different from your expectation are described in separate paragraphs below.

The number and characteristics of loans will differ from pool to pool, causing prepayment speeds to differ for different issues of certificates. A multifamily mortgage loan pool may include a single loan, a mix of loans with differing characteristics or a group of loans originated at different times by different lenders. Differences among the loan characteristics or differences among the eligibility and underwriting standards that were applied in the loan purchases may affect the likelihood that a borrower will prepay a loan under various prevailing economic circumstances or the likelihood that a borrower will become delinquent. Moreover, we change our loan eligibility requirements and underwriting standards from time to time. Thus, the differences among pools may affect whether prepayment of a particular issue of certificates will follow historical prepayment averages or prepayment averages of otherwise similar certificates issued concurrently. This is especially true for pools including only one loan or a small number of loans.

Refinance Environment

Prevailing interest rates could decline, causing borrowers to prepay their multifamily mortgage loans and refinance at lower rates, accelerating the rate at which you receive your return of principal on the certificates. If prevailing interest rates decline and borrowers are able to obtain new loans at lower rates, they are more likely to refinance their mortgage loans. As a result, you could receive payments of principal on the certificates more quickly than you expected. This may occur at a time when reinvestment rates are lower. While most multifamily mortgage loans require borrowers to pay yield maintenance or other prepayment premiums that discourage borrowers from prepaying, some loans may not require the payment of prepayment premiums and may be more likely to be refinanced during a time of declining interest rates.

Prevailing interest rates could rise, causing borrowers not to prepay their multifamily mortgage loans, slowing the rate at which you receive your return of principal on the certificates. If prevailing interest rates rise and borrowers are less able to obtain new mortgage loans at lower rates, they may be less likely to refinance their existing loans. If borrowers do not refinance their loans, the loans in your pool may, on average, prepay more slowly than you expected. As a result, you could receive payments of principal on the certificates more slowly than you expected, and the certificates could remain outstanding longer than you expected.
The mortgage origination industry could change its procedures and prices for refinancing multifamily mortgage loans, accelerating the rate at which you receive your return of principal on the certificates.

Mortgage originators continually review and change their procedures to streamline the process of refinancing loans. Their changes may include reducing the documentation required to refinance loans and easing their underwriting standards. If mortgage loan originators are successful in streamlining procedures and reducing costs for refinancing, borrowers may be encouraged to refinance their loans. An increase in the refinancing of multifamily mortgage loans in your pool will accelerate the rate at which you receive payments of principal on your certificates. Because many multifamily pools consist of only one or two loans, a refinancing of those loans could result in a full prepayment of your certificate at a date much earlier than you expected.

**Diversity and Location**

The pool may afford little or no diversification of investment.

Although an investment in multifamily mortgage loan pools may benefit an investor by providing diversification, the benefit may be realized only if and to the extent that the pool contains many loans that differ from one another as to credit risk and other risk parameters. Many of our multifamily mortgage pools include only one or a few loans and, therefore, do not afford the benefit of diversification. Investors should review carefully the related prospectus supplement, which provides the number of multifamily loans included in that pool, the geographic locations of the mortgaged properties securing the loans and other general characteristics of the loans.

The location of real property securing multifamily mortgage loans in a pool will differ from pool to pool, causing prepayment speeds to differ for different issues of certificates.

We purchase multifamily mortgage loans throughout the United States and its territories. A pool may include loans secured by property in one or several states and may be relatively concentrated or diverse in location. Regional economic differences among locations may affect the likelihood that a borrower will prepay a loan or that a borrower will become delinquent. Thus, the differences among geographic concentrations in pools may affect whether prepayment of a particular issue of certificates will follow historical prepayment averages or prepayment averages of otherwise similar certificates issued concurrently.

**Property/Credit/Borrowers**

The operation of multifamily real estate can be significantly affected by supply and demand in the market, by adverse economic conditions and by other unfavorable factors, which may cause cash flow from the multifamily projects to be reduced.

Included in the factors that may adversely affect the value and operation of a multifamily property and the borrower’s ability to make the required loan payments are the following:

- changes in national, regional or local economic and employment conditions that may cause reductions in occupancy levels, limits on or reductions in rents, or increases in the number of rent payments received late;
• the existence or construction of competing or alternative residential properties, including other apartment buildings and complexes, manufactured housing communities and single-family housing;
• government actions that limit access to the property or result in seizure of the property;
• governmental regulations designed to protect tenants in connection with rent increases and evictions;
• the ability of the borrower or property manager to operate and maintain the multifamily property in a successful manner;
• significant increases in the size of required loan payments;
• significant increases in taxes and insurance premiums for the multifamily property;
• uninsured natural disasters or criminal acts of destruction or violence; and
• borrower bankruptcy or other insolvency.

Because units in a multifamily rental property typically are leased to individuals for terms of one year or less, a multifamily property may be affected quickly by a downturn in the local economy or by layoffs or reductions in force by, or the closing of, a major employer in the area.

Reduced cash flow from a multifamily residential property may cause a default on the related multifamily mortgage loan, resulting in prepayment of all or a portion of the principal on the certificates and adversely affecting your yield.

Repayment of loans secured by income-producing multifamily properties is typically dependent upon the successful operation of the related real estate projects. If the cash flow from a multifamily project is reduced (for example, if the occupancy rate decreases), the borrower’s ability to repay a loan may be impaired, causing the loan to become delinquent.

If a multifamily mortgage loan is delinquent with respect to four or more consecutive monthly payments (or if sooner foreclosed upon or the related property conveyed in lieu of foreclosure), we generally have the option to purchase the delinquent loan out of the pool. If we exercise this option, we will pass through to you the stated principal balance of the repurchased loan on the distribution date in the month after the month in which the loan is repurchased. This repurchase of a delinquent loan will have the same effect on the timing of certificate principal repayment as a borrower prepayment.
Because we guarantee the payment of principal on the certificates, a default by a borrower does not reduce the amount of principal that will be paid to certificateholders. Defaults, however, will result in a faster return of principal on your certificates than you may have expected. Moreover, we are usually unable to collect a prepayment premium when we purchase a delinquent loan from a pool. Even if we collect a prepayment premium in connection with a defaulted loan, you would not be entitled to receive a share of the prepayment premium. **We do not guarantee to you the payment of any prepayment premiums.**

Any prepayment as a result of a default may significantly and adversely affect your yield. If the certificates are backed by only one multifamily mortgage loan, the pool would be terminated at the time of the prepayment to you.

Significant factors affecting loans secured by properties with one or more special features are described below. If a loan defaults and is purchased out of the pool or foreclosed, you will receive no prepayment premium. **We do not guarantee to you the payment of any prepayment premiums.**

**Multifamily Affordable Housing Loans:** Multifamily affordable housing loans are loans secured by mortgaged properties that are generally encumbered by restrictive covenants, regulatory agreements or ground leases that impose tenant income, occupancy and/or rent restrictions. These loans include but are not limited to those that receive the Low-Income Housing Tax Credit under section 42 of the Internal Revenue Code of 1986, as amended from time to time, and the U.S. Treasury regulations promulgated under that code. A breach of these restrictions may constitute an event of default under the mortgage or may result in the termination of any payments being received from the governmental entity that imposed the restrictions.

Some multifamily affordable housing properties may benefit from long-term federal rental assistance or other federal, state or local subsidies that may be terminated or abated if the requirements of the subsidies are not met.

Certain subsidies supporting some multifamily affordable housing properties may require annual appropriations or awards or may require periodic renewal or reauthorization by the governmental entity providing the subsidy. If the governmental entity chooses not to renew the subsidy, the borrower may be unable to replace that lost subsidy. If a subsidy cannot be replaced through obtaining a new subsidy, increasing rents to current tenants or leasing properties to market-rate tenants, a property may face the risk of default under the mortgage.

If the multifamily mortgage loans in a pool are secured by properties with special features, the successful operation of the properties may depend upon additional factors.
Increases in the amount of rental assistance or other subsidies provided to multifamily affordable housing properties may be limited to amounts that are insufficient to cover rapidly rising operating costs, especially where those costs are unexpected (for example, where the cost of electricity or heating oil rises dramatically within a short period of time). This may result in a default arising from the borrower’s inability to make the required payments of principal and interest.

Some multifamily affordable housing properties may have additional subordinate debt, which may be owed to a multifamily lender or to a governmental entity. Subordinate debt owed to a governmental entity may be for the benefit of the property but may be conditioned on the property continuing to comply with specified use and occupancy restrictions. Failure to make all payments due on the subordinate debt or failure to comply with any use and occupancy restrictions may result in a default in the subordinate debt and a consequent default on the mortgage in your pool.

**Seniors Housing Loans:** Seniors housing loans are secured by seniors housing that includes independent living and/or assisted living units. For these loans, a borrower’s ability to find and retain tenants at satisfactory rental levels depends not only on the typical factors affecting multifamily properties in a specific market but also on the quality of the special services rendered to the elderly residents of the related mortgaged property.

Governmental regulations may apply to seniors housing, including licensing requirements for operators of the facilities. Licensing is sometimes required where the mix of units in a seniors housing facility includes units designated for assisted living facilities. Failure to comply with the regulations and licensing requirements could cause operations at a facility to be curtailed or stopped entirely, which would have a substantial adverse effect upon the rental income received from the facility and the ability of the borrower to make its monthly payments on the seniors housing loan. A failure to comply could also result in the termination of the manager/operator of the facility and the engagement of a qualified operator upon short notice, which could have a substantial adverse effect upon the operations of the facility.

Many assisted living facilities require leases of only a few months. The short rental terms, significant turnover of tenants and the related expenses incurred in re-renting the units may have a significant adverse effect on the profitability of the seniors facility. If the facility is not profitable, the borrower may be unable to make the required payments of principal and interest on the multifamily mortgage loan, resulting in a default under the loan.
**Blanket Cooperative Loans:** A cooperative housing project is owned by a housing cooperative corporation, which is owned, in turn, by its tenant-shareholders. The housing cooperative corporation may finance the cooperative housing project by becoming the borrower on a multifamily blanket mortgage loan secured by the project.

The tenant-shareholders of the cooperative housing project/housing cooperative corporation are required to pay to the corporation their proportionate share of the payments on the mortgage loan and of the expenses of the cooperative housing project. The housing cooperative corporation may also own some units in the project that are rented to residential tenants. The ability of the cooperative housing corporation borrower to make the required monthly payments on the blanket loan is highly dependent upon the timely receipt of the required mortgage and expense payments from the tenant-shareholders and rents from its tenants. In addition, if the rents received on units owned by the borrower are insufficient to cover its share of the debt service and other expenses, the borrower’s cash flow may be adversely affected.

Unanticipated expenditures may need to be made by the borrower, which must then be reimbursed by special assessments on the tenant-shareholders. Any adverse effect on the cash flow of the housing cooperative corporation borrower may cause the borrower to be unable to make the required payment of principal and interest on the blanket loan, resulting in a default under the loan.

**Manufactured Housing Community Loans:** Manufactured housing community loans are made to borrowers owning residential developments that consist of sites for manufactured homes and that provide certain amenities to the residents of those manufactured homes. The borrower leases the sites to owners of manufactured homes, who may live in the homes themselves or rent the homes to tenants. The success of a manufactured housing community depends upon the borrower’s ability to lease most or all of its sites to owners of manufactured homes and to maintain a high level of occupancy for those sites.
Maintaining a high level of occupancy in a manufactured housing community depends upon the ability of potential owners of manufactured homes to purchase the homes and the ability of borrowers that own the manufactured housing communities to market the sites in the communities to potential owners. Difficulties in the manufactured housing segment relating to the availability of manufactured homes and the ability of potential owners to obtain financing on reasonable terms for the purchase of manufactured homes may occur from time to time. If the difficulties continue for an extended period of time, borrowers that own manufactured housing communities may not receive sufficient income from leasing and other operations to make the required payments of principal and interest on the manufactured housing community loans, resulting in defaults under the loans.

**Dedicated Student Housing Loans:** Dedicated student housing, whether located on or off a school campus, generally permits student tenants to rent units under leases of one year or less. Students often do not return to the same units during the following school year. The significant turnover of student tenants and the higher level of maintenance required may have a significant adverse effect on the profitability of the operation of the housing. If the housing is not profitable, the borrower may be unable to make the required payments of principal and interest on the multifamily mortgage loan, resulting in a default under the loan.

**RHS Rural Housing Loans:** Multifamily properties securing rural housing loans guaranteed by the Rural Housing Service are generally located in smaller cities and towns. These housing markets may have a limited potential number of new tenants and an economic base that is concentrated on only one or a few employers. The markets may also have limited availability of professional management for the properties. In addition, rural multifamily properties also tend to have fewer dwelling units than multifamily properties located in larger cities. These factors and the comparatively greater adverse effect of vacant units on a property’s operations may result in a borrower being unable to meet its required principal and interest payments.
Many rural housing multifamily properties are also multifamily affordable housing properties. As a result, the properties may be eligible for and dependent upon the same long-term federal rental assistance or other federal, state or local subsidies discussed above under “—Multifamily Affordable Housing Loans.” As with multifamily affordable housing loans, the subsidies may be abated or terminated if the requirements of the subsidies are not met. If a subsidy cannot be replaced through obtaining a new subsidy, increasing rents to current tenants or leasing properties to market-rate tenants, a property may face the risk of default under the mortgage.

Military Housing Loans: Multifamily mortgage loans may be secured by properties used primarily or exclusively for the housing of military personnel and families. If a borrower is not a governmental entity, successful operation of the property is highly dependent upon the continued occupancy of the property. Deployments of military personnel, reductions in the size of military bases or base closures may cause high vacancy rates, resulting in a borrower being unable to meet its required principal and interest payments.

For any of these special feature multifamily mortgage loans, if an event of default under the related mortgage resulted in the entire unpaid principal balance of the loan being paid in full, you would receive an early distribution of principal from the mortgage loan. If there is only one mortgage loan in the pool, and the entire principal balance was paid in full, the pool would be terminated and the stated principal balance would be distributed to you.

If a tax credit mortgaged property does not maintain compliance with the tax credit restrictions on tenant income or rental rates, the owners of the tax credit project may lose the tax credits related to the period of the noncompliance and face the partial recapture of previously taken tax credits. If the loss of the tax credits adversely affects the cash flow of the borrower on the mortgage, an event of default may occur, resulting in acceleration of the mortgage loan and the early prepayment of principal on the certificates.
We could withdraw one or more multifamily mortgage loans from the pool due to a breach of representations and warranties, accelerating the rate at which you receive your return of principal.

Each seller that sells loans to us makes representations and warranties about itself and the loans it sells to us. If these representations and warranties were not true when they were made or, in some cases, become untrue during the term of a loan, we can require the seller to repurchase the affected loan or loans at any time. The affected loans could be all of the loans in the pool or only a portion of the pool. When a loan is repurchased, it is withdrawn from the pool, and we pay you its stated principal balance on the distribution date in the month following the month of repurchase. You will not receive any prepayment premium. Thus, a breach of a representation and warranty may result in an early payment of principal on your certificates, which could affect your yield. Because many multifamily pools consist of only one or two loans, this could result in a full prepayment of your certificate at a date much earlier than you expected.

If we own an equity interest in a mortgaged property securing a mortgage loan in your pool, there may be a conflict of interest with respect to the property.

Your pool may contain a mortgage loan secured by a multifamily mortgaged property in which we or a seller or servicer indirectly holds or later acquires an equity interest. The loan may be serviced by the lender, another equity investor or by an unaffiliated third party. If the borrower were to default on the loan, we, in our corporate capacity, or the seller or servicer could exercise rights as equity holders to take or approve the taking of actions that could cause an early prepayment of principal on your certificates, which could affect your yield. In these circumstances, we may be required to contract with a party not affiliated with Fannie Mae or the transaction to perform certain servicing functions.

Subordinated Financing, Mezzanine Financing and Additional Collateral

If the mortgaged property securing a mortgage loan in your pool also serves as collateral for another mortgage loan, a default on the other mortgage loan may adversely affect the mortgage loan in your pool.

A default may occur even if the borrower has been making timely payments of principal and interest on the mortgage loan in your pool, as described below. If a loan defaults and is purchased out of the pool or foreclosed, you will receive no prepayment premium. We do not guarantee to you the payment of any prepayment premiums.

If a multifamily mortgage loan in your pool is a subordinate loan, a default on the senior loan could cause a default on the subordinate loan in your pool. Although our guaranty will cover the repayment of the principal of the subordinate loan, the default would result in an early prepayment of principal on your certificates, which could affect your yield.
If a subordinate loan is placed on a mortgaged property that already secures a mortgage loan in your pool, a default on the subordinate loan could cause a default on the mortgage loan in your pool. This may occur even if the mortgage loan in your pool is senior to the defaulted subordinate loan. If we accelerated the payment of the mortgage loan as a result of the default, there would be an early prepayment of principal on your certificates, which could affect your yield.

If the principals of the borrower on a mortgage loan in your pool enter into mezzanine financing, there may be an increased risk of default on the loan. If any principal of the borrowing entity on a mortgage loan in your pool pledges its equity interest in that borrower to secure a debt, frequently called mezzanine debt, then the existence of this indebtedness could adversely affect the financial viability of the borrower or the availability of the proceeds from the operation of the mortgaged property to fund items such as replacements, tenant improvements or other capital expenditures. The value of the equity in the borrower held by the principals of the borrower could also be adversely affected by the existence of mezzanine indebtedness. There is a risk that any holder of mezzanine debt may attempt to use its rights as owner of a mezzanine loan to protect itself against an exercise of rights by the owner of the mortgage loan. A default by the borrower in its obligation to make payments on the mortgage loan in your pool would result in an early prepayment of principal on your certificates, which could affect your yield.

If a mortgage loan secured by real property that is not the mortgaged property is cross-defaulted with the mortgage loan in your pool, a default on the other mortgage loan will cause a default on the mortgage loan in your pool. In that case, we may declare the mortgage loan in your pool immediately due and payable. If we did so, there would be an early prepayment of principal on your certificates, which could affect your yield.

If a mortgaged property securing a mortgage loan in your pool is cross-collateralized with a mortgage loan secured by real property that is not the mortgaged property, a default on the other mortgage loan could cause the sale of the mortgaged property securing the mortgage loan in your pool. Cross-collateralization of the mortgage loans means that the other mortgage loan will be secured not only by its related real property but also by the mortgaged property securing the mortgage loan in your pool. An event of default under the other mortgage loan could result in the mortgaged property being sold to repay the other mortgage loan. In that case, there would be an early prepayment of principal on your certificates, which could affect your yield.
In any of these cases, if the prepaid mortgage loan is the only loan in the pool, the pool would be terminated and all remaining proceeds would be distributed to you.

Other Prepayments

There may be partial prepayments of principal, accelerating the rate at which you receive your return of principal on the certificates.

A partial prepayment of principal on a loan in your pool may be made, either voluntarily or involuntarily (for instance, as a result of a condemnation). Under certain circumstances we may pass through the portion of the principal that is prepaid on an unscheduled basis to certificateholders on the distribution date in the month following the month of payment. The outstanding principal balance of the certificates will be reduced by the amount of this prepaid principal, accelerating the maturity of the certificates compared to what the maturity would have been in the absence of a partial prepayment. Although this risk of prepayment is applicable to all pool types, it is particularly noteworthy in the context of pools that contain loans obligating the borrower to pay only interest for the term of the loan or to pay only interest for a stated period before beginning to amortize principal. Even though these loans are interest only for the entire term or for the stated period, as applicable, distributions on the certificates during the term of the loan or the stated period will also include any unscheduled payment of principal made by the borrower during that time.

If the pool includes adjustable-rate loans that permit conversion to a fixed rate, borrowers may so convert the loans, accelerating the rate at which you receive your return of principal.

Some adjustable-rate loans contain conversion options, permitting the borrower to convert the loan to a fixed-rate loan. If these loans are included in an adjustable-rate pool, and if the borrower exercises the conversion option, thereby converting the loan to a fixed-rate loan, we will buy the loan out of the pool before its conversion to a fixed-rate loan. The stated principal balance of that loan is passed through to certificateholders on the distribution date in the month following the month of our repurchase. As a result, the weighted average life of the certificates for a pool of convertible adjustable-rate loans may be significantly shorter than for a comparable pool of non-convertible adjustable-rate loans. Because many multifamily pools consist of only one or two loans, this could result in a full prepayment of your certificate at a date much earlier than you expected.
Letters of credit that secure borrowers' performance may cause partial prepayment of the certificates. The terms of a multifamily mortgage loan may require the borrower to obtain and deliver to the lender a letter of credit that secures performance of the borrower's obligation to meet certain requirements or that provides additional collateral for the loan. If the borrower does not meet the requirements or if we believe that proceeds of the letter of credit are needed, we may draw on the letter of credit. If we do so, a portion of the proceeds may be applied to repay a portion of the principal on the loan. This prepayment will be passed through to you as a partial prepayment on your certificates, which could affect your yield. Unless otherwise specified in the prospectus supplement, you would not be entitled to receive a prepayment premium in this case. **We do not guarantee to you the payment of any prepayment premiums.**

**External Factors**

**Catastrophic events could damage, destroy or cut off access to one or more of the multifamily mortgaged properties securing loans in a particular pool, causing borrower defaults on the loans.** If the damage to or destruction of a property is wholly or partially covered by insurance but the property is not repaired or replaced, the insurance proceeds may be used to make a full or partial prepayment of the related mortgage loan. If a property is not insured against the damage or destruction or if the proceeds are inadequate to repair or rebuild the property, the borrower may be unable to make the required payments of principal and interest. In addition, even if the property is not damaged or destroyed, governmental authorities may restrict or prohibit access by tenants to the geographic area in which the property is located. The resulting loss of rents, which may extend for a lengthy period of time, also may cause the borrower to be unable to make the required payments of principal and interest, causing a default under the related mortgage loan. If a mortgage loan is prepaid in full because insurance proceeds are applied, or if an event of default results in the entire unpaid principal balance of the loan being paid in full, you would receive an early distribution of principal from the mortgage loan. If there is only one mortgage loan in the pool, the pool would be terminated and the stated principal balance would be distributed to you.

**YIELD FACTORS:**

A disproportionate incidence of prepayments and repurchases among adjustable-rate loans of different interest rates will affect your yield. Certificateholders in pools of multifamily mortgage loans with more than one adjustable-rate loan receive a yield that is the weighted average of the loan rates, net of our fees. That weighted average will change whenever a loan in the pool is prepaid, either in whole or in part, or is purchased out of the pool. A disproportionate incidence of prepayments and repurchases among loans of different interest rates will increase or decrease the effective yield to you.
You may not be entitled to receive prepayment premium payments

While most multifamily fixed-rate mortgage loans require a borrower to make prepayment premium payments (in the form of yield maintenance or other prepayment premium payments) as a condition of prepaying a loan, many adjustable-rate multifamily mortgage loans do not require the borrower to make any prepayment premium payments. Even where prepayment premium payments are required, certificateholders may not be entitled to receive a share of those payments. The related prospectus supplement will state whether a share of any prepayment premiums should be passed through to you and, if so, will describe the calculation of your share. Even if certificateholders are entitled to share in any prepayment premiums, we will pass through a share of prepayment premiums only if, and to the extent that, the prepayment premiums are collected from borrowers. If we are unable to collect a prepayment premium, you will not receive any prepayment premium. If we collect a prepayment premium where a borrower has defaulted on the loan, you are not entitled to share in the prepayment premium. If no prepayment premium is collected or if you are not entitled to share in any prepayment premiums, you will not be fully compensated for the loss of future interest on your certificates resulting from refinancings or other early payoffs by borrowers. This would adversely affect your yield on the certificates. **We do not guarantee the payment to you of any prepayment premiums.**

If the mortgage loan in your pool permits reamortization of principal after receipt of casualty or condemnation proceeds, the amount of your monthly principal and interest distributions will be reduced.

Casualty or condemnation proceeds may be applied to reduce the unpaid principal balance of a mortgage loan in your pool. When proceeds have been so applied, some multifamily mortgage loans may permit or require reamortization of the remaining unpaid principal over the remaining amortization period. If a reamortization occurs, the amount of principal and interest paid by the borrower each month will be reduced. This reduction in payment will cause a corresponding reduction in the amount of principal and interest passed through to the certificateholders each month, affecting your yield.

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

We cannot be sure that each new issue of certificates, when created, will have a ready market, or, if a market does develop, that the market will remain active during the entire term for which the certificates are outstanding. Therefore, it is possible that if you wish to sell your certificates in the future, you may have difficulty finding potential purchasers. Some of the factors that may affect the resale of certificates include:

- the method, frequency and complexity of calculating principal or interest on the multifamily mortgage loans or the certificates;
the age and unpaid principal balances of the multifamily mortgage loans in the pool;

- the prepayment features of the multifamily mortgage loans in the pool;

- the outstanding principal amount of the certificates of that series and other series with similar features;

- the amount of certificates of that series or of a series with similar features offered for resale from time to time;

- the availability of current information about the multifamily mortgage loans in the pool;

- any legal restriction or tax treatment that limits the demand for the 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.

It is impossible to predict the extent to which terrorist activities may occur, if they do occur, the extent of the effect on the 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 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 multifamily mortgage loans. 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 multifamily mortgage loans could increase, causing early payments of principal to you. Moreover, regardless of the performance of the underlying multifamily mortgage loans, the liquidity and market value of the certificates may be impaired.

**CREDIT FACTORS:**

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

If borrowers fail to make their mortgage loan payments on time, we have agreed to make payments under our guaranty. If, however, we become unable to pay, or fail to pay for any reason, the payments of principal and interest that you receive as a certificateholder will be reduced as a result of borrowers’ late payments or complete failure to pay.
We could fail to meet our obligations under a Fannie Mae debt instrument delivered as substitute collateral when a multifamily mortgage loan was defeased.

We have agreed to deliver, upon the request of a borrower, a Fannie Mae obligation that will serve as substitute collateral for a defeased multifamily mortgage loan. If we do so, the borrower is released from further liability under the loan. If we failed to make the required payments of principal and interest on the defeased loan and failed to pay under our guaranty as well, you would not receive any payments of principal and interest on your certificates that were to be funded by the defeased loan.

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

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 payments required under our guaranty, potential buyers may offer less for your certificates than they would offer if our financial condition had remained unchanged.

If we become insolvent, your certificates’ interests in the mortgage loans could be affected.

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 certificates or the interests of such certificates in the mortgage loans 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 our Charter Act, we were created to:

• provide stability in the secondary market for residential mortgages;

• respond appropriately to the private capital markets;

• provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing, including multifamily housing, for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and

• promote access to mortgage credit throughout the nation (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

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

We also issue mortgage-backed certificates, receiving guaranty fees for our guaranty of timely payment of principal and interest on the certificates. We issue mortgage-backed certificates primarily in exchange for pools of mortgage loans from lenders. By issuing mortgage-backed certificates, we further fulfill our statutory mandate to increase the liquidity of residential mortgage loans.

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

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

USE OF PROCEEDS

We usually issue certificates in swap transactions, in which the certificates are issued in exchange for the multifamily mortgage loan or loans in the pool that backs the certificates. In some instances, we may issue certificates backed by pools of multifamily mortgage loans that we already own. In those transactions, we would receive cash proceeds. Unless stated otherwise in the prospectus supplement, we would apply the cash proceeds to the purchase of other mortgage loans and for other general corporate purposes.

DESCRIPTION OF THE CERTIFICATES

We will issue the certificates under a trust indenture. For each issuance of certificates, there will be an issue supplement to the trust indenture. We have summarized the important terms of the trust indenture below. This summary is not complete. If there is any conflict between the information in this prospectus and the actual provisions of the trust indenture, the terms of the trust indenture and its related issue supplement will govern. The trust indenture is available on our Web site. You may obtain a copy of the issue supplement that applies to your certificates from our Washington, DC office.
Certificates for Mortgaged-Backed Securities (MBS)

MBS certificates represent fractional undivided beneficial ownership interests in the pool of one or more multifamily mortgage loans held in the trust created under the trust indenture and the issue supplement. We will hold the multifamily mortgage loans, in our capacity as trustee under the trust indenture, for the benefit of all the holders of certificates of the same issue. The fractional undivided interest of each certificate of the issue will be equal to the initial principal balance of that certificate divided by the aggregate principal balance of the loans in the pool on the issue date.

Occasionally, if so stated in the prospectus supplement, the certificates represent fractional undivided beneficial ownership interests in a pool of participation certificates, rather than in a pool of whole multifamily mortgage loans. We will hold the participation certificates in our capacity as trustee under the trust indenture for the benefit of all the holders of certificates of the same issue. The description of the certificates throughout this prospectus is written on the assumption that the certificates represent interests in whole multifamily mortgage loans.

Certificates for Discount Mortgage-Backed Securities (DMBS)

Some series of certificates may be issued as DMBS, which are short-term mortgage-backed securities that do not bear interest and that have terms of one year or less. Investors purchase DMBS at a discount. On the maturity date, the holder of the DMBS receives the original stated principal amount of the DMBS. Each prospectus supplement relating to an issue of DMBS certificates will set forth the term and other specific characteristics of the DMBS certificates as well as information concerning the related mortgage loans. See “Certain Federal Income Tax Consequences—Application of Revenue Ruling 84-10—Original Issue Discount” for a discussion of tax issues involved in purchasing DMBS. Unless otherwise noted, disclosures in this prospectus, including risk factors, that relate to early prepayments, monthly reports, distributions of interest and principal, defeasance of mortgage loans, and adjustable-rate certificates do not apply to DMBS.

If any voluntary or involuntary prepayments on the multifamily mortgage loans underlying a series of DMBS are received during the term of the DMBS, those prepayments will not be passed through to the DMBS certificateholders until the maturity date. Instead, the original stated principal amount of the DMBS will be paid to the certificateholders on the maturity date.

We guarantee the full and final payment to DMBS certificateholders of the original stated principal balance of the certificates on the maturity date of the DMBS.

Issuance in Book-Entry Form

We will issue the 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.

A certificateholder is an entity whose name appears in the records of a Federal Reserve Bank as the owner of the certificate. Only entities that are eligible to maintain book-entry accounts with a Federal Reserve Bank may be certificateholders. These entities are not necessarily the beneficial owners of the certificates. They are banks, brokerage firms, securities clearing organizations and similar companies, which act as financial intermediaries. Beneficial owners ordinarily hold 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. A certificateholder that is not also the beneficial owner of a 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 certificate who is not also a certificateholder. We and the Federal Reserve Banks may treat the certificateholder as the absolute owner of the certificate for all purposes, regardless of any contrary notice that the beneficial owner may provide. For example, we will make distribution payments on the certificates only to certificateholders and will give effect to a transfer of a certificate only if we receive the notice from a certificateholder.

The applicable Federal Reserve Bank credits the account of the certificateholder when we make a distribution on the certificates. Each certificateholder and any financial intermediaries are responsible for remitting distributions to the beneficial owners of the certificate.

**Distributions on Certificates**

We will make distributions to MBS certificateholders on the 25th day of each month (unless otherwise specified in the prospectus supplement) and to DMBS certificateholders on the maturity date of the DMBS. If the specified day is not a business day, we will make the distribution on the next business day. We refer to this date as a distribution date.

For MBS, we will make the first payment for each issue of certificates on the distribution date in the month following the month in which the certificates are issued. For example, if an issue date is March 1st, the first distribution date for that issue of MBS certificates will be April 25th, or the next business day if April 25th is not a business day (unless otherwise specified in the prospectus supplement). For MBS, we will pay the MBS certificateholder who is listed as the holder in the records of any Federal Reserve Bank as of the record date. The record date for MBS certificates is the last day of the month immediately preceding the month in which the distribution date occurs.

For DMBS, we will make no payments until the maturity date. On the maturity date, we will pay the DMBS certificateholder who is listed as the holder in the records of any Federal Reserve Bank as of the maturity date. For DMBS, the record date is the maturity date.

**Interest Payments**

On each distribution date, we will distribute to MBS certificateholders one month’s interest. Interest will be calculated on the certificate’s principal balance immediately before that distribution date.

For pools of multifamily fixed-rate loans, we will distribute to MBS certificateholders one month’s interest at the pass-through rate stated in the prospectus supplement. For pools of adjustable-rate multifamily loans (other than those loans that permit negative amortization), we will distribute to MBS certificateholders one month’s interest at the pool accrual rate.

For pools of adjustable-rate multifamily loans that permit negative amortization, we will distribute to MBS certificateholders one month’s interest at the pool accrual rate minus the aggregate amount of any deferred interest that is added to the principal balances of the adjustable-rate multifamily loans during the related due period. During periods when the mortgage loans are negatively amortizing, although your certificate balance will be increasing (as deferred interest is added to the principal balance of the mortgage loans), the amount of interest you receive might not increase.

The due period for each distribution date is the period beginning with and including the second day of the calendar month preceding the month in which the distribution date occurs and ending with and including the first day of the calendar month in which that distribution date occurs.

**Interest Accrual Basis**

We will calculate the amount of interest due each month on the certificates on the basis stated in the prospectus supplement. If interest is calculated on the certificates on a 30/360 basis, the
certificates will accrue interest on the basis that each month consists of 30 days and each year consists of 360 days. If interest is calculated on the certificates on an actual/360 basis, the certificates will accrue interest on the basis of the actual number of days in the calendar month preceding the month in which the distribution date occurs and each year being assumed to consist of 360 days. If another method is used for calculating interest on the certificates, it will be specified and described in the prospectus supplement.

**Principal Distributions**

On each distribution date, we will distribute to MBS certificateholders, as payments of principal on the certificates, an amount equal to the aggregate of the following amounts:

- the scheduled principal due on the multifamily mortgage loans in the pool during the related due period;
- the stated principal balance of each multifamily mortgage loan that was prepaid in full during the calendar month preceding the month in which that distribution date occurs;
- the stated principal balance of each multifamily mortgage loan that was purchased out of the pool for any reason during the calendar month preceding the month in which that distribution date occurs; and
- the amount of any partial prepayment on a multifamily mortgage loan received during the calendar month preceding the month in which that distribution date occurs.

The stated principal balance of a multifamily mortgage loan is the principal balance of the loan as of the issue date of the certificates, reduced by all payments of principal received and paid to certificateholders after that date, and increased by accrued interest, if any, that has been added to principal as a result of negative amortization under the loan’s terms.

For multifamily mortgage loans that do not have their first scheduled principal payment due until the second due period following the issue date of the certificates, MBS certificateholders will receive no scheduled principal payment on the first distribution date (but will receive interest). The prospectus supplement will indicate the percentage of these mortgage loans in the pool, if any.

Multifamily mortgage loans that have their monthly payments due on a date other than the first of the month are treated, for purposes of distributions to MBS certificateholders, as if the monthly payments were due on the first day of the following month. If a pool contains these loans, the related pool statistics will show the first payment date, the initial interest rate change date (in the case of adjustable mortgage loans) and the latest loan maturity date as the first day of the month following the month in which each date actually occurs. As a result of these adjustments, you will receive distributions at a date later than you otherwise would have received them. This delay will reduce your yield on your certificates.

There are some instances when the distribution date for prepayments may differ from that described above. For example, sometimes the servicer is unable to provide us with prepayment information in sufficient time to allow the monthly pool factor for that distribution date to reflect the prepayment. In those instances, we will distribute those prepayments to MBS certificateholders on the distribution date that occurs in the second month following the month in which the borrower makes the prepayment. Moreover, our servicing guides permit servicers to treat prepayments in full occurring on the first day of a month as if they actually occurred on the last day of the preceding month. In that case, we will distribute these prepayments in full on the distribution date in the calendar month of actual receipt. For example, if a prepayment is received on February 1st, the prepayment may be treated as if it had been received on January 31st. If it is so treated, the prepayment will be passed through to certificateholders on February 25th (or the next business day, if February 25th is not a business day (unless otherwise specified in the prospectus supplement).
Reports to Certificateholders

Monthly Reports

Each MBS certificateholder who is listed as the holder in the records of any Federal Reserve Bank will be provided the information below on a monthly basis with respect to each payment, adjusted to reflect each certificateholder’s pro rata interest in the related pool as of the distribution date:

- the amount due on the certificates on that distribution date on account of total scheduled and unscheduled principal;
- the amount due on the certificates on that distribution date on account of interest;
- the total cash distribution on the certificates on that distribution date;
- for pools of adjustable-rate loans that permit negative amortization, the amount of any deferred interest added to principal as of that distribution date as a result of negative amortization on the loans;
- the principal balances of the certificates on that distribution date after giving effect to any payment of principal on that date (and, for pools of adjustable-rate loans that permit negative amortization, after giving effect to any deferred interest added to the principal balances of the mortgage loans in that pool during the related due period); and
- for pools of adjustable-rate loans, the pool accrual rate for 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 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 payment to MBS certificateholders on each distribution date of:

- an amount equal to the borrowers’ scheduled principal payments for the related due period, whether or not received, plus
- an amount equal to one month’s interest on the certificates.

For fixed-rate pools, we guarantee payment of interest at the fixed pass-through rate specified in the prospectus supplement. For adjustable-rate pools (other than pools of multifamily mortgage loans that permit negative amortization), we guarantee payment of interest at the variable pool accrual rate. For adjustable-rate pools of multifamily mortgage loans that permit negative amortization, we guarantee payment of interest at the variable pool accrual rate minus the aggregate amount of any deferred interest. Any deferred interest is added to the principal balance of the loans.

In addition, we guarantee the full and final payment of the unpaid principal balance of the certificates on the distribution date in the month of the maturity date specified in the prospectus supplement for the certificates.

If we were unable to perform our guaranty obligations, certificateholders would receive only the payments that borrowers actually made and any other recoveries on the mortgage loans in the pool from sources such as insurance, condemnation and foreclosure proceeds. If that were to happen, delinquencies and defaults on the multifamily mortgage loans would directly affect the amount of principal and interest that certificateholders would receive each month.
Neither the certificates nor payments of principal and interest on the certificates are guaranteed by the United States government. The 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 our guaranty.

Collection and Other Servicing Procedures

We are generally responsible for servicing the mortgage loans in each pool. We service loans through lenders or other approved mortgage servicers. See “Fannie Mae Purchase Program—Seller and Servicer Eligibility” for information on our servicer requirements. Our servicing procedures include collecting payments from borrowers, seeing that the mortgaged properties are insured, and foreclosing upon defaulted mortgage loans. Most multifamily mortgage loans provide, with certain exceptions, that it is an event of default under the loan if the borrower sells or transfers the related property or certain ownership interests in the related property without the consent of Fannie Mae and the servicer of the loan or without the payment of a transfer fee. See “Multifamily Mortgage Loans—General Characteristics of Multifamily Loans—Assumptions of Multifamily Loans and Transfers of Interests in Borrowers” for a discussion of our transfer policy. In some instances, we or a lender may hold an equity interest in a property on which we also hold the multifamily mortgage loan. In these circumstances, we may be required to contract with a party not affiliated with Fannie Mae or the transaction to perform certain servicing functions. See “Fannie Mae Purchase Program—Servicing Arrangements.”

Certain Matters Regarding Our Duties as Trustee

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

If we are ever unable to fulfill our guaranty obligations, the trust indenture may be modified to provide for monthly distributions to certificateholders from mortgage loan payments and other mortgage loan recoveries in a manner similar to practices and procedures followed in the servicing of whole loans for institutional investors. See “—Amendment” below.

We are not liable under the trust indenture to certificateholders for errors in judgment or for anything we do, or do not do, 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 indenture 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 indenture. On the other hand, we may decide to participate in legal actions, such as actions involving the multifamily mortgage loans, if we think our participation is necessary or in the interests of the 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 indenture and will assume all of our duties under the trust indenture, including our guaranty.
Events of Default

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

- if we fail to make a required payment to certificateholders, and our failure continues uncorrected for 15 days after certificateholders owning at least 5% of that issue of 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 indenture or the related issue supplement, and our failure continues uncorrected for 60 days after certificateholders owning at least 25% of that issue of 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, certificateholders who own at least 25% of the related issue of certificates will have the right to terminate all of our rights and obligations under the trust indenture 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 certificateholders who 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 mortgage loans included in the related trust fund. The acts of certificateholders to terminate us and appoint a successor must be in writing.

Amendment

We may amend the trust indenture for an issue of certificates without notifying or obtaining the consent of 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 indenture in our capacity as trustee or in our corporate capacity or both;

- eliminate any of our rights in our corporate capacity under the trust indenture;

- take an action to cure any ambiguity or correct or add to any provision in the trust indenture or the related issue supplement, as long as the action does not adversely affect any certificateholder; and

- if we cannot fulfill our guaranty obligations, modify the trust indenture to provide for monthly distributions from payments and other recoveries on the mortgage loans in the pool in a manner similar to practices and procedures followed in the servicing of whole loans for institutional investors.

In addition, if certificateholders beneficially owning at least 66% of an issue of certificates give their consent, we may amend the trust indenture for that issue for a purpose not listed above, except that we may not terminate or change our guaranty obligations, reduce or delay payments to certificateholders, or reduce the 66% requirement of certificateholders who must give their consent, unless all certificateholders of an issue have agreed.

Termination

The trust indenture will terminate with respect to each issue of certificates when the last multifamily mortgage loan in that pool has been paid off or liquidated (and the proceeds resulting have been distributed to certificateholders). We do not have an option, in the nature of a clean-up call (early termination of the trust when the unpaid principal balance of a pool reaches a certain amount or reaches a certain percentage of the original unpaid principal balance of a pool), to repurchase the
multifamily mortgage loans before the last multifamily mortgage loan in that pool has been paid off or liquidated (and the resulting proceeds have been distributed to certificateholders) and retire the certificates and terminate the trust indenture.

YIELD, MATURITY AND PREPAYMENT CONSIDERATIONS

Effective Yield on Certificates

Your yield will depend in part upon whether you purchase a certificate at a discount from or a premium over the outstanding principal. In general, if you purchase a certificate at a discount from its outstanding principal and the mortgage loans are prepaid at a rate that is slower than you expected, your yield on that certificate will be less than you expected. If you purchase a certificate at a premium over the outstanding principal balance and the mortgage loans are prepaid at a rate that is faster than you expected, your yield on that certificate also will be less than you expected. You must make your own decision as to the prepayment assumptions you will use in deciding whether to purchase the certificates. We do not provide delinquency experience or decrement tables for the certificates.

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

Yield of Adjustable-Rate Certificates

Certificates backed by adjustable-rate multifamily mortgage loans bear interest at a rate that adjusts and that is calculated on the basis of the changing rates on the loans in the pool. Rates on the loans in the pool adjust based upon changes in the value of a stated index. How the index value is determined and how it changes, along with other features of multifamily adjustable-rate mortgage loans (ARM loans), will affect the yield on the certificates. See “Multifamily Mortgage Loans—Adjustable-Rate Loans (ARM Loans)” for information regarding the different types of multifamily adjustable-rate mortgage loans and the methods for adjusting their interest rates. The adjustment of interest rates on the loans in the pool affects the yield on the certificates. The effective yield on the certificates is the result of the combined effect of some or all of the following factors:

- **The index.** All multifamily mortgage loans in a single pool have the same index, which will be identified in the prospectus supplement.

- **Initial fixed-rate period.** Most multifamily ARM loans will have an initial interest rate that is not based on the index. As a result, if the first interest rate change date on the ARM loans in your pool has not occurred before the issue date of the certificates, the initial interest rate on the certificates will not be based on the index. This will continue to be true until all of the loans in the pool have had their first interest rate change date. In some pools, not all loans in the pool will have the same first interest rate change date. The prospectus supplement will indicate whether the first interest rate change date on the loans in your pool occurred before the issue date of the certificates.

- **Mortgage margin.** On each interest rate change date, the interest rate is adjusted to equal the sum the index value determined as of a date specified in the mortgage note and of the mortgage margin. The result is rounded according to the rounding convention stated in the mortgage note or, if none is stated, to three decimal points or as specified in the prospectus supplement.

- **Index change frequency.** If the interest rates on the multifamily ARM loans change less frequently than the index value, changes in the effective yield on the certificates will lag changes in the index. A change in the index value will not necessarily cause an immediate change in the pool accrual rate. The pool accrual rate will be affected only as, and to the extent that, loans in the pool experience interest rate changes.
• **Interest rate change dates.** Since some or all the multifamily ARM loans in the pool may not have the same interest rate change date, the index values upon which interest rate changes are based may vary among the loans in a pool at any given time.

• **The lookback period.** The lookback period equals the number of days specified in the related mortgage note that fall between the interest rate change date and the date specified in the mortgage note as the date on which the index value is to be determined. The lookback period creates a lag between the index value upon which interest rate changes are based and the index value in effect at the time the interest rate on the multifamily ARM loan adjusts. The lookback period may vary among the loans in a pool. The lookback period is specified in the prospectus supplement.

• **Interest rate caps and floors.** Interest rate caps and floors may prevent the interest rate on a multifamily ARM loan from increasing as high or declining as low as it would have increased or declined as a result of a change in the index value if there was no interest rate cap or floor. As a result, the yield paid on the certificates usually will be affected whenever a mortgage loan in the pool is affected by an interest rate cap or floor.

• **Option to convert to fixed-rate loan.** If the borrower exercises any option to convert a multifamily ARM loan to a multifamily fixed-rate loan, we will repurchase the loan from the pool during the calendar month before the loan begins to accrue interest at the new fixed rate. We will repurchase the loan at a price equal to the loan’s stated principal balance, together with one month’s interest at its then-current pool accrual rate. The stated principal balance of the loan will be passed through to certificateholders, reducing the outstanding principal balance of the certificates, on the distribution date in the month following the month of repurchase. As a result, the weighted average life of the certificates for a pool of convertible multifamily ARM loans may be significantly shorter than for a comparable pool of non-convertible multifamily ARM loans.

• **Prepayments and repurchases of loans.** ARM loan pools may contain multifamily ARM loans having several different interest rates. Certificateholders receive a rate of interest that is the weighted average of the loan rates, net of any servicing and guaranty fees. Thus, the rate of interest for certificateholders average will change whenever a loan in the pool is prepaid, either in whole or in part, or is repurchased out of the pool. A disproportionate incidence of prepayments and repurchases among loans of different interest rates may affect the effective yield to certificateholders.

• **Adjustments upon assumption.** If a multifamily ARM mortgage loan in the pool permits the lender to adjust the interest rate caps, interest rate floors or mortgage margin in connection with an assumption of the loan, an adjustment may affect the effective yield on the certificates.

• **Low initial interest rates.** In some cases, prevailing market interest rates may be so low that the initial interest rate for multifamily ARM loans is less than the applicable mortgage margin specified in the mortgage note. Therefore, the mortgage interest rate may not increase to an amount greater than or equal to the applicable mortgage margin until after one or more interest rate changes, depending on the applicable periodic caps. As a result, distributions of interest to certificateholders that are based on the initial mortgage interest rate for the loans may be less than the applicable MBS margin (which is the mortgage margin of a loan less the sum of the servicing fee and our guaranty fee on that loan).

• **Negative amortization.** If any pool contains multifamily ARM loans permitting negative amortization, the yield on the related certificates may be affected in several ways.
  
  — **Principal may increase.** During periods when a multifamily ARM loan is negatively amortizing, the unpaid principal balance on the mortgage loan will be increasing as deferred interest is added to the outstanding principal balance of the mortgage loan. The same amount is also added to the outstanding principal balance of the certificates, so that
the unpaid principal balance of the certificates equals the stated principal balance of the mortgage loans.

— **Interest paid is affected.** When a multifamily ARM loan is negatively amortizing, certificateholders will be paid interest that is equal to only that portion of the borrower’s scheduled payment for the related due period that is allocable to interest. This interest excludes the amount of any deferred interest. As a result, during periods when one or more mortgage loans in the pool are negatively amortizing, certificateholders will receive less interest than they would have expected if they were calculating the predicted interest solely on the outstanding certificate balance at the applicable pool accrual rate.

— **Effect of periodic reamortization.** Because deferred interest may have been added to the outstanding principal balance of a multifamily ARM loan due to negative amortization, the monthly payments of principal and interest on the loan may be insufficient to fully amortize the loan’s outstanding principal balance over the remaining loan term. In this case, the outstanding principal balance may, but is not required to be, reamortized over the remaining loan term. Reamortization is the adjustment of the monthly payment amount to an amount sufficient to pay the then remaining principal balance of the loan, together with interest at the then-applicable rate, in equal monthly payments for its remaining term. This readjustment is made without regard to the caps on payment adjustments that would otherwise apply. Whenever the multifamily ARM loans are reamortized, certificateholders’ monthly interest payments will no longer be reduced by deferred interest, unless another period of negative amortization occurs.

A complete discussion of a multifamily ARM loans and their characteristics and of pools containing multifamily ARM loans may be found under “Multifamily Mortgage Loan Pools—Types of Multifamily Mortgage Pools—ARM Pools—Variable Pool Accrual Rate” and “Multifamily Mortgage Loans—Adjustable-Rate Loans (ARM Loans).”

**Maturity Considerations**

The weighted average life of the certificates will depend upon the extent to which each payment on the loans is applied to principal rather than to interest. For a description of the types of multifamily mortgage loans that may be included in a pool, see “Multifamily Mortgage Loan Pools—Types of Multifamily Mortgage Loan Pools.”

Some multifamily mortgage loans provide for full amortization of principal over the term. These loans may include fixed-rate loans as well as adjustable-rate loans that are reamortized each time the payment is adjusted. Most payments on these loans are allocated to interest in the early years, with greater portions of the payments allocated to principal as the loans remain outstanding.

Some multifamily mortgage loans provide for partial amortization during the term, with a balloon payment at the end. These loans have monthly payments calculated on the basis of an amortization schedule (typically 25 or 30 years) that is longer than the term (typically 7 to 10 years) of the loan. The remaining principal balance becomes due in a lump sum payment at the end of the term, on the loan’s contractual maturity date. Only a small portion of the principal amount of the loans will have amortized before the balloon payment on the loan is due.

Some multifamily mortgage loans provide for the payment of interest only throughout the term, with a balloon lump sum payment of all principal due on the loan’s contractual maturity date. Certificates backed by pools of these loans will pay only interest during their terms except to the extent of borrower prepayments. Other mortgage loans provide for the payment of only interest for an initial period, after which the payments are increased so that the principal balance of the loan partially or fully amortizes over the remaining term. There is no scheduled amortization of principal during the initial interest-only period. Assuming no prepayments by the borrower, these loans amortize more slowly than do loans of the same term and interest rate that provide for monthly payments of principal.
and interest from the beginning. In the interest-only period, certificates backed by pools of these loans will pay only interest to certificateholders, except to the extent of borrower prepayments during the period. Borrower prepayments during an interest-only period will be passed through to certificateholders as prepayment of principal on the certificates. This early receipt of principal may affect your yield.

Prepayment Considerations

Prepayments of multifamily mortgage loans may occur for a variety of reasons. Some of the chief reasons are discussed in this section. The reasons are not all equally applicable to all pools, as they relate in part to features of the loans that differ among pools. Because of these variables, we cannot estimate the future prepayment experience of the multifamily mortgage loans in our pools. You may wish to refer to our Form 10-K for recent information regarding the prepayment experience of our multifamily mortgage loan portfolio. This prepayment experience is not, however, indicative of any one pool of multifamily mortgage loans, including the pool backing your certificates. Prepayments are discussed in more detail in the section entitled “Multifamily Mortgage Loans—General Characteristics of Mortgage Loans—Prepayment Restrictions, Early Receipt of Principal and Prepayment Premiums” below.

Borrower Refinancing

Prepayments may increase when current interest rates decline below the mortgage interest rates on existing multifamily loans. It is difficult to predict how far interest rates must decline before multifamily borrowers consider refinancing their mortgage loans. The requirement found in most multifamily mortgage loans that the borrower pay a prepayment premium or a yield maintenance fee if the loan is prepaid may lessen the effect of declining interest rates and detract from the attractiveness of refinancing. If a multifamily borrower does refinance a multifamily loan in a pool, the proceeds from the borrower’s new loan will pay off the multifamily loan in the pool, resulting in a prepayment of principal to you.

Our policy requires lenders to treat possible refinancing of the mortgage loans in our pools in the same manner that the lenders treat possible refinancing of the mortgage loans held in their own portfolios. Under this policy, lenders that service multifamily mortgage loans in our pools may discuss with borrowers the lender’s availability and willingness to make loans that refinance existing loans and may waive certain requirements in connection with the proposed refinancing. Our policy does not permit lenders to target refinancing activities specifically at those borrowers whose loans are in our pools. In most cases, however, we require that lenders contact their borrowers no later than 12 months before a loan’s maturity date to discuss the borrower’s plans for making any balloon payment due at maturity and/or for refinancing the loan.

Loan Modifications

Due to restrictions imposed by grantor trust tax rules and provisions of the trust indenture, we typically do not permit lenders servicing our multifamily mortgage loans to modify loans that are in our pools or to repurchase loans from our pools for the purpose of making loan modifications. For pools containing multifamily mortgage loans insured by the Federal Housing Administration (the “FHA”), however, the FHA may require that FHA loans be modified as a part of the FHA’s loss mitigation strategy. Before any modification may be made to an FHA multifamily mortgage loan that would affect the interest rate, timing or amount of monthly payments or loan term, the FHA loan will be repurchased from the pool. See “Fannie Mae Purchase Program—Multifamily Mortgage Loan Eligibility Standards—Underwriting Guidelines,” for a description of FHA mortgage loans.

Repurchase of FHA loans for the purpose of modification will result in the prepayment of principal on the certificates with the same effect as borrower prepayments.
Repurchases

When we exercise our option to repurchase multifamily mortgage loans which are delinquent or for which a breach of a representation or warranty has occurred, the repurchase will result in the prepayment of principal on the certificates with the same effect as borrower prepayments. The rate of prepayment may also be affected by the repurchase of those adjustable-rate loans that permit conversion to a fixed-rate loan.

Many multifamily loan pools contain only one loan. As a result, any refinancing or repurchase of the loan for other purposes would cause the pool to be terminated and the stated principal balance to be paid to you.

Defeasance

If a borrower elects to defease a multifamily mortgage loan, the borrower will deliver to us acceptable substitute collateral (federal government or agency securities) that will provide the principal and interest payments on the related mortgage note. After delivery of the substitute collateral, the borrower will be released from liability under the mortgage note, and the mortgaged property securing the loan will be released from the lien of the mortgage. Defeasance does not result in any prepayment of principal on the loan. After defeasance, the mortgage loan, secured by the acceptable substitute collateral, remains in the pool. See “Multifamily Mortgage Loans—DUS Loans—Standard DUS Loans—DUS Defeasance Loans” for a full description of defeasance. The possible tax implications of replacing the mortgaged property collateral for the mortgage loan with acceptable substitute collateral are discussed under “Certain Federal Income Tax Consequences—Special Tax Attributes—Defeasance Mortgage Loans.” Our Web site contains a list of loans that have defeased through the stated date.

MULTIFAMILY MORTGAGE LOAN POOLS

We combine multifamily mortgage loans into pools and issue our guaranteed mortgage pass-through certificates that evidence ownership interests in the pooled loans. We occasionally also create pools of participation interests in multifamily mortgage loans. For purposes of our description here, a participation interest is considered as if it were a separate multifamily mortgage loan, and payments on the participation interest are treated as if they were payments on the underlying loan.

Each time that we issue a multifamily MBS, we prepare disclosure documents that describe the terms of the MBS. These disclosure documents are delivered to the MBS investor and posted on our Web site at www.fanniemae.com. The disclosure documents for an MBS at issuance consist of this prospectus, a related prospectus supplement and any documents incorporated by reference into this prospectus. See “Incorporation by Reference” above. The prospectus supplement is comprised of three parts: a prospectus supplement narrative, a schedule of loan information and a pool statistics page. The prospectus supplement narrative describes the general terms of the MBS, the schedule of loan information discloses loan-level data about the multifamily loans in the MBS pool and the pool statistics page provides pool-level data about the MBS pool. See “—Mortgage Loan Pool Statistics” below for a complete description of the pool statistics page and “Multifamily Mortgage Loans—General Characteristics of Multifamily Loans—The Schedule of Loan Information” for a complete description of the schedule of loan information. These at-issuance disclosure documents contain the most current information available to us as of the date on which the certificates are being issued, unless the prospectus supplement provides for a different date. After an MBS is issued, the related at-issuance disclosure documents are not revised to update any information.

Pool Prefixes

We assign a separate pool number to each multifamily mortgage loan pool and the related issue of guaranteed mortgage pass-through certificates. We also assign a two-character prefix that identifies the type of multifamily loans in that pool and the basic terms of the certificates. The type of information reflected by the prefix includes whether the multifamily loans are conventional or FHA,
whether they bear interest at a fixed-rate or an adjustable-rate, whether the certificates and the
underlying loans calculate interest on a 30/360 basis, an actual/360 basis or some other basis, the
length of the loan terms, and whether the underlying loans are fully amortizing or have a balloon
payment at maturity. No pool will contain both fixed-rate and adjustable-rate loans.

Pool prefixes provide a quick and easy reference source for the characteristics of the loans in a
pool. Nevertheless, when deciding whether to purchase certificates, you should not rely on
only the pool prefixes. Instead, you should use the pool prefixes in conjunction with the
information in this prospectus, the related prospectus supplement and any information
that we have incorporated into these documents by reference.

Some frequently used multifamily prefixes are listed on Exhibit A at the end of this prospectus. Current information about prefixes, including any prefixes created after the date of this prospectus, may be found on our Web site.

Mortgage Loan Pool Statistics

The pool statistics page of the prospectus supplement for a pool will specify the prefix, pool
number and CUSIP number of the pool, the issue date of the certificates, the principal balance of the
pool on the issue date, the pass-through rate for the pool and the distribution date for the pool. In
addition, we will disclose certain characteristics of the underlying mortgage loans in the pool. Although
the characteristics included in the pool statistics for any particular pool may vary, the pool statistics
generally include the characteristics listed below and may include other characteristics where
appropriate. In addition, some of the characteristics are applicable only to multifamily ARM loans.

**Pool-Level Characteristics**

<table>
<thead>
<tr>
<th>Most Loans</th>
<th>Additional Characteristics for ARM Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Number of Mortgage Loans or Participation Interests</td>
<td>• Next Rate Change Date</td>
</tr>
<tr>
<td>• Smallest Issue Date Unpaid Principal Balance</td>
<td>• Range of MBS Margins</td>
</tr>
<tr>
<td>• Largest Issue Date Unpaid Principal Balance</td>
<td>• Weighted Average MBS Margin</td>
</tr>
<tr>
<td>• Average Issue Date Unpaid Principal Balance</td>
<td>• Range of Net Coupons</td>
</tr>
<tr>
<td>• Latest Maturity Date</td>
<td>• Weighted Average Net Coupon</td>
</tr>
<tr>
<td>• Weighted Average Remaining Term</td>
<td>• Range of Net Life Caps</td>
</tr>
<tr>
<td>• Highest Annual Interest Rate (for ARM loans, Highest Current Interest Rate)</td>
<td>• Weighted Average Net Life Caps</td>
</tr>
<tr>
<td>• Lowest Annual Interest Rate (for ARM loans, Lowest Current Interest Rate)</td>
<td>• Range of Net Life Floors</td>
</tr>
<tr>
<td>• Weighted Average Interest Rate (for ARM loans, Weighted Average Current Interest Rate)</td>
<td>• Weighted Average Net Life Floors</td>
</tr>
<tr>
<td>• Percentage of Unpaid Principal Balance with an Interest-Only First Distribution</td>
<td>• Range of Net Life Floors</td>
</tr>
<tr>
<td>• Name of Seller of Loans</td>
<td>• Weighted Average Months to Roll</td>
</tr>
<tr>
<td>• Name of Servicer of Loans</td>
<td></td>
</tr>
<tr>
<td>• Geographic Distribution of the Mortgaged Properties</td>
<td></td>
</tr>
</tbody>
</table>

Sample pool statistics pages are provided in Exhibit B(1) for multifamily fixed-rate mortgage pools and Exhibit B(2) for multifamily ARM loan pools. (The exhibits are found at the end of this
prospectus.) For a description of how we obtain information provided in the pool statistics page, please read the Pool Statistics Methodology in Exhibit B(3). Certificateholders should determine for themselves how to use the pool statistics.

**Monthly Pool Factor and Other Updated Information**

On or about the fourth business day of each month, we will publish the current monthly pool factor for each issue of certificates that remains outstanding. If you multiply the monthly pool factor by the original unpaid principal balance of the certificates, you will obtain the current principal balance of the certificates, after giving effect to the monthly principal payment to be passed through on the distribution date in that month. These monthly pool factors are made available each month on our Web site and in various financial publications.

We also provide updated information for some characteristics of certain pools and certain loans on our Web site. Certificateholders should note that, unless otherwise stated in this prospectus or a prospectus supplement, information on our Web site is not incorporated by reference in this prospectus or in any prospectus supplement.

**Types of Multifamily Mortgage Loan Pools**

*Fixed-Rate Pools — Fixed Pass-Through Rate*

Fixed-rate pools consist entirely of one or more multifamily fixed-rate mortgage loans. Although the loans in a fixed-rate pool may bear different fixed rates of interest, certificateholders will receive interest at a single fixed pass-through rate that is specified in the pool statistics page of the prospectus supplement. In most instances, the interest rates of the underlying fixed-rate loans in a single pool are grouped so that the rates on the loans are all within a range of two percent (two hundred basis points). Because the pass-through rate for each loan in a fixed-rate pool is the same, the pass-through rate will not change if prepayments occur, even if those prepayments cause a change in the weighted average interest rate on any remaining loans in the pool. However, because interest is paid based on the outstanding principal balance of the certificates, and principal prepayments are passed through as prepayments of principal on the certificates, principal prepayments may affect the yield on the certificates. For a discussion of how prepayments can affect yield, see “Yield, Maturity and Prepayments Considerations.”

*Fixed-Rate Pools with Adjustable-Rate Option—Hybrid Adjustable Pass-Through Rate*

Fixed-rate pools with an adjustable-rate option consist entirely of one or more multifamily fixed-rate mortgage loans with an adjustable-rate option. During the fixed-rate term of the loans, certificateholders will receive interest as described above in “—Fixed-Rate Pools—Fixed Pass-Through Rate.” The borrower may not voluntarily prepay the loan at any time during the fixed-rate term. At the end of the fixed-rate term of the loan, the borrower may pay off the loan or may choose to extend the loan for an additional one-year term. If the borrower extends the loan, the loan will bear interest during the extension year at rates that adjust monthly in response to changes in an index. The prospectus supplement will identify the index used for the multifamily mortgage loans included in a pool. The prospectus supplement will also include any other additional information about the loan and pool characteristics during the adjustable-rate term. During the adjustable-rate term of the loans, certificateholders will receive interest as described below in “—ARM Pool—Variable Pool Accrual Rate.”

*ARM Pools—Variable Pool Accrual Rate*

ARM pools consist entirely of one or more multifamily mortgage loans that bear interest at rates that adjust periodically in response to changes in an index. The prospectus supplement will identify the index used for the multifamily loans included in a pool. The prospectus supplement will also include additional information about the loan characteristics of the pool, including the frequency of
rate and payment changes, the percent and timing of interest rate caps, any prepayment premiums or interest-only payment periods, and any option of the borrower to convert the loan to a fixed-rate loan.

We will calculate interest for each adjustable-rate pool at a monthly rate, which we call the “pool accrual rate.” The pool accrual rate is equal to the weighted average of the mortgage interest rates (net of the sum of the servicing fee and our guaranty fee, if any) for each loan in that pool. Therefore, the pool accrual rate is not a fixed pass-through rate and generally will vary from month to month as mortgage loans adjust, amortize, or prepay. We refer to the sum of the servicing fee and our guaranty fee as the “fee percentage.” We refer to the difference between the loan’s mortgage margin (a percentage specified in a mortgage note) and the fee percentage as the “MBS margin.” The following illustrates the methods for determining pool accrual rate, fee percentage and mortgage margin:

- **Pool Accrual Rate** = Weighted Average of (Mortgage Interest Rate* − Fee Percentage*)
- **Fee Percentage** = Servicing Fee* + Guaranty Fee*
- **MBS Margin** = Mortgage Margin* − Fee Percentage*

* For each mortgage loan in the pool.

ARM loans may have an initial interest rate period during which the interest for the loans accrues at a fixed market rate that is not based upon an index or the loan’s mortgage margin. Beginning on the first interest rate change date for each of the ARM loans in a pool, the interest on the loan will accrue at a rate equal to the index value plus the mortgage margin (subject to rounding and to interest rate caps and floors). A particular loan’s contribution to the pool accrual rate will equal the index value for that loan plus the MBS margin (because of the deduction of our fee percentage). The first interest rate change date for the ARM loans in your pool may have occurred before the issue date of the certificates.

In some ARM pools, the mortgage margin may be zero percent. Because we usually charge a fee percentage, where the mortgage margin is zero the MBS margin will be expressed as a negative value MBS margin in the pool statistics. However, the pool accrual rate for pools containing these loans will still be equal to the weighted average of the mortgage interest rate (net of the sum of our servicing fee and guaranty fee) for each loan in the pool.

We generally establish the MBS margin for loans in a multifamily ARM loan pool in one of two ways:

- In some ARM loan pools, the MBS margin is the same for all loans in the pool, even though the mortgage margins may vary from loan to loan. We accomplish this by varying the fee percentage from loan to loan, so that the difference between each loan’s mortgage margin and its corresponding fee percentage results in an MBS margin that is the same for each loan. We refer to this type of ARM loan pool as a fixed MBS margin pool.

- In other ARM loan pools, our fee percentage is the same for each of the loans in the pool, with the result that the MBS margins vary among the loans in the pool to the same degree as do the mortgage margins. We refer to this type of ARM loan pool as a weighted average MBS margin pool.

We will provide information about the MBS margin for your pool in the pool statistics page of the prospectus supplement. Each month we make available updated MBS margin information for the pool on our Web site and in various financial publications.

**MULTIFAMILY MORTGAGE LOANS**

Each multifamily mortgage loan in a pool is evidenced by a promissory note and secured by a deed of trust, mortgage or similar security instrument creating a first lien (or, if the prospectus supplement so states, a subordinate lien) on a multifamily residential property. The loans bear interest at either a fixed or an adjustable rate or are non-interest bearing. Each multifamily mortgage loan requires the
borrower to make monthly payments of principal and interest, except as provided otherwise in the prospectus supplement.

Either we or our custodian (which may be the seller or servicer of the mortgage loans) takes possession of the original note endorsed to us (or a copy of the original note along with a lost note affidavit, in the case of notes that have been lost or are missing), and a filed or recorded assignment to us of the mortgage or deed of trust. We may permit variations of these procedures in certain cases. If we use a custodian, the custodian must be an institution that is supervised and regulated, or a subsidiary or affiliate of an institution that is supervised and regulated, by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, the National Credit Union Association, a state insurance commissioner or, in some cases, by another entity. In all cases, the custodian must be approved by Fannie Mae. Before issuing a series of certificates, we review the mortgage loan schedule for that series and later may, from time to time, conduct random spot checks to confirm that the related documents are held by the custodian.

We have the right to change these document delivery and custody requirements at any time as long as we determine that the change will not materially and adversely affect the certificateholders’ interests. We have set up these requirements to protect certificateholders’ interests in the multifamily mortgage loans contained in the related pool. Nevertheless, because the law is unclear regarding a liquidation, reorganization or similar proceeding involving the assets of Fannie Mae, no assurance can be given regarding the status of the certificateholders’ interests in the mortgage loans if a proceeding of that type should occur.

Types of Loans

Most of the multifamily mortgage loans included in our pools are conventional mortgage loans—that is, loans that are not insured by the FHA or other government agencies. We refer to non-conventional loans as government loans and refer to pools that include exclusively government loans as government pools. Some conventional loan pools, however, may include loans that are insured by the FHA. Our pools include loans originated for the purpose of purchasing refinancing and/or rehabilitating multifamily residential properties, including apartment buildings, cooperative housing projects that contain five or more units, multifamily affordable housing, seniors’ housing, manufactured housing communities and student housing. The prospectus supplement will identify the type of multifamily mortgage loans included in the pool.

Lenders originate or purchase multifamily loans for sale to us that fall into three major categories: fixed-rate mortgage loans, adjustable-rate mortgage loans ("ARM" loans), and non-interest bearing mortgage loans. The loans may have different methods of calculating interest, varying loan terms and restrictions and other features. We purchase these loans under one of two general classes of loan products: Delegated Underwriting and Servicing ("DUS"), which includes Standard DUS loans and Structured Transaction DUS loans, and Negotiated Transactions. Certificates may be backed by multifamily loans acquired by us in either of these general classes of loan products.

Non-interest bearing mortgage loans are included in mortgage loan pools that back DMBS certificates.

Fixed-Rate Loans

Fixed-rate mortgage loans bear interest at rates that are fixed at origination and remain constant until the maturity date. Each fixed-rate loan type is described below. A fixed-rate pool will contain mortgage loans of only one type. The prospectus supplement will identify the type of loans included in the pool.

- *Fully amortizing equal payment loans*—Each scheduled monthly payment of principal and interest is in the same amount and fully amortizes the principal of the loan over its term.
• **Partially amortizing equal payment loans with balloon payments**—Each scheduled monthly payment of principal and interest, except the final payment, is in the same amount. The amount of principal amortized each month is equal to the principal that would be amortized over an amortization period that is longer than the loan term. The final scheduled payment at maturity is a lump sum or balloon payment that is substantially larger than any previous scheduled payment.

• **Interest-only initially to fully amortizing equal payment loans**—During an initial period of time, no scheduled principal payment is due on the loan, and the borrower’s required monthly payment is set at an amount sufficient to pay only the monthly interest due on the outstanding principal balance at the mortgage interest rate. Consequently, during this initial period, payments on certificates backed by pools of this type of mortgage loan will consist only of interest and unscheduled principal from partial or full prepayments on the mortgage loans. On the first payment due date after the end of the initial interest-only period, the monthly payment amount will change to equal scheduled monthly payments of principal and interest in an amount necessary to pay interest at the mortgage interest rate and to fully amortize the outstanding principal balance of the loan on a level debt service basis over the remainder of its term. After the end of the interest-only period, the payments you receive on the certificates related to the new monthly payment include scheduled (and unscheduled) principal as well as monthly interest at the fixed pass-through rate.

• **Interest-only initially to partially amortizing equal payment loans with balloon payments**—During the interest-only period, the payments will be made as described above in “—Interest-only initially to fully amortizing equal payment loans.” On the first payment due date after the end of the initial interest-only period, the monthly payment amount will change to equal scheduled monthly payments of principal and interest in an amount necessary to pay interest at the mortgage interest rate and to partially amortize the outstanding principal balance of the loan on a level debt service basis over the remainder of its term. The final scheduled payment at maturity is a lump sum or balloon payment that is substantially larger than any previous scheduled payment. After the end of the interest-only period, the payments you receive on the certificates related to the new monthly payment include scheduled (and unscheduled) principal as well as monthly interest at the fixed pass-through rate.

• **Interest-only equal payment loans with balloon payments**—No scheduled principal payments are due on the loan during its term, and the borrower’s required monthly payment is set at an amount sufficient to pay only the monthly interest due on the outstanding principal balance at the mortgage interest rate. As a result, during the term of the loan, payments on certificates backed by pools of this type of mortgage loan will consist only of interest and unscheduled principal from partial or full prepayments on the mortgage loans. The final scheduled payment at maturity is a lump sum or balloon payment of all outstanding principal plus all accrued and unpaid interest.

**Adjustable-Rate Loans (ARM Loans)**

ARM loans bear interest at rates that adjust periodically in response to changes in an index. See “—**ARM Indices**” below.

**Types of ARM Loans**

Each ARM loan type is described below. ARM pools generally will contain loans of only one type. The prospectus supplement will identify the type or types of loans included in the pool.

• **Fully amortizing ARM loans**—The interest rate adjusts periodically during the term of the loan. Each time the rate is adjusted, the monthly payment amount will change to an amount necessary to pay interest at the new interest rate and to pay principal in an amount that fully
amortizes the outstanding principal balance of the loan on a level payment basis over the remainder of its term, based on the current interest rate.

- **Partially amortizing ARM loans with balloon payments**—The interest rate adjusts periodically during the term of the loan. Each time the rate is adjusted, the monthly payment amount will change to an amount necessary to pay interest at the new interest rate and to pay principal in an amount that partially amortizes the outstanding principal balance of the loan on a level payment basis over the remainder of its term, based on the current interest rate. (The amount of principal amortized each month is equal to the principal that would be amortized over an amortization period that is longer than the loan term.) The final scheduled payment at maturity is a lump sum or balloon payment that is substantially larger than any previous scheduled payment.

- **Interest-only initially to fully amortizing ARM loans**—The interest rate adjusts periodically during the term of the loan in accordance with the provisions of the mortgage note to a rate based on the index and mortgage margin specified in the mortgage note. During an initial period of time, the interest rate is fixed and no scheduled principal payment is due on the loan. During this time, the borrower’s required monthly payment is set at an amount sufficient to pay only the monthly interest due on the outstanding principal balance at the then-applicable interest rate. As a result, during this initial period, payments on certificates backed by pools of these mortgage loans will consist only of interest and unscheduled principal from partial or full prepayments on the mortgage loans. On the first payment due date after the end of the initial interest-only period, the monthly payment amount will change to an amount necessary to pay interest at the new interest rate and to pay principal in an amount that fully amortizes the outstanding principal balance of the loan on a level payment basis over the remainder of its term, based on the current interest rate. After the end of the initial interest-only period, the new monthly payments include scheduled (and unscheduled) principal and monthly interest at the pool accrual rate then in effect.

- **Interest-only initially to ARM loans with balloon payments**—The interest rate adjusts periodically during the term of the loan in accordance with the provisions of the mortgage note to a rate based on the index and mortgage margin specified in the mortgage note. During the interest-only period, payments will be made as described above in “—Interest-only initially to fully amortizing ARM loans.” On the first payment due date after the end of the initial interest-only period, the monthly payment amount will change to an amount necessary to pay interest at the new interest rate and to pay principal in an amount that partially amortizes the outstanding principal balance of the loan on a level payment basis over the remainder of its term, based on the current interest rate. The final scheduled payment at maturity is a lump sum or balloon payment that is substantially larger than any previous scheduled payment. After the end of the interest-only period, the new monthly payments include scheduled (and unscheduled) principal and monthly interest at the pool accrual rate then in effect.

- **Interest-only ARM loans with balloon payments**—No scheduled principal payments are due on the loan during its term. The interest rate on the loan will adjust in accordance with the provisions of the mortgage note to a rate based on the index and mortgage margin specified in the mortgage note. Each time the rate is adjusted, the borrower’s required monthly payment amount will change to an amount necessary to pay only interest at the new mortgage interest rate. As a result, during the term of the loan, payments on certificates backed by pools of this type of mortgage loan will consist only of interest and unscheduled principal from partial or full prepayment on the mortgage loans. The final scheduled payment at maturity is a lump sum or balloon payment of all outstanding principal plus all accrued and unpaid interest.

- **ARM Loans permitting negative amortization**—As with ARM loans that do not permit negative amortization, the interest rate and payment amount adjust periodically during the term of the
loan. These ARM loans, however, have either or both (i) an adjustment schedule in which the payment amounts are adjusted less frequently than the interest rate or (ii) a payment cap that limits the amount by which the payment can increase as a result of an interest rate increase. This feature creates the possibility that after an interest rate change, the monthly payment on the ARM loan will be insufficient to cover the accrued interest. Whenever that occurs, the portion of interest that is not included in the payment amount will be added to principal (referred to as negative amortization), and interest will accrue on the new higher mortgage balance.

- **ARM Loans with fixed-rate conversion option**—The interest rate and payments adjust in the same manner as fully amortizing or partially amortizing ARM loans, described above, as appropriate, unless the loan is converted to a fixed-rate loan. The borrower has the option to convert the interest rate to a fixed rate at specified times as long as certain conditions (which are specified in the prospectus supplement) are met. We will repurchase the loan from the pool during the calendar month before the loan begins to accrue interest at the new fixed rate.

**How ARM Loans Work**

- **Initial fixed-rate period.** For an initial period, interest on most ARM loans accrues at a fixed rate, which may or may not be based on the index value in effect at the time of the loan’s origination. The prospectus supplement will state (i) the initial interest rate if the loan has not yet had an interest rate change or the current interest rate if the loan has had an interest rate change, (ii) the length of time from loan origination to the first interest rate change date for each loan in the pool if the loan has not yet had an interest rate change and (iii) the frequency of later interest rate changes, which take place on each interest rate change date.

- **Calculation of the adjustable interest rate.** After the initial fixed-rate period, if any, the interest rate on an ARM loan is adjusted at regular intervals specified in the mortgage note. On each interest rate change date, the interest rate is adjusted to equal the sum of the index value most recently available as of a date specified in the mortgage note plus the mortgage margin. The result is rounded according to the rounding convention stated in the mortgage note or, if none is stated, to three decimal points or as may be specified in the prospectus supplement. The index value to be used will be the latest index value available as of a date that precedes the rate change by the lookback period. The lookback period is the number of days specified in the related mortgage note that fall between the interest rate change date and the specified preceding date. The prospectus supplement will specify the lookback period for the index value used in the calculation of the new adjusted interest rate.

- **Interest rate caps and floors; payment change and payment caps.** Many ARM loans contain periodic interest rate caps and floors, which limit the amount by which the interest rate can increase or decrease on each interest rate change date. Many ARM loans also include a lifetime interest rate cap (requiring that the interest rate on the loan never exceed the lifetime interest rate cap, regardless of the applicable index value) and a lifetime interest rate floor (prohibiting the interest rate from being set below the lifetime interest rate floor, regardless of the applicable index value). If no lifetime interest rate floor is specified, we treat the related mortgage margin as the floor. The prospectus supplement will specify any periodic interest rate caps and floors that apply to the initial rate change and to each later interest rate change and will also describe any lifetime interest rate caps and lifetime interest rate floors. Unless the prospectus supplement states otherwise, all payment adjustments on ARM loans will be effective in the month after each interest rate change and no payment caps limiting the amount by which the payment can increase or decrease will apply to the ARM loans in the pool.

- **Options to convert to fixed rate.** Some ARM loans permit the borrower to convert the loan to a fixed-rate loan at certain times specified in the mortgage loan documents. If the borrower exercises the right to convert the ARM loan to a fixed-rate loan, we will purchase the loan from
the pool during the calendar month before the loan begins to accrue interest at the new fixed rate. The purchase price will equal the ARM loan's stated principal balance, together with one month's interest at its then-current pool accrual rate. For many ARM loans, the new fixed rate is equal to the approximate market rate of interest that we would require at the time of conversion for newly originated multifamily mortgage loans comparable in material respects to the mortgage loan and delivered in accordance with our standards and procedures. Other ARM loans may use different methods for setting the new fixed rate. The prospectus supplement will identify ARM loan pools as convertible and specify the times when a borrower may convert an ARM loan to a fixed-rate loan as long as certain conditions (which are specified in the prospectus supplement) are met.

• **Rate changes upon assumption.** If a mortgaged property securing an ARM loan is sold, many ARM loans permit the new purchaser of the mortgaged property to assume the loan, provided that the purchaser is reasonably satisfactory to the lender. Some ARM loans permit the assumption of the loan at any time during its term while other ARM loans require the expiration of either a prescribed length of time or an initial period of time during which the loan is accruing interest at a fixed rate. For additional information about the rules that apply in this circumstance, see “—General Characteristics of Multifamily Loans—Assumptions of Multifamily Loans and Transfers of Interests in Borrowers.” In some cases, the lender is permitted at the time of the assumption to reset the maximum and minimum interest rates and the maximum and minimum payment caps or lifetime interest rate caps. The interest rate after the resets is generally not lower than the related mortgage margin. If a pool includes ARM loans that provide for resets of any of these features at the time a loan is assumed, the prospectus supplement will disclose the specific features that are permitted to be reset at that time.

• **Effective Date of Adjustment.** Unless the prospectus supplement states otherwise, all payment adjustments on ARM loans will be effective in the month after each interest rate change date.

• **Negative amortization.** Unless we specify otherwise in the prospectus supplement, the pool will contain no ARM loans that have a possibility of negative amortization.

• **Payment change frequency and payment caps for negative amortization loans.** If an ARM loan permits negative amortization, there may be times when the monthly payment is insufficient to pay all of the interest that has accrued during the month. This usually occurs in one or both of the following instances: when payments are not adjusted as frequently as the interest rate adjusts or when a payment cap applies. Payment caps and floors limit the amount by which the borrower’s payment can increase or decrease with each interest rate change. If a payment cap or floor applies, the prospectus supplement will so state. In either case, when this happens, the amount by which the payment is insufficient to pay the interest due is deferred and added to the principal balance of the mortgage loan. Interest then accrues on the new higher mortgage loan balance.

• **Periodic reamortization for negative amortization loans.** Some ARM loans that permit negative amortization provide for a full reamortization of principal periodically. Some loans may also provide for reamortization between the planned reamortization dates where the addition of deferred interest to principal would cause the then principal balance of the loan to exceed a specified trigger amount over the original principal balance. Reamortization is the adjustment of the monthly payment amount to an amount sufficient to pay the then remaining principal balance of the loan, together with interest at the then applicable rate, in equal monthly payments for its remaining term. This readjustment is made without regard to the caps on payment adjustments that would otherwise apply. If a loan permits negative amortization, the prospectus supplement will indicate the dates for scheduled reamortizations and the trigger level for unscheduled reamortizations.
**ARM Indices**

After an initial fixed-rate period, each ARM loan will bear interest at a rate that varies in response to movements in a single specified index. Different loans may use different indices to calculate the interest rate charged to the borrower on the related loan. The interest rate on all ARM loans in a pool will adjust based upon the same index. The prospectus supplement will specify the index used to determine the mortgage interest rates for the mortgage loans in the pool. We make no representations as to the continued availability of these indices or as to the date on which the indices are published or made publicly available. Most mortgage notes for ARM loans provide that, if the applicable index is no longer available or is no longer posted through the specified electronic transmission, the holder will choose a new index that is based upon comparable information. Some commonly used indices include the following:

- **LIBOR Indices (Telerate or The Wall Street Journal):** The average of the London Interbank Offered Rates for one-month (One-Month LIBOR), three-month (Three-Month LIBOR), six-month (Six-Month LIBOR) and one-year (One-Year LIBOR) U.S. Dollar-denominated deposits, either as fixed by the British Bankers Association and reported by Telerate through electronic transmission or as published in *The Wall Street Journal*, as specified in the mortgage note and disclosed in the prospectus supplement.

- **US Treasury Indices:** The weekly average yield on United States Treasury securities adjusted to a constant maturity of one year (One-Year Treasury Index), three years (Three-Year Treasury Index), five years (Five-Year Treasury Index) and ten years (Ten-Year Treasury Index), in each case as made available by the Federal Reserve Board. These indices are sometimes referred to as the constant maturity Treasury indices or “CMT” indices. These indices are published by the Board of Governors of the Federal Reserve System in Federal Reserve Statistical Release: Selected Interest Rates No. H.15 (519). This release usually appears on Monday (or Tuesday, if Monday is not a business day) of every week. You can obtain a copy by writing the Publications Department at the Board of Governors of the Federal Reserve System, 20th and “C” Streets, NW, Washington, D.C. 20551, by calling (202) 452-3244, or by accessing their Web site at www.federalreserve.gov/releases. We do not intend this internet address to be an active link.

- **COFI Index:** The 11th district monthly weighted average cost of funds index of the Federal Home Loan Bank of San Francisco, as made available by the Bank (COFI Index). The COFI Index is published in the monthly Federal Home Loan Bank of San Francisco Bulletin. You can obtain a copy by writing to the Office of Public Information, Federal Home Loan Bank of San Francisco, P.O. Box 7948, 600 California Street, San Francisco, California 94120 or by calling (415) 616-1000. You can also obtain the COFI Index by calling (415) 616-2600 or by accessing the FHLB-SF Web site at www.fhlbsf.com. We do not intend this internet address to be an active link.

**Hybrid ARM Loans**

Hybrid ARM loans have fixed interest rates during their original term but provide the borrower with an option to extend the loan for an additional year at an adjustable interest rate. During the fixed-rate term of the loans, certificateholders will receive interest as described above in “**Multifamily Mortgage Loan Pools—Types of Multifamily Mortgage Loan Pools—Fixed-Rate Pools—Fixed Pass-Through Rate.**” If the borrower extends the loan, the loan will bear interest during the extension year at rates that adjust monthly in response to changes in an index, which will be identified in the related prospectus supplement. During the adjustable-rate term of the loans, certificateholders will receive interest as described above in “**Multifamily Mortgage Loan Pools—Types of Multifamily Mortgage Loan Pools—ARM Pool—Variable Pool Accrual Rate.**” If your pool contains loans of this type, the prospectus supplement will include any other material information about the loans and characteristics of the pool.
Non-Interest Bearing Loans

Short-term advances made to a borrower under a master credit facility agreement or a master loan agreement generally do not bear interest. The advance is disbursed to the borrower in a discounted amount that is less than 100% of the original stated principal balance of the advance. On or before the loan maturity date, the borrower repays the discounted principal amount and all of the initial discount. Short-term advances have a term of one year or less. These loans are discussed in greater detail under “Multifamily Mortgage Loans—DUS Loans—Structured Transactions.”

General Characteristics of Multifamily Loans

Each prospectus supplement for a pool of multifamily loans will include a schedule of loan information that provides detailed information about the loans included in the pool. In each case, the additional information includes certain data and estimates (“data”) provided by the seller. When you review the data, you should keep in mind the following points:

- We have not independently verified the accuracy of the data.
- We do not guarantee that the data are accurate.
- The data have not been reviewed or passed upon by an independent third party.
- We do not guarantee that the seller has the experience or qualifications to ensure that the data are accurate.

In addition, the seller provides only the latest data available as of the date the certificates are issued, which may relate to an earlier period. Thus, after that date, the data may no longer be accurate due to intervening events or conditions.

The seller is required to make certain representations and warranties to us about the multifamily mortgage loans that we purchase. See “Fannie Mae Purchase Program—Seller Representations and Warranties” below.

From time to time, we may make available certain information about the mortgage loans in some of the pools. We will post the information on our Web site and, in addition, may make the information available to The Bond Buyer, Bloomberg L.P. or other information services.

The Schedule of Loan Information

In the schedule of loan information found in each prospectus supplement, we will furnish certain data elements about the underlying multifamily mortgage loans in the pool. The data elements included in the schedule of loan information for the loans in any particular pool may vary but generally will include the data elements listed below. In addition, some of the data elements are applicable only to ARM loans.
Characteristics of the Loan and the Mortgaged Property

Terms for Most Loans
- Pool Number
- Seller Number
- Fannie Mae Loan Number
- Unpaid Principal Balance
- Interest Rate
- Interest Day Basis
- Maturity Date
- First Monthly Payment Due
- Original Amortization Term
- Interest-Only End Date
- Debt Service Coverage Ratio
- Eligibility of Loan for Tier Drop Supplemental Loan (DUS loans)
- Property Type
- Property City, State and Zip Code
- Number of Multifamily Units
- Occupancy Rate
- Appraised Value or Property Value
- Annual Net Operating Income
- Loan to Value Ratio
- % of Units Set Aside for Tenants Earning Less than Stated % of Median Income
- Availability of Low Income Housing Tax Credits
- Data Concerning Any Other Existing Loan on the Mortgaged Property

Additional Terms for ARM Loans
- Prepayment Characteristics
- Declining Premium Option
- Prepayment Period End Date

Definitions
Certain terms are commonly used for multifamily loans, including “debt service coverage ratio,” “loan-to-value ratio,” “net operating income” and “property value.” For Standard DUS Loans, definitions of these terms may be found in this prospectus under “DUS Loans—Definitions.” For structured transaction loans and negotiated transaction loans, definitions of these terms will be found in the related prospectus supplement.

Method for Calculating Interest
Each mortgage note related to a multifamily mortgage loan specifies the method to be used for calculating interest on the loan. Interest is generally calculated on a 30/360 basis or on an actual/360 basis, although other methods may also be used. Calculation of the total monthly principal and interest payment for a loan using the 30/360 method is the same as the calculation for a loan using the actual/360 method. The difference between the 30/360 and actual/360 methods is that the amount of each monthly payment that is allocated to interest will be based on 30 days in a month for the 30/360 method and the actual number of calendar days during the month for the actual/360 method. In a 31-day month, more of the monthly payment amount will be allocated toward interest using the actual/360 method than will be allocated toward interest using the 30/360 method. Because there are
actually 365 or 366 days in a year, loans using the actual/360 method amortize more slowly and generate more interest than a loan at the same note rate using the 30/360 method. As a result, a fully amortizing loan accruing interest on the 30/360 method is expected to have no principal balance payable on the stated maturity date of the loan; however, the same loan accruing interest on the actual/360 basis is expected to have a balloon payment including all unpaid principal on the stated maturity date of the loan.

The prospectus supplement will specify the method for calculating interest on the loan and, if the method used is not the 30/360 basis or the actual/360 basis, will define and describe the method being used.

**Amortization, Maturity Date and Payments**

Multifamily loans generally require monthly payments of principal and interest or payments of interest only. Whether the loan will have a balloon payment due at the scheduled maturity date will depend upon the basis used for calculating interest on the loan, the original loan term, the original amortization term, and the type of monthly payments being made on the loan. Loans that will have balloon payments due at maturity include, for example, (i) loans with interest-only payments for part or all of the term and (ii) loans providing for principal and interest payments sufficient to pay all accrued interest and to pay scheduled principal over an original amortization term that is longer than the original loan term. The prospectus supplement will provide this information for each loan and will identify any loan for which payments are scheduled to be made less frequently than monthly.

**Underwriting and Servicing**

Underwriting and servicing requirements differ between the two types of multifamily mortgage loans, DUS and Negotiated Transactions. See “DUS Loans—Underwriting and Servicing” and “Negotiated Transactions” for a description of the respective requirements.

**Existing and Future Encumbrances on a Mortgaged Property**

Sometimes we purchase a multifamily mortgage loan secured by a mortgaged property that is already encumbered by one or more mortgage liens. The prospectus supplement will identify any loan secured by a mortgaged property that is already securing a senior lien mortgage loan on the issue date of the related certificates. If your pool includes such a multifamily mortgage loan, the debt service coverage ratio and loan-to-value ratio will be disclosed for the purchased mortgage loan combined with the existing mortgage loans and may also be disclosed for the purchased mortgage loan individually. See the definitions under “DUS Loans—Standard DUS Loans—Subordinate Lien Mortgage Loans.”

At other times, a mortgaged property that secures a mortgage loan backing the related certificates may be further encumbered by a subordinate lien mortgage loan after the issue date of the certificates. We may permit a new subordinate lien mortgage loan on the mortgaged property where we are satisfied that the new subordinate loan will not have a material adverse effect on the financial performance of the existing mortgage loan backing the certificates. We evaluate requests for subordinate financing on a loan-by-loan basis and may consider a number of factors. We often consider whether the proposed subordinate mortgage loan, the existing mortgage loan and all other senior and subordinate lien mortgage loans secured by the property have both (i) a combined debt service coverage ratio that is equal to or greater than the debt service coverage ratio that originally applied to the existing mortgage loan and (ii) a combined loan-to-value ratio that is equal to or less than the loan-to-value ratio that originally applied to the existing mortgage loan. In addition, special requirements apply to Standard DUS loans and Structured Transaction DUS loans. See “DUS Loans—Standard DUS Loans—Future Encumbrances on a Mortgaged Property” and “DUS Loans—Structured Transactions.”

An event of default may occur under a mortgage loan not included in your pool but secured by the mortgaged property related to the existing mortgage loan in your pool. The event of default (i) may trigger an event of default under the existing mortgage loan in your pool or any other mortgage loans
and (ii) may entitle the holder of the other mortgage lien to foreclose on and sell the mortgaged property subject to the lien of any mortgage loans senior to the defaulted mortgage loan. If this occurred, we would be entitled to declare the entire unpaid principal balance of the existing mortgage loan in your pool due and payable. If we did so, you would receive an early payment of principal from the existing mortgage loan related to the certificates. If the existing mortgage loan is the only loan in the pool at that time, your pool would be terminated and the stated principal balance of the loan would be paid to you.

**Mezzanine Financing**

Sometimes we purchase a multifamily mortgage loan where a type of subordinate financing known as “mezzanine financing” currently exists or may be added after the issue date of the certificates. When the mezzanine financing is structured as mezzanine debt, the partners or members (the “principals”) of the borrower of a multifamily mortgage loan will borrow funds secured by a pledge of their ownership interests in the borrower (for example, partnership interests in a limited partnership or membership interests in an limited liability company). Mezzanine debt is not an obligation of the borrower and is not secured by the mortgaged property. If the principals default on the mezzanine debt and the mezzanine lender forecloses on the ownership interests held as security for the debt, there would be a change in control of the borrower. The borrower, however, would continue to own the mortgaged property and to be obligated under the mortgage loan. When the mezzanine financing is structured as preferred equity, the mezzanine lender extends subordinate financing directly to the borrower. In turn, the right of the mezzanine lender to receive distributions of available cash flow (sometimes on a cumulative basis) is senior to the rights of the holders of the ownership interests in the borrower. When mezzanine financing is present, we and the lender require the mezzanine lender to enter into an intercreditor agreement that sets forth, without limitation, certain conditions regarding the mezzanine lender’s ability to transfer the mezzanine loan or its interest in the loan and to exercise the mezzanine lender’s remedies upon a default under the mezzanine loan and certain limitations on any right of the mezzanine lender to deter a default under the mortgage loan.

**Prepayment Restrictions, Early Receipt of Principal and Prepayment Premiums**

Prepayments or other early receipt of principal of the loans contained in your pool may affect, in some cases significantly, your effective yield on the related certificates. We guarantee that we will pay principal and interest on the certificates when due, whether or not the borrower on a loan pays us. We will not guarantee the payment to you of any yield maintenance fees or other prepayment premiums paid in connection with an early prepayment of principal. We cannot predict whether and to what extent any loan or any certificates actually will experience early prepayment of principal.

Most multifamily mortgage loans prohibit voluntary partial prepayments at all times. Some multifamily mortgage loans permit voluntary prepayments in full at any time and others permit voluntary prepayments in full only after expiration of a “lockout” period. Most multifamily mortgage loans permit voluntary prepayments in full only upon payment of yield maintenance or other prepayment premium. The prospectus supplement will disclose any lockout period, any requirement for the payment of yield maintenance or other prepayment premiums, and the method used to calculate the yield maintenance or the other prepayment premium. See “—DUS Loans—Standard DUS Loans” for a description of how yield maintenance fees or other prepayment premiums are determined for Standard DUS loans.

Multifamily mortgage loans may experience involuntary prepayments. An involuntary prepayment means the early receipt of all or a portion of the principal of a loan other than as a result of a voluntary prepayment by the borrower. Most multifamily notes provide that the borrower will not be required to pay a prepayment premium if an involuntary prepayment results from receipt of casualty insurance proceeds or a condemnation award affecting the related mortgaged property. **Unless the prospectus supplement otherwise provides, if we do collect a prepayment premium as the**
result of an involuntary prepayment due to casualty or condemnation, we will not pay any portion of the premium to certificateholders.

If part or all of a mortgaged property is condemned, condemnation award proceeds generally are applied against the unpaid principal balance of the related loan as long as the multifamily mortgage loan is not then in material default. The proceeds are then passed through to certificateholders as a full or partial prepayment of principal.

In contrast, casualty insurance proceeds generally are not applied against the unpaid principal balance of the related loan. Instead, these proceeds generally are used to restore or repair the mortgaged property as long as the loan is not then in material default. However, we may permit all or part of the proceeds to be applied against the unpaid principal balance if we determine, in our sole discretion, that certain conditions established by us are satisfied. The required conditions may vary among loans but often include the following:

(i) sufficient funds are available to restore the mortgaged property to a satisfactory condition;
(ii) after the mortgaged property has been restored, rental income will be sufficient to meet all project obligations; and
(iii) the repair or restoration of the mortgaged property will be completed within one year of the casualty event or before the maturity date of the loan, whichever occurs first.

Where the conditions required by the loan documents are satisfied, the casualty insurance proceeds may be applied against the unpaid principal balance of the related loan and then passed through to the certificateholders as a full or partial prepayment of principal.

Most multifamily mortgage loans do not permit reamortization of the unpaid principal remaining after application of condemnation or casualty insurance proceeds. When proceeds are applied against the unpaid principal balance, some multifamily mortgage loans may permit or require reamortization of the remaining unpaid principal over the remaining amortization period. If a reamortization occurs, the amount of principal and interest paid by the borrower each month will be reduced. This reduction in payment will cause a corresponding reduction in the amount of principal and interest passed through to the certificateholders each month, affecting your yield. The prospectus supplement will identify any loans that permit or require reamortization.

An involuntary prepayment may also result if we apply collateral or other security to the repayment of all or part of the unpaid principal balance of a defaulted loan. In most of these cases involving defaulted loans, we are entitled under the loan documents to receive a prepayment premium from the borrower. Nevertheless, we are unable usually to collect a prepayment premium under these circumstances. When we do collect a prepayment premium, we generally will deduct and retain the prepayment premium from the proceeds of the collateral or other security and apply the balance of the proceeds to repayment of all or any portion of the unpaid principal balance of the related loan. If we do collect a prepayment premium as the result of an involuntary prepayment due to the application of collateral or other security against the unpaid principal balance of a defaulted loan, we will not pay any portion of the prepayment premium to certificateholders.

We generally will waive payment or modify the amount of a prepayment premium when an asset audit, conducted in accordance with our servicing requirements, determines that a loan is in default due to legitimate cash flow deficiencies and that the default does not result from an attempt to avoid payment of the prepayment premium. If we do require a borrower to pay a prepayment premium, we generally will deduct and retain the prepayment premium from the proceeds of the collateral or other security and apply the balance of the proceeds to repayment of all or any portion of the unpaid principal balance of the related loan. The prospectus supplement will describe any different manner in which the terms for collection or application of prepayments differ from those explained in this base prospectus.
The prospectus supplement will describe any manner in which the terms for collection or application of prepayments differ from those explained in this prospectus. The prospectus supplement also may provide that certificateholders share in all or part of any prepayment premiums paid on the mortgage loans in the pool. We will pay certificateholders their share of prepayment premiums only to the extent that a prepayment premium is collected by us and that collected prepayment premiums remain after we have deducted our full share. We do not guarantee the payment to you of any prepayment premiums.

Even if a borrower prepays a multifamily mortgage loan where the terms of the loan require the borrower to pay a prepayment premium, we may not collect the prepayment premium. Some states have laws that limit the amounts a lender may collect from a borrower in connection with a voluntary prepayment or that may make it difficult to collect a prepayment premium in connection with an involuntary prepayment. We cannot ensure whether the imposition of a prepayment premium is enforceable or collectible under the laws of any state or territory.

In addition, if a borrower or an affiliated party becomes involved in a bankruptcy proceeding, the bankruptcy court may order the sale of a mortgaged property even though the related mortgage loan is not in default. If the mortgaged property is ordered to be sold, the bankruptcy court may refuse to order payment of the prepayment premium required under the terms of the mortgage loan. In that case, we may not collect the full prepayment premium, or we may collect only a portion of the prepayment premium pursuant to an agreement with the creditors’ committee. Even if the prospectus supplement provides that certificateholders share in prepayment premiums, we will pay certificateholders their share of prepayment premiums only to the extent that a prepayment premium is collected by us and that collected prepayment premiums remain after we have deducted the full amount that we are due under the terms of the mortgage loan.

Cross-Default and Cross-Collateralization Provisions

In certain cases, a pool may contain two or more multifamily mortgage loans that are related because the loans have either a common borrower or different borrowers that are owned by a common entity. In many of these cases, the lender requires each of the loans to be cross-defaulted and/or cross-collateralized with each of the other loans in the pool. The prospectus supplement will specify if the loans in a pool are cross-collateralized and/or cross-defaulted with each other.

If the loans are cross-defaulted, the occurrence of an event of default under one loan will trigger an event of default under each of the other loans in the pool. In this case, not only may we declare the defaulted mortgage loan immediately due and payable but we may also declare one or more of the other mortgage loans immediately due and payable. If one or more of the mortgage loans is paid in full, you would receive an early prepayment of principal from the loan or loans.

If the loans are cross-collateralized, the mortgaged property securing one loan will also serve as additional collateral for each of the other loans in the pool. Each mortgage loan, therefore, is secured not only by a first priority lien on the related mortgaged property but also by a lien on each of the other mortgaged properties, which is either equal or junior in priority to the first priority mortgage on the property. Cross-collateralization provisions expand the collateral available for repayment of one mortgage loan to include not only the related mortgaged property but also each of the other mortgaged properties securing loans in the pool. If an event of default occurs under one of the loans, the related mortgaged property and one or more of the other mortgaged properties may be sold to satisfy the outstanding debt obligations. If a mortgaged property were sold, you would receive an early prepayment of principal from the related loan or loans. If prepaid loans are the only mortgage loans in the pool at the time of prepayment, the pool would be terminated and the stated principal balance of the remaining loans would be paid to you.

A pool may also contain loans that are cross-defaulted and/or cross-collateralized with loans that are not in the pool, that contain provisions allowing loans to be released from the cross-collateralization/cross-default provisions, or that require special cross-collateralization and/or cross-default
provisions. In any of these cases, the prospectus supplement will describe the terms of the cross-default and/or cross-collateralization provisions applicable to the loans in the pool and will identify the crossed loans that are not in the pool.

A pool may contain a mortgage loan secured by a mortgaged property that already secures another loan. All mortgage loans secured by the same mortgaged property are generally cross-defaulted. See “DUS Loans—Standard DUS Loans—Subordinate Lien Mortgage Loans.”

**Assumptions of Multifamily Loans and Transfers of Interests in Borrowers**

We generally permit multifamily mortgage loans to be assumed by new borrowers/transferees and to permit existing borrowers to transfer interests in the borrower. We usually have the right to review and approve the assumptions and transfers. A common permitted property transfer involves the payment to us of a transfer fee equal to 1% of the outstanding principal balance of the loan being transferred and the execution of an assumption agreement by a new borrower/transferee that meets our customary standards of creditworthiness and management ability. If we do receive any transfer fee in connection with a transfer of a mortgaged property related to a loan, we will retain that transfer fee. We will not pay any portion of the transfer fee to you. In some cases, as a condition to the assumption, the maximum and minimum interest rates and the maximum and minimum payment caps or lifetime interest rate caps may be reset based on then prevailing market interest rates. Special policies apply to assumptions by a successor borrower in connection with a defeasance election under a Standard DUS defeasance loan. See “DUS Loans—Standard DUS Loans—DUS Defeasance Loans” below.

**Equity Interests in Mortgaged Properties**

A pool may contain one or more mortgage loans secured by mortgaged properties in which we or a lender or servicer indirectly either currently holds or in the future may acquire an equity interest. We typically hold an equity interest in a property only when unaffiliated third parties also own equity interests in the property. If one of these mortgage loans goes into default, we may be required to contract with a party not affiliated with Fannie Mae or the transaction to perform certain servicing functions.

**Special Feature Mortgage Loans**

Some loans have special features that distinguish them from standard multifamily loans. The special features may include the type of multifamily mortgaged property securing the loan, the income level of the tenants, or the type of loan that may be placed upon the related mortgaged property.

**Multifamily Affordable Housing Loans and Low-Income Housing Tax Credit Loans**

A “multifamily affordable housing loan” is a multifamily loan on a mortgaged property encumbered by a regulatory agreement or recorded restriction that limits rents, imposes income restrictions on tenants or places other restrictions on the use of the property. While governmental entities generally impose these restrictions, borrowers sometimes voluntarily record these restrictions in an attempt to preserve multifamily affordable housing in the future. Multifamily affordable housing loans include but are not limited to loans on mortgaged properties that receive the Low-Income Housing Tax Credit (“LIHTC”) under section 42 of the Internal Revenue Code of 1986, as amended from time to time, and the U.S. Treasury regulations promulgated under that code (the “Code”).

Section 42 provides LIHTC for owners of residential rental properties that meet the definition of “qualified low-income housing project” where the owner has received a tax credit allocation from the state or local allocating agency. (LIHTC may also be claimed without an allocation where 50% or more of the aggregate basis in the land and buildings are financed by proceeds of tax-exempt bonds that are subject to the volume cap under section 146 of the Code.) The total amount of tax credits the owner is entitled to receive is based upon the percentage of total units made available to qualified tenants.
For a property to qualify under section 42, the owner of the property securing the loan must make an irrevocable election of one of the following options:

(i) at least 20% of all units must be rented to tenants with households earning 50% or less of the annual HUD median income for that area (as adjusted for family size), or

(ii) at least 40% of all units must be rented to tenants with households earning 60% or less of the annual HUD median income for that area (as adjusted for family size).

Median income is determined by the U.S. Department of Housing and Urban Development, or HUD, for each metropolitan area or county in the United States and is adjusted annually.

In addition, section 42 requires that gross rent for each unit not exceed 30% of the restricted income described in clauses (i) or (ii) above as elected by the project owner. The gross rent charged for a unit must take into account an allowance for utilities. If utilities are paid by the tenant, the maximum allowable tax credit rent is reduced according to utility allowances, as provided in Treasury regulations.

Under the tax credit provisions, a property owner must comply with the tenant income restrictions and rental restrictions over a 15-year compliance period. Moreover, section 42(h)(6) of the Code requires agreements governing the property to have an “extended use period” that has the effect of extending the income and rental restrictions for an additional period (typically 15 years).

If a tax credit mortgaged property is acquired through foreclosure or deed-in-lieu of foreclosure, section 42 generally requires the holder of the related mortgage to permit all tenants in low-income units to continue to occupy the units at rental levels in compliance with the restrictions set forth in that section for three years after the acquisition.

If a tax credit mortgaged property does not maintain compliance with the tax credit restrictions on tenant income or rental rates, the owners of the tax credit project may lose the tax credits related to the period of the noncompliance and face the partial recapture of previously taken tax credits. This could lead to an event of default under the mortgage, acceleration of the mortgage loan and the early prepayment of the related certificates.

Many tax credit properties also benefit from other federal, state or local subsidies which may impose additional encumbrances and restrictions that may differ from those required by section 42.

We also purchase multifamily affordable housing mortgage loans secured by properties that are not financed with tax credits and do not comply with section 42. These properties usually receive other subsidies from federal, state or local agencies or organizations. However, the properties may have no subsidy but the borrower may decide to forgo charging market rents in an effort to keep the properties affordable. Encumbrances and restrictions on these properties may differ from those required by section 42.

We make no representation as to whether certificates backed by multifamily affordable housing mortgage loans will receive positive consideration in a banking institution’s examination under the Community Reinvestment Act of 1977 (the CRA). An investor must make its own determination as to whether a certificate of a particular issue meets the CRA objectives of the investor or meets other objectives relevant to that investor.

The prospectus supplement will indicate whether a pool includes a multifamily affordable housing loan and/or a low-income housing tax credit loan and describe the material terms of the loan.

**Seniors Housing Loans**

A “seniors housing loan” is a multifamily loan secured by a mortgaged property that is intended to be used by elderly residents for whom the owner or operator provides special services that are typically associated with either “independent living” or “assisted living.” For independent living facilities, these services generally include recreational activities, one to three meals each day through
central dining services, weekly housekeeping and laundry. Assisted living facilities include these services as well as services for personal care, assistance with activities of daily living and, in some cases, monitoring of medication and Alzheimer’s care. In both cases, the services are part of a basic service package paid for by a resident and included as a part of the rental and service income of a property. Seniors housing projects may provide both assisted living facilities and independent living facilities as well as Alzheimer’s care. Stand-alone facilities providing only Alzheimer’s care and retirement communities requiring entrance fees are generally not eligible for seniors’ housing loans.

The rental payments received from independent living facilities and assisted living facilities include amounts related to the special services described above. As a result, “net operating income” is specially defined for seniors housing loans as the revenue that the lender estimates will be generated from the use and operation of the related mortgaged property (primarily estimated market rental rates for facilities that provide “independent living” or “assisted living”) less estimated operating expenses (such as utilities, food service, housekeeping, laundry, general administrative expenses, management fees, advertising, repairs and maintenance) and estimated fixed expenses (such as insurance and real estate taxes), all calculated on an annual basis. A limited portion of the rental payments on assisted living facilities may be provided from Medicaid funds. In those cases, the borrower will enter into an agreement providing for additional collateral to be available if Medicaid funds for the assisted living facility are limited or eliminated in the future.

In some cases, seniors housing projects may be licensed as assisted living facilities but may have a resident mix in which most of the units are rented for independent living. If this is true at the time the seniors’ housing loan is originated, the loan would be underwritten as an independent living facility loan, not as an assisted living facility loan. The mortgage would contain an “acuity” covenant that the borrower will make a quarterly certification that there has been no change in the unit mix (independent living versus assisted living) that results in an increased percentage of the units being used for assisted living. The covenant will further provide that if the borrower cannot make the quarterly certification because the unit mix has an increased percentage of assisted living units, then the loan interest rate must be adjusted on a temporary basis by increasing the interest rate to the rate that would have been charged for an assisted living facility loan. The increased interest rate will be charged until the unit mix is consistent again with an independent living facility. No portion of the increased interest rate will be passed through to certificateholders. The prospectus supplement will disclose the presence of an acuity covenant.

The prospectus supplement will indicate whether a pool includes a seniors housing loan and describe the material terms of the loan.

Cooperative Blanket Loans

A “cooperative blanket loan” is a multifamily loan made to a cooperative housing corporation and secured by a first or subordinate lien on a cooperative multifamily housing project that contains five or more units. The cooperative housing corporation borrower owns the cooperative multifamily housing project, including all the individual dwelling units as well as the common areas, and owns (or leases) the land on which the project is built. The cooperative housing corporation manages the project and generally is responsible for paying real property taxes and hazard and liability insurance premiums on the project. Unlike owners under traditional mortgage loans, the owners of the cooperative housing corporation (the “tenant-owners”) do not buy their respective dwelling units but rather acquire interests in the cooperative housing corporation with rights to occupy their units. In some cases, the cooperative housing corporation itself may hold the rights to one or more of the units, which are made available for rental.

The tenant-owners generally must pay a proportional share of the payments on the cooperative blanket loan and the expenses of the cooperative project. If a tenant-owner fails to do so, the cooperative housing corporation can terminate the tenant-owner’s occupancy rights. A substantial portion of the cooperative housing corporation borrower’s cash flow is received from the required
payments by the tenant-owners and from rental payments by tenants occupying the borrower-owned units. When an unanticipated expenditure is required, the cooperative housing corporation borrower may need to declare special assessments on the tenant-owners. The borrower must then collect the special assessment from each of the tenant-owners and must pay the special assessments levied on the rental units owned by the borrower. If the cooperative housing corporation’s cash flow is adversely affected, it may default on its loan. In that case, the lender may foreclose on the cooperative multifamily housing project and terminate the occupancy rights of the cooperative housing corporation.

Special definitions generally apply to cooperative blanket loans. Unless otherwise defined in the prospectus supplement, the following definitions will apply to cooperative blanket loans:

- The “net operating income” for a cooperative blanket loan is the rental revenue that the lender estimates would be derived from the use and operation of the related mortgaged property if the property were being operated as multifamily rental property (assuming, with certain exceptions, that the units in the property would be available for rental at prevailing market rental rates), less the estimated operating expenses (such as utilities, general administrative expenses, management fees, advertising, repairs and maintenance) and estimated fixed expenses (such as insurance and real estate taxes), all calculated on an annual basis.

- The “property value” for a cooperative blanket loan is the value of the related mortgaged property as reported to us by the lender based on an appraisal or alternative valuation method that contains a study of rent and sales comparables and an analysis of economic trends determined as if the mortgaged property was used and operated as a multifamily rental property (assuming, with certain exceptions, that the units in the property would be available for rental at prevailing market rental rates).

The prospectus supplement will indicate whether a pool includes any cooperative blanket loans and will describe the material terms of the loans.

Manufactured Housing Community Loans

A “manufactured housing community loan” is a loan secured by a residential development that consists of sites for manufactured homes and that includes utilities, roads and other infrastructure and, in some cases, landscaping and various other amenities such as a clubhouse, swimming pool, tennis and/or sports courts. A manufactured housing community leases its sites to owners of manufactured homes and furnishes a connection to the utilities that it provides. In some limited circumstances, the owner of the manufactured housing community also may own manufactured homes that are then leased to tenants or that are used as a rental center, clubhouse, launderette or other amenity. The tenants pay ground rent for the use and occupancy of their sites and, generally, for the use of the utilities, common facilities and any amenities. The owner of the manufactured housing community, in turn, pays the cost to maintain and operate the common areas and amenities, real property taxes, insurance, including hazard and comprehensive general liability, and any utilities that are not otherwise separately metered or billed to the tenants. The prospectus supplement will indicate whether a pool includes any manufactured housing community loans and will describe the material terms of the loans.

Dedicated Student Housing Loans

A “dedicated student housing loan” is a loan secured by an on-campus student housing property or by a dedicated off-campus student housing property that is within a prescribed distance from the campus or is located on a direct transportation line. Student housing loans are generally made only on properties having a tenant base comprised of at least 80% undergraduate or graduate students, although that figure may change from time to time. The property may have been specifically constructed as student apartments or may have been built as a typical multifamily project that now functions as student housing. Students generally must sign one-year leases. Students often do not
remain in the same units during the following school year. Student housing loans are considered separately because of the concentration of students as tenants, the expenses incurred in repairing and refurbishing the units so that they are available for re-rental and the rapid turnover of tenants. The prospectus supplement will indicate whether a pool includes any dedicated student housing loans, will specify any additional requirements applicable to the loans and will describe the material terms of the loans.

**RHS Rural Housing Loans**

An “RHS rural housing loan” is a loan secured by affordable multifamily property located within specified rural areas designated by the Rural Housing Service of the U.S. Department of Agriculture (“RHS”). RHS guarantees up to 90% of any loss incurred upon liquidation of loans it has approved, provided that the lender has underwritten and serviced the loan in accordance with RHS requirements. RHS rural housing loans are generally made on smaller multifamily properties that are located outside major urban centers. The underwriting and servicing requirements for RHS rural housing loans may differ from loans generally purchased by Fannie Mae because of the size of the multifamily properties, the limited pool of potential tenants and the economic dependence of the tenants on only a few employers. The prospectus supplement will indicate whether a pool includes any RHS rural housing loans, will specify any additional requirements applicable to the loans and will describe the material terms of the loans.

**Military Housing Loans**

A “military housing loan” is a loan secured by a multifamily property that is occupied primarily or exclusively by military personnel and family members. The properties are located on or near military bases. In some cases, the military bases may be in isolated areas. The underwriting and servicing requirements for military housing loans may differ from loans generally purchased by Fannie Mae because of the size of the multifamily properties, the limited pool of potential tenants, the ability of the military to deploy military personnel, the economic dependence of the tenants on the military employer and the possibility of a reduction in the size of a military base or the closure of the base. The prospectus supplement will indicate whether a pool includes any military housing loans, will specify any additional requirements applicable to the loans and will describe the material terms of the loans.

**DUS Loans**

A substantial portion of the multifamily mortgage loans that we acquire are loans newly originated by lenders as Delegated Underwriting and Servicing loans (“DUS loans”). Most DUS loans are first lien mortgage loans that are non-recourse to the borrower. Most DUS loans permit prepayments upon the payment of prepayment premiums. Defeasance loans, subordinate lien loans and all of the other loans discussed under “—Special Feature Mortgage Loans” also may be originated and sold as DUS loans. We permit only multifamily lenders that have been specifically approved by us to act as DUS lenders and deliver DUS loans. Our current DUS lenders are identified on our Web site.

If the principal balance of a DUS loan on the issue date of the certificates is less than $3,000,000, the DUS lender may deliver the loan to us under our 3MaxExpress SM Streamlined Mortgage Loan Product. While the 3MaxExpress underwriting requirements generally conform to DUS standards, they are streamlined to reflect the smaller loan sizes and are contained in a separate guide. For purposes of this prospectus, references to DUS, DUS loans and the DUS Guide are deemed to include DUS loans underwritten pursuant to 3MaxExpress.

There are two main types of DUS loans: Standard DUS loans and Structured Transaction DUS loans. When a borrower and a lender enter into a Standard DUS loan, generally there is no loan agreement under which the lender has committed to make further advances or loans to the borrower as part of the same transaction. A Standard DUS loan pool often includes only one mortgage loan but
may include two or more mortgage loans. If a Standard DUS loan pool includes more than one mortgage loan, there may be a loan agreement containing provisions common to all mortgage loans in the pool. Under a structured transaction arrangement, a pool of mortgages serves as collateral for loans or advances. A structured transaction loan pool may be backed by advances made under a credit facility or by loans made under another structured transaction.

The prospectus supplement will indicate whether a pool contains DUS loans and provide all material information about the DUS loans contained in the pool.

**Underwriting and Servicing**

We delegate to the DUS lenders the responsibility for underwriting and servicing DUS loans. In return, the DUS lenders are required to bear a share of any losses on the DUS loans they deliver and/or service. The guide relating to the underwriting and servicing of DUS loans (the “DUS Guide”) sets forth specific guidelines for DUS lenders and DUS loans.

A DUS lender originates and underwrites each DUS loan generally to conform to our DUS loan product requirements as described in the DUS Guide. DUS lenders and borrowers sometimes request that we waive one or more requirements of the DUS Guide with respect to a specific DUS loan. We grant these waivers in our discretion.

Our underwriting guidelines are guidelines and not rigid requirements. We use our discretion to grant various types of waivers from our underwriting guidelines if we deem those waivers to be prudent given all the circumstances.

Some of the usual requirements in our guidelines are designed to assess the creditworthiness of a borrower, and we may waive aspects of these requirements if we are comfortable with the borrower’s creditworthiness as a result of other considerations. For example, one guideline that we may waive is the requirement that each borrower be a single asset entity. This requirement is designed to provide protection against the possibility that the borrower will become bankrupt, but we sometimes waive this requirement if the borrower has a strong credit rating, particularly if the loan is relatively small in size. Similarly, although our guidelines require a thorough credit review of each borrower and the related key principals, in some instances these reviews may be reduced or eliminated, in our discretion. In addition, our guidelines prohibit assumptions by new borrowers or transfers of interests in borrowers without our prior consent or without payment of a transfer fee. Upon request, however, we often allow loan documents to permit transfers to family limited partnerships or other estate planning vehicles without prior consent or payment of a transfer fee.

Some guidelines are used to avoid specific default risks. For example, our guidelines require lenders to underwrite mortgage loans at interest rate floors that are, in some cases, higher than current interest rates. Using these interest rate floors can result in lower original loan amounts, thereby reducing the amount of unpaid principal due as a balloon payment at the maturity of the loan. Having a lower unpaid principal balance may reduce the risk that the loan cannot be refinanced at maturity. With prevailing interest rates at historic lows, interest rate floors are an important underwriting tool. We occasionally grant waivers and permit the DUS lenders to underwrite loans using interest rates that are lower than the required floors when we believe that other considerations mitigate the risk.

Other guidelines may be waived because of competitive pressures. For example, depending on the debt service coverage ratio and loan-to-value ratio for a particular loan, we impose replacement reserve requirements. In some geographic areas, these reserve requirements would be unusual, so we often waive the requirements, particularly for newer properties with experienced borrowers.

The DUS Guide provides that each DUS loan when purchased is assigned to one of several underwriting tiers (“tiers”). Each tier has minimum debt service coverage ratio and maximum loan-to-value ratio requirements. A DUS loan is placed in a tier depending upon the loan’s debt service coverage ratio and loan-to-value ratio.
**Delivery of DUS Loans**

A DUS lender has two options when it decides to deliver a DUS Loan to us: the lender may sell the delivered loans to us for cash, or the lender may exchange the delivered loans for MBS or DMBS certificates that evidence an interest in one or more underlying pools that contain the delivered loans. If the DUS lender decides to exchange the loans for MBS or DMBS certificates, the DUS lender may retain the certificates or may sell the certificates to a third-party investor. A DUS lender may sometimes sell MBS certificates to a third-party investor at a premium over their face value. On occasion, we may share with the DUS lender a portion of the premium paid by the third party investor.

**Standard DUS Loans**

Standard DUS loans are governed by the related loan documents and by the DUS Guide. The loan documents are typically the standard form of DUS loan documents, with certain exceptions approved by us in our sole discretion. Certain characteristics of Standard DUS loans are discussed below.

**Definitions**

Defined below are certain terms used for Standard DUS loans. The prospectus supplement will describe any modified definitions that are applicable to the loans in a Standard DUS pool.

- The “debt service coverage ratio” for a mortgage loan is the ratio of
  
  (a) the net operating income generated by the related mortgaged property on an annualized basis as determined by the lender as of the date the loan was originated, to

  (b) the product of the amount of the monthly principal (if any) and interest payment on the loan in effect as of the date the loan was originated, times 12.

  Unless otherwise specified in the prospectus supplement, if a loan is an ARM loan, the debt service coverage ratio shown on the schedule of loan information will be the ratio calculated using the amount of the monthly principal (if any) and interest payment on the loan calculated based on the applicable interest rate as of the date the loan was originated.

  If a loan is interest-only for all or a portion of its term, the monthly payment during the interest-only portion of its term is equal to the interest due on the loan. Unless otherwise specified in the prospectus supplement, the debt service coverage ratio shown on the schedule of loan information for an interest-only loan will be the ratio calculated using the amount of the interest-only monthly payment at origination of the mortgage loan calculated based on the applicable interest rate as of the date the loan was originated.

- The “loan-to-value ratio” of a mortgage loan is the relationship between

  (a) the unpaid principal balance of the loan as of the issue date, and

  (b) the property value,

  expressed as a percentage of the property value.

  If a loan is secured by a real property that also secures one or more other loans on the issue date, the debt service coverage ratio and the loan-to-value ratio will be presented on a combined basis for the loan being purchased and all of those other existing loans and, in some cases, may also be presented individually for the loan being purchased. See “—Subordinate Lien Mortgage Loans” below for the definitions of “combined debt service coverage ratio” and “combined loan-to-value ratio.”

- The “net operating income” is the revenue that the related mortgaged property is currently generating or, if the property is new, the revenue that the lender estimates will be generated from the use and operation of the property (primarily estimated market rental rates and other...
allowable income, if any) less estimated operating expenses (such as utilities, general administrative expenses, management fees, advertising, repairs and maintenance) and less estimated fixed expenses (such as insurance and real estate taxes), all calculated on an annual basis.

- The “occupancy” of a mortgaged property is the occupancy rate provided to us by the lender as of the date the loan was originated, expressed as a percentage.

- The “property value” or “appraised value” is the value of the related mortgaged property as of the date the loan was originated as reported to us by the lender, which value may equal either a value established by a third-party appraisal or the lender’s underwriting value, which is based on the lender’s evaluation of the mortgaged property and the lender’s analysis of market rent and sales comparables and projected market trends. The “property value” or “appraised value” will never exceed the value established by a third-party appraisal.

**Subordinate Lien Mortgage Loans**

A “subordinate lien mortgage loan” is a loan secured by a subordinate lien on a mortgaged property that is also encumbered on the issue date of the certificates by one or more liens of higher priority and, in some cases, by one or more liens of lower priority. The following modified definitions apply to subordinate lien mortgage loans:

- The “debt service coverage ratio” for a mortgage loan (sometimes referred to as the “combined debt service coverage ratio”) is the ratio of:
  
  (a) the net operating income generated by the related mortgaged property on an annualized basis as determined by the lender as of the date the loan was originated, to
  
  (b) the product of the sum of the combined monthly principal (if any) and interest payments on the mortgage loan being purchased and on all other senior and subordinate lien mortgage loans in effect as of the date the mortgage loan being purchased was originated, times 12.

- The “loan-to-value ratio” of a mortgage loan (sometimes referred to as the “combined loan-to-value ratio”) is the relationship between:

  (a) the sum of the unpaid principal balance of the mortgage loan being purchased and the unpaid principal balances of all other senior and subordinate lien mortgage loans as of the issue date, and

  (b) the property value,

expressed as a percentage of the property value.

If the subordinate loan has been outstanding for a significant period of time before it is sold to us and if the principal of the loan has amortized during that time, the lender will use the current principal balance of the loan as of the date of issuance of the certificates and may use a recent determination of property value to calculate the loan-to-value ratio.

If (i) a mortgage loan that is higher in priority is paid in full before the subordinate lien mortgage loan is paid in full and (ii) the borrower obtains a new mortgage loan secured by the related mortgaged property, we may approve, at our discretion, a request to subordinate the lien of the subordinate lien mortgage loan to the lien of the new mortgage loan. The modified definitions apply to the higher priority mortgage loan in these instances.

Generally, an event of default on a mortgage loan that is either senior in priority to or lower in priority to a subordinate lien mortgage loan will trigger an event of default on the subordinate lien mortgage loan. The occurrence of an event of default would entitle us to declare the entire unpaid principal balance of the subordinate lien mortgage loan due and payable. If we did so, and the unpaid principal balance were paid in full, you would receive an early prepayment of principal.
The prospectus supplement will indicate whether a pool is backed by a subordinate lien mortgage loan and will specify the relative priorities of the various liens.

Future Encumbrances on a DUS Mortgaged Property

Where permitted under the DUS Guide, a borrower may place one or more subordinate or supplemental loans secured by additional liens on a property already encumbered by a Standard DUS loan. The DUS Guide generally permits supplemental mortgage loans only where the senior Standard DUS loan, any other senior mortgage loans and all junior supplemental mortgage loans on a mortgaged property have a combined debt service coverage ratio and a combined loan-to-value ratio that are within the limits of the tier originally applicable to the senior Standard DUS loan. (This does not apply to a senior DUS loan that is a “tier drop eligible mortgage loan.” See “—Tier Drop Eligible DUS Loans” below.) An event of default under a junior, or subordinate, lien mortgage loan (i) may trigger an event of default under the related Standard DUS loan and (ii) may entitle the holder of the subordinate mortgage lien to foreclose on and sell the mortgaged property subject to the lien of the Standard DUS loan. If this occurs, we may be entitled to declare the entire unpaid principal balance of the Standard DUS loan due and payable. If we decided to do so, you would receive an early prepayment of principal from the Standard DUS loan. If the loan is the only mortgage loan in the related pool at that time, the pool would be terminated and the stated principal balance of the Standard DUS loan would be paid to you.

Tier Drop Eligible DUS Loans

A “tier drop eligible DUS loan” is a loan that permits a “tier drop subordinate loan” to be placed on the related mortgaged property. A “tier drop subordinate loan” is a subordinate Standard DUS loan that, when combined with the related senior Standard DUS loan, has a combined loan-to-value ratio greater than, and/or a combined debt service coverage ratio less than, the respective ratios (i) set forth in the prospectus supplement related to the certificates backed by the senior Standard DUS loan and (ii) required by the tier applicable to the senior Standard DUS loan on the issue date of the certificates. The prospectus supplement will indicate whether a pool includes a tier drop eligible Standard DUS loan.

Prepayment of Standard DUS Loans

Standard DUS loans may be prepaid voluntarily under certain conditions and may be prepaid involuntarily due to casualty, condemnation or default.

Voluntary Prepayments of Standard DUS Fixed-Rate Loans. Unless a Standard DUS fixed-rate loan is a defeasance mortgage loan (as described under “—DUS Defeasance Loans”), a borrower may voluntarily prepay a Standard DUS fixed-rate loan in full, but only in full, after giving the lender prior written notice of intent to prepay and designating in the notice the date on which the borrower plans to prepay (the “intended prepayment date”). The borrower must give the notice at least 30 days but not more than 60 days before the intended prepayment date. If a borrower satisfies this condition, among others, the borrower may prepay a DUS fixed-rate loan by paying (i) the amount of principal being prepaid, (ii) all accrued interest, (iii) all other sums due to the lender at the time of the prepayment, and (iv) the prepayment premium fee calculated as described below.

Standard DUS loans prohibit voluntary partial prepayments at all times.

• Calculation of Prepayment Premiums. The prepayment premium for a Standard DUS fixed-rate loan is payable during a period of time beginning on the date of the mortgage note and ending on the yield maintenance end date that is specified in the mortgage note. When a
borrower voluntarily prepays a Standard DUS fixed-rate loan before the yield maintenance end date, the prepayment premium equals the greater of (a) or (b):

(a) 1% of the amount of principal being prepaid; or

(b) The product obtained by multiplying:

(i) the amount of principal being prepaid,

by

(ii) the difference obtained by subtracting from the interest rate on the mortgage loan the yield rate on the U.S. Treasury security (the “Specified U.S. Treasury Security”), with a maturity date and yield as set forth in the related schedule of loan information as “Security Due Date” and “U.S. Treasury Yield Rate,” respectively, as the yield rate is reported in The Wall Street Journal on the twenty-fifth business day before the intended prepayment date,

by

(iii) the present value factor calculated using the following formula:

\[
\frac{1-(1+r)^{-n/12}}{r}
\]

\[ r = \text{yield rate} \]

\[ n = \text{the number of months remaining between (1) the last calendar day of the calendar month during which the prepayment is made and (2) the yield maintenance end date} \]

If no yield rate is published for the Specified U.S. Treasury Security, then the nearest equivalent U.S. Treasury security will be selected at the lender’s discretion. If the publication of these yield rates in The Wall Street Journal is discontinued, the lender will determine the yield rates from another source selected by the lender.

The related schedule of loan information will identify the Specified U.S. Treasury Security and specify the yield maintenance end date for each Standard DUS fixed-rate loan. The prospectus supplement will also describe any modifications to the prepayment provisions and prepayment calculations described above.

The borrower is required to pay a prepayment premium equal to the greater of the amount calculated in clause (a) or clause (b). Thus, if clause (b) results in an amount less than 1% of the amount of principal being prepaid, clause (a) still requires the borrower to pay an amount equal to 1% of the amount of principal being prepaid. Nevertheless, in our sole discretion, we may decide to set the prepayment premium at the lesser amount that is calculated in clause (b), but we are not required to do so.

When a borrower voluntarily prepays a Standard DUS fixed-rate loan during the period that begins on the yield maintenance end date and ends on the day before the last calendar day of the fourth month before the month in which the maturity date occurs, the borrower is required to pay a prepayment premium equal to 1% of the amount of principal being prepaid. We may, but are not required to, waive imposition of the 1% prepayment premium. When a borrower voluntarily prepays a Standard DUS fixed-rate loan on or after the last calendar day of the fourth month before the month in which the maturity date occurs, the borrower does not pay any prepayment premium.

The prospectus supplement will describe any modifications to the prepayment provisions and prepayment premium calculations described above.
• **Payment of Prepayment Premiums to Certificateholders.** Unless the prospectus supplement provides otherwise, if a borrower voluntarily prepays a Standard DUS fixed-rate loan before the yield maintenance end date, we will pay you a portion, as calculated in accordance with the formula set forth below, of the prepayment premium actually received by us from the servicer of the Standard DUS loan prepaid by the borrower. When we assess a prepayment premium equaling 1% of the amount being prepaid rather than the lesser amount determined in clause (b) above, you will be entitled to share only in the lesser amount determined in (b) above, to the extent collected, and not in the full 1%. If a borrower prepays a Standard DUS fixed-rate loan on or after the yield maintenance end date, we will not pay any portion of the prepayment premium to you.

When a borrower prepays a Standard DUS fixed-rate loan before the yield maintenance end date, we will calculate the prepayment premium and check the actual amount of the prepayment premium that is collected. We will then determine the share of the collected prepayment premium to be held by us (“our portion”) and the share of the prepayment premium to be paid to you (“your portion”) as follows:

Your portion will equal

(1) the amount of principal being prepaid, times

(2) the difference between the yield rate on the Specified U.S. Treasury Security and the pass-through rate on the certificates, times

(3) the present value factor.

Our portion will equal the prepayment premium collected by us less the amount calculated as your portion of the collected fee. We will pay you your portion only to the extent that collected prepayment premiums remain after we have deducted our full portion. **We do not guarantee the payment to you of any prepayment premiums.**

**Involuntary Prepayments of Standard DUS Fixed-Rate Loans.** The borrower on a Standard DUS fixed-rate loan will not be required to pay a prepayment premium if the involuntary prepayment results from the receipt of casualty insurance proceeds or a condemnation award affecting the related mortgaged property. See “—**General Characteristics of Multifamily Loans—Prepayment Restrictions, Early Receipt of Principal and Prepayment Premiums**” for a discussion of the application of the proceeds received.

A Standard DUS fixed-rate loan may be involuntarily prepaid if the lender applies collateral or other security to the repayment of all or a portion of the unpaid principal balance of the loan. (If the loan has not been accelerated, the prepayment will be a partial prepayment.) Although we are generally entitled to receive a prepayment premium in this event, we are rarely able to collect any premium. If any excess proceeds remain, we will deduct and retain the amount of the prepayment premium. **If we collect any prepayment premium, we will not pay any portion of the prepayment premium to certificateholders.**

If the loan is not a defeasance mortgage loan, the prepayment premium will be calculated in accordance with the formula set forth above under “—**Voluntary Prepayments of DUS Fixed-Rate Loans—Calculation of Prepayment Premiums,**” modified as follows: (i) the yield rate for the Specified U.S. Treasury Security will be determined on the twenty-fifth business day before the date on which the lender accelerates the mortgage loan or otherwise accepts a prepayment through applying collateral or other security to the repayment of all or a portion of the unpaid principal balance of the mortgage note; and (ii) “n” means the number of months remaining between (1) the date on which the lender accelerates the loan or applies collateral or other security against the unpaid principal balance of the mortgage note and (2) the yield maintenance end date. If the loan is a defeasance mortgage loan that is involuntarily prepaid before a defeasance election is made because the lender accelerated the loan or applied collateral or other security to the repayment of all or a portion of the
principal balance of the mortgage note, a prepayment premium may be assessed if so provided in the mortgage note.

Please see “—Prepayment Restrictions, Early Receipt of Principal and Prepayment Premiums” above for a discussion of the collection and payment of prepayment premiums where DUS loans are involuntarily prepaid.

Voluntary Prepayment of Standard DUS ARM Loans. Standard DUS ARM loans generally prohibit voluntary prepayments, in whole or in part, during an initial lockout period. After expiration of the lockout period, the borrower may voluntarily prepay the Standard DUS ARM loan in full, but only in full, as long as it gives the DUS lender notice of the prepayment at least 30 days but not more than 60 days before the intended prepayment date and pays the applicable prepayment premium.

1. Calculation of Prepayment Premiums. The borrower may choose one of two options for determining the prepayment premium when a Standard DUS ARM loan is being repaid. Under the first option, the prepayment premium is equal to 1% of the unpaid principal balance of the loan being prepaid. Under the second option, the prepayment premium is determined by multiplying the unpaid principal balance of the loan being prepaid times the applicable percentage specified in the prospectus supplement for the loan year in which the loan is being prepaid. Each percentage specified under that heading corresponds to a loan year. The initial “loan year” is the 12-month period beginning on the date that the proceeds of a Standard DUS ARM loan are disbursed and ending on the day before the Standard DUS ARM loan’s first interest rate change date for the next 12-month period. After the initial loan year, a “loan year” is each succeeding 12-month period during the term of the Standard DUS ARM loan. Regardless of which prepayment premium was chosen by the borrower, at any time during the term of a Standard DUS ARM loan, we may, but are not required to, waive that portion of the prepayment premium equal to up to 1% of the unpaid principal balance being prepaid.

No prepayment premium is payable for any prepayment made within the last 90 days before the maturity date of a Standard DUS ARM loan. The prospectus supplement will specify the lockout period, the permitted prepayment period and the type of prepayment premium (a fixed 1% or a declining premium formula). Unless the prospectus supplement provides otherwise, no portion of any prepayment premium paid by the borrower or received by the lender will be paid to you. We do not guarantee the payment to you of any prepayment premiums.

Some Standard DUS ARM loans permit the loan to convert into a fixed-rate loan. See “—Multifamily Mortgage Loans—Adjustable Rate Loans (ARM Loans)—Types of ARM Loans.” Although the conversion will result in a full prepayment of the certificates backing the Standard DUS ARM loan, no prepayment premium will be due or collected from the borrower.

Involuntary Prepayment of Standard DUS ARM Loans. The borrower on a Standard DUS ARM loan will not be required to pay a prepayment premium if the involuntary prepayment results from the receipt of casualty insurance proceeds or a condemnation award affecting the related mortgaged property. See “—General Characteristics of Multifamily Loans—Prepayment Restrictions, Early Receipt of Principal and Prepayment Premiums” for a discussion of how any proceeds are applied and of other possible involuntary prepayments.

Involuntary prepayments may also result if we apply collateral or other security to the payment of all or any portion of the unpaid principal balance of a Standard DUS ARM loan. For discussion of our policies on prepayment premiums in these circumstances, see “—Involuntary Prepayment of Standard DUS Fixed-Rate Loans,” above. If a prepayment premium is due, it will be calculated according to the formula set forth in the related mortgage note. If we collect any prepayment premium, we will not pay any portion of the prepayment premium to certificateholders.
**DUS Defeasance Loans**

A multifamily fixed-rate loan is a defeasance loan if it is so identified in the prospectus supplement. A defeasance loan permits a borrower to release a property from the lien of a mortgage by defeasing the loan—delivering substitute collateral—instead of prepaying the mortgage note.

Defeasance loans often have initial lockout periods during which borrowers cannot elect to defease the loans. After any lockout period expires, the borrower may elect to defease the loan at any time during the defeasance period. Some defeasance loans have defeasance periods that continue until the maturity date of the loan and never permit voluntary prepayments. Other defeasance loans have defeasance periods that end before the maturity date of the loan and then permit the borrower to voluntarily prepay the loan, generally without payment of any prepayment premium, until the maturity date of the loan. The prospectus supplement will specify for each defeasance loan any lockout period and the defeasance period. The borrower may prepay the loan during the period, if any, remaining after expiration of the defeasance period and before the loan maturity date.

If the borrower elects to defease the loan during the defeasance period, the borrower delivers to us substitute collateral (federal government or Fannie Mae securities) that is acceptable to us and that will provide funds for the principal and interest payments on the defeasance loan over the remaining term of the loan. After delivery of the substitute collateral, a third-party successor borrower may assume all liability under the related mortgage note and assume the interest of the borrower, subject to our security interest, in the acceptable substitute collateral. (The successor borrower may be a corporation or another entity owned in whole or in part by Fannie Mae.) The original borrower is then released from liability under the mortgage note, and the mortgaged property securing the loan is released from the lien of the mortgage.

After the borrower has defeased the mortgage loan and delivered the acceptable substitute collateral, the loan remains in the pool. The acceptable substitute collateral, which secures the loan, funds the scheduled principal and interest payments on the loan for the remainder of the term. Because defeasance does not result in any prepayment of principal on the loan, the pool containing the defeased loan will not terminate as a result of defeasance even if the defeased loan is the only loan in the pool. See “*Federal Income Tax Consequences—Special Tax Attributes—Defeasance Mortgage Loans*” for a discussion of the possible tax implications of replacing the mortgaged property collateral for the mortgage loan with acceptable substitute collateral. When a mortgage loan has been defeased, we will disclose that information on our Web site.

Before a defeasance loan has been defeased, it may be involuntarily prepaid, in full or in part, through the receipt of proceeds from a casualty, condemnation or sale of collateral or other security. If any involuntary prepayments are made, they will be passed through to certificateholders as full or partial early prepayments of principal. After a defeasance loan has been defeased, no involuntary prepayments will be made or received because (i) the loan is no longer secured by real property subject to casualty or condemnation, and (ii) the substitute collateral funds the remaining principal and interest payments for the loan, eliminating the possibility of a borrower default. See “*—General Characteristics of Multifamily Mortgage Loans—Prepayment Restrictions, Early Receipt of Principal and Prepayment Premiums.*”

**Structured Transactions**

In structured transactions, we purchase participation interests in mortgage loans that are being financed under a structured transaction arrangement. Under a structured transaction arrangement, a pool of mortgages serves as collateral for short-term borrowings that have terms of one year or less and for intermediate- and long-term financings, though some arrangements may provide for only short-term borrowings or only intermediate and long-term financings. If the structured transaction is a credit facility, the pool of properties will be cross-collateralized and cross-defaulted. Credit facilities usually permit a borrower to add, substitute and release properties over time. If the structured transaction is not a credit facility (i.e., it is a “bulk delivery” transaction), the pool of properties are
usually not cross-collateralized or cross-defaulted. Bulk delivery transactions usually permit additional, but related, borrowers to add new properties to the transaction and to release specific properties upon payment in full of the debt secured by the property being released. This flexibility makes structured transactions attractive to owners of multiple multifamily properties. Significant characteristics of structured transaction arrangements are described below.

The lender and one or more borrowers will enter into a master credit facility agreement (for credit facilities) or a master loan agreement (for bulk delivery transactions) (either referred to as the "master agreement") under which the lender is committed to lend further funds to the borrower. For credit facilities, the lender makes short- or long-term loans (each, an "advance"). Advances are typically made to one borrower but may be made to more than one borrower. Advances may be made under a single mortgage note that provides that advances are made at a discount or under one or more mortgage notes that provide that some advances are made at a discount and others are made at a fixed rate of interest. For bulk delivery transactions, the lender makes separate advances to each borrower, each of which is evidenced by a single mortgage note. Each advance delivered to us is represented by a participation certificate that equals 100% of the unpaid principal balance of that advance. We hold the participation certificate in trust for the benefit of the holders of the related DMBS or MBS certificates. Ownership of a DMBS or MBS certificate provides the holder of the certificate with a fractional undivided beneficial interest in a pool containing a single participation certificate.

Some advances have terms of one year or less and may not bear interest. In that case, the advance is disbursed to the borrower in a discounted amount that is less than 100% of the original stated principal balance of the advance. A participation certificate that equals 100% of the unpaid principal balance of an advance is placed in a pool backing a DMBS that is then issued at a discount. The master agreement may provide that short-term advances may be borrowed, repaid, and re-borrowed over the term of the master agreement. A short-term advance requires the borrower to repay the discounted amount of principal and all of the initial discount on or before the maturity date of the DMBS. Under the master agreement, the borrower may elect to refinance the advance. If the borrower refinances the advance, a new DMBS will be issued backed by a pool containing a single participation certificate that equals 100% of the unpaid principal balance of the refinanced advance.

Other advances may be intermediate-term or long-term, with terms of five to ten years and with interest at fixed rates. Each of these advances generally provides for monthly payments of interest and, in some cases, principal and a balloon payment of all remaining principal to be paid on its maturity date. Each intermediate-term or long-term advance is placed in a pool evidenced by an MBS, not a DMBS, and payments of interest and principal on the advances (if principal is payable under the terms of the advances) are passed through to the holders of the MBS.

For credit facilities, all advances under a master agreement are equally secured by one or more mortgages on one or more multifamily properties specified in the prospectus supplement. A default under one advance will constitute a default under all of the other advances made under the master agreement, which allows us (but does not require us) to declare due and payable the entire unpaid principal balance under each advance. If we decide to declare one or more advances due and payable, and the entire principal balance of any of the advances is then paid in full, holders of MBS backed by the prepaid advance would receive an early payment of principal while holders of DMBS backed by the prepaid advance would not receive an early payment of principal.

For bulk deliveries, a separate loan is made to each borrower and is secured by a mortgage on the multifamily property or properties owned by that borrower. The loans are usually not cross-defaulted or cross-collateralized. As a result, a default under one loan generally will not constitute a default under any other loan made under the master agreement, and the multifamily properties securing the other loans would not be available to satisfy the defaulted loan. If a loan is in default and we decide to declare it due and payable, holders of MBS backed by the defaulted loan would receive an early prepayment of principal. If, however, the defaulted loan backed a DMBS, holders of that DMBS would
not receive an early prepayment of principal but would receive payment in full on the maturity date of the DMBS.

The prospectus supplement will indicate whether the certificates are DMBS certificates or MBS certificates, will describe all material terms of the advances in the pool, and will specify the maturity date of the DMBS or MBS.

In a credit facility, the master agreement may give the borrower the right to increase the dollar amount of the lender’s commitment to make advances, while in a bulk delivery transaction, the master agreement may give the current borrowers the right to expand the arrangement to accommodate new, but related, borrowers.

Addition, Release and Substitution of Mortgaged Properties

In a credit facility, the master agreement may give the borrower the right to add, release or substitute mortgaged properties as long the conditions specified in the agreement are satisfied. In a bulk delivery, the master agreement will contain conditions for adding new borrowers and new properties to the arrangement. The conditions to be satisfied vary among different structured transactions. Examples of these conditions include the following:

- the underwriting of the proposed mortgaged property to be added or substituted must be performed in accordance with our standards;
- the lender and Fannie Mae must be satisfied that after the addition, release or substitution of a mortgaged property, the aggregate debt service coverage ratio will not be less than, and the loan-to-value ratio will not be greater than, the respective ratios set forth in the related master agreement;
- the borrower must not be in default under the master agreement and other loan documents; and
- title, survey and all documents necessary to release, add or substitute the mortgaged property must be prepared to the lender’s satisfaction.

The prospectus supplement for an MBS or DMBS will specify the aggregate debt service coverage ratio and the loan-to-value ratio that must be present before a borrower may add, release or substitute a mortgaged property.

Assumption and Further Encumbrances

The master agreement generally prohibits an advance to be assumed by a new mortgagor or a mortgaged property to be further encumbered by a subordinate mortgage lien. In addition, unless specifically permitted by us, most transfers of ownership interests in the borrower and transfers of ownership interests or changes of control of certain affiliates of the borrower are defaults under the master agreement.

Continued Reporting and Updating of Data

The lender periodically will recalculate the occupancy percentage, the aggregate loan-to-value ratio, the aggregate debt service coverage ratio, the net operating income and the property value for the mortgage loans made under a master agreement. The lender will report the recalculated figures to us.

Each time that we issue a DMBS or an MBS backed by an advance, we will issue a schedule of loan information containing detailed information about the advance. The new schedule will provide information about the existence and total value of any additional collateral. Any additional non-real estate collateral may cause the certificates not to qualify as real property for purposes of applicable Internal Revenue Service regulations during certain periods. See “Certain Federal Income Tax Consequences.”
DMBS

DMBS are issued not only in connection with loans or advances made in structured transactions but also in connection with Standard DUS loans. If a DUS lender wishes to receive a DMBS in exchange for a Standard DUS loan, the lender must deliver to us a participation certificate that equals 100% of the unpaid principal balance of the loan, which is the same procedure followed for DMBS in structured transactions. We hold the participation certificates in trust for the benefit of the holders of the related DMBS certificates. If a DUS lender wishes to receive one security in exchange for two or more Standard DUS loans, the lender may deliver to Fannie Mae a participation certificate that equals 100% of the unpaid principal balance of the Standard DUS loans. In return, the lender receives a DMBS backed by a pool holding the participation certificate. The multifamily loans may have been made to the same borrower or to related borrowers.

Sometimes a DMBS is backed by a Standard DUS loan pool containing more than one mortgage loan. In that case, there may be a loan agreement that specifies the conditions under which additional mortgage loans may be added to or existing mortgage loans may be released from the loan transaction after the maturity of the DMBS. Therefore, once a DMBS backed by multiple mortgage loans matures, any loan in the pool that backed the matured DMBS may be released from the loan transaction or may be added to a new pool. The new pool may or may not include other loans; if it includes other loans, those loans may or may not have been part of the pool that backed the matured DMBS. Any new loan pool would then back a separate new DMBS.

Short-term advances, whether Standard DUS DMBS or structured, permit the borrower, on the maturity date of the outstanding advance, to have the next advance structured as a fixed-rate, long-term (five or more years) loan rather than as another discount short-term advance. If a borrower elects to have its next advance structured as a long-term loan, we will pay off the outstanding DMBS backed by the existing short-term advance on its maturity date and issue an MBS backed by the new fixed-rate, long-term loan.

If an advance, whether Standard DUS or structured, underlying a DMBS is prepaid for any reason (including default) before its maturity date, we will not pay the prepayment to holders of the related DMBS until the maturity date of the DMBS. As a result, provisions contained elsewhere in this prospectus discussing prepayment risks (including prepayments resulting from defaults, casualties or condemnation affecting the related mortgaged properties or from repurchases from the pool) and the related effect on yields to investors do not apply to DMBS certificates.

Negotiated Transactions

Under our negotiated transactions loan product line, eligible sellers may sell to us multifamily mortgage loans that are newly originated or that are seasoned (i.e., outstanding for at least 12 months). These multifamily mortgage loans are referred to as Negotiated Transaction or NT loans. NT loans, which may be fixed-rate loans or ARM loans, are secured by multifamily properties that contain at least five residential units. Some NT loans are nonrecourse to the borrower. The prospectus supplement will indicate when a pool contains NT loans.

The prepayment characteristics of NT loans vary widely and are generally significantly different from those of DUS loans. A pool may contain NT loans with identical prepayment characteristics or with different prepayment characteristics. Some NT loans may prohibit voluntary prepayments until expiration of a lockout period, and others may permit voluntary prepayments at any time. Many NT loans may require payment of a prepayment premium upon a voluntary prepayment and some may also require payment of a prepayment premium upon an involuntary prepayment. Some NT loans may be defeasance mortgage loans. The prospectus supplement will specify the prepayment characteristics of the NT loans in your pool. The prospectus supplements for many pools of NT loans provide that even if a prepayment premium is collected, no portion of the premium will be paid to certificateholders. **We do not guarantee the payment to you of any prepayment premiums.**
Most NT loans are underwritten to comply substantially with Fannie Mae’s underwriting guidelines. Some NT loans may be underwritten to comply with the underwriting guidelines of the originator of the loan. Underwriting guidelines vary among originators and may differ significantly from our underwriting guidelines. When purchasing NT loans underwritten to comply with the originator’s underwriting guidelines, we will review those guidelines to ensure that they are acceptable to us. In some cases, the seller of the NT loans was not the originator of the loans.

Many NT loans were originated a year or more before the purchase. Due to the age of these loans, the seller, which may not be the original lender, may be unable to provide all of the original underwriting data that we typically receive on new loans. In this case, the prospectus supplement will indicate that the information is not available. We sometimes require a seller to provide a current debt service coverage ratio, loan-to-value ratio or net operating income for an NT loan. If we do so, this current information will be disclosed in the prospectus supplement.

We generally will review all or a representative sample of the loan origination files for the NT loans that we are purchasing. Although the sellers are not subject to the standard DUS loss sharing obligations, most sellers delivering NT loans share with us in all or part of any losses that result when NT loans become delinquent. We may obtain third party credit enhancement to cover a portion of the losses that we may incur.

We negotiate the terms of each NT loan sale with the seller. The terms of the NT loans purchased in one NT loan sale may differ significantly from the terms of the NT loans purchased in another NT loan sale. For each issue of certificates, the related prospectus supplement will identify the mortgaged properties securing the NT loans, describe the terms on which the NT loans may be prepaid or defeased, specify whether certificateholders will share in any prepayment premiums and disclose the other material terms of the NT loans included in the pool.

**FANNIE MAE PURCHASE PROGRAM**

The multifamily mortgage loans we purchase must meet standards required by the law under which we were chartered, which we refer to as the Charter Act. These standards require that the multifamily mortgage loans be, in our judgment, of a quality, type and class consistent with the purchase standards imposed by private institutional mortgage investors. Consistent with those requirements, and with the purposes for which we were chartered, we establish eligibility criteria and policies for the mortgage loans we purchase, for the sellers from whom we purchase loans, and for the servicers who service our mortgage loans. See “Fannie Mae,” above, for information regarding the Charter Act and the charter purpose.

**Multifamily Guides**

Our eligibility criteria and policies, summarized below, are set forth in our DUS Guide and our NT Guide and updates and amendments to these Guides. We amend our Guides and our eligibility criteria and policies from time to time. This means it is possible that not all the mortgage loans in a particular pool will be subject to the same eligibility standards. It also means that the standards described in the Guides may not be the same as the standards that applied when loans in a particular pool were originated. We also may waive or modify our eligibility and loan underwriting requirements or policies when we purchase mortgage loans.

**Multifamily Mortgage Loan Eligibility Standards**

**Dollar Limitations**

The Charter Act does not establish any maximum original principal balance dollar limitations for the conventional multifamily mortgage loans that we purchase. We purchase FHA mortgages up to the maximum original principal amount that the FHA will insure for the area in which the property is located.
Underwriting Guidelines

We have established underwriting guidelines for mortgage loans that we purchase. These guidelines are designed to provide a comprehensive analysis of the characteristics of the borrower, the mortgage loan and the mortgaged property, including such factors as the borrower’s credit history, the value of the property, past and current operations of the property, the loan-to-value ratio, the debt service coverage ratio and the loan amount.

We review and change our underwriting guidelines from time to time, including expanding our underwriting criteria to make multifamily loans accessible to borrowers that provide rental housing to low and moderate income families, rural residents and people with special housing needs. In our discretion, we may grant waivers from our underwriting guidelines when we purchase any particular mortgage loan.

The maximum loan-to-value ratio for FHA-insured mortgage loans we purchase is the maximum established by the FHA for the particular program under which the mortgage was insured. FHA-insured mortgage loans that we purchase must be originated in accordance with the applicable FHA requirements and underwriting standards. Each insured loan that we purchase must have in effect a valid mortgage insurance certificate.

Loan-to-Value Ratios

Our loan-to-value ratio requirements for loans we purchase vary depending upon a variety of factors which, for example, can include the type of loan, the loan purpose, loan amount, repayment terms and borrower credit history. Depending upon these factors, the loan-to-value ratio of a typical conventional multifamily mortgage loan does not typically exceed 80%. The loan-to-value ratio of multifamily affordable housing loans and other special feature mortgage loans, however, may be higher.

Debt Service Coverage Ratios

Our debt service coverage ratio requirements for loans we purchase may also vary depending upon a number of factors. We consider the type of loan, the loan purpose, loan amount, amount of the monthly payment of principal and interest, other expenses of the property, current and projected rents, number of dwelling units in the property, and borrower credit history. Depending upon these factors, the debt service coverage ratio for a typical fixed-rate conventional multifamily mortgage loan securing an MBS typically is not less than 1.25x at the issuance of the MBS. The debt service coverage ratio of adjustable rate conventional multifamily mortgage loans, multifamily affordable housing loans and other special feature mortgage loans, however, may be significantly lower.

Seller and Servicer Eligibility

Before we approve a company to become a seller or servicer for us, we require that the company demonstrate the following to our satisfaction:

- that it has a proven ability to originate or service, as applicable, the type of mortgages for which our approval is being requested;
- that it employs a staff with adequate experience in that area;
- that it has as one of its principal business purposes the origination or servicing, as applicable, of multifamily residential mortgages;
- that it is properly licensed, or otherwise authorized, to originate, sell or service, as applicable, multifamily residential mortgages in each of the jurisdictions in which it does business;
- that it has a financial condition that is acceptable to us;
• that it has quality control and management systems to evaluate and monitor the overall quality of its loan production and servicing activities; and

• that it is covered by a fidelity bond and errors and omissions insurance acceptable to us.

We enter into a written mortgage selling and servicing contract with each seller and servicer we approve, under which, among other things, the seller or servicer agrees to maintain the foregoing attributes to our satisfaction. DUS lenders must be specially approved and enter into additional agreements with us. See “Multifamily Mortgage Loans—DUS Loans.”

Servicing Arrangements

We are responsible for servicing and administering the multifamily mortgage loans. In most cases, we contract with other entities to perform those functions under our supervision and on our behalf. The entity with whom we contract is often the seller of the loans, but may be an unaffiliated entity. Even if we hire a servicer, we remain responsible to certificateholders for all the servicing and administrative functions related to the mortgage loans.

In some instances, we may own a multifamily mortgage loan secured by a mortgaged property in which we or the lender or servicer also owns an equity interest. In these circumstances, we may be required to contract with a party not affiliated with Fannie Mae or the transaction to perform certain servicing functions.

Servicers must meet the eligibility standards and performance obligations in our Guides. All servicers are obligated to diligently perform all services and duties customary to servicing mortgage loans. We monitor the servicer’s performance and have the right to remove any servicer at any time that we consider its removal to be in best interest of the certificateholders. Duties performed by the servicer include general loan servicing responsibilities, collection and remittance of payments on the multifamily mortgage loans, administration of mortgage escrow accounts, collection of insurance claims and foreclosure, if necessary.

Servicing Compensation and Payment of Certain Expenses

Unless otherwise stated in the prospectus supplement, each month we retain the portion of interest collected on the loans that is not required to be paid to certificateholders. The retained interest is used to pay various expenses of the related trust, including the amount of the fee payable to the servicer and the fee payable to us for providing our guaranty. We also retain certain prepayment premiums, assumption fees, late payment charges and other similar charges, to the extent they are collected from borrowers, as additional servicing compensation unless the prospectus supplement states otherwise. We pay all the expenses we incur in connection with our servicing responsibilities, including (but not limited to) fees for any party with which we contract to service the multifamily mortgage loans on our behalf. We are not entitled to reimbursement for such expenses from the related trust fund except for our servicing compensation and guaranty fees described above.

Seller Representations and Warranties

Our sellers make representations and warranties to us about the multifamily mortgage loans we purchase. In general, the representations and warranties relate to:

• compliance with our eligibility standards and with our underwriting guidelines;

• characteristics of the mortgage loans in each pool;

• compliance with applicable federal and state laws and regulations in the origination of the loans, including consumer protection laws;

• compliance with all applicable laws and regulations related to authority to do business in the jurisdiction where a mortgaged property is located;
• our acquisition of loans free and clear of any liens;
• validity and enforceability of the loan documents; and
• the lien position of the mortgage.

We rely on these representations and warranties at the time of purchase to ensure that loans meet our eligibility standards. Some of these representations and warranties may continue throughout the term of the loans. After purchase, we perform random quality control reviews of selected loans to monitor compliance with our guidelines, our eligibility standards and applicable laws and regulations. We can require a seller or servicer to repurchase a loan if we find a breach of representations and warranties. For a discussion of how these repurchases can affect the performance of the certificates, see “Risk Factors—Prepayment Factors—Property/Credit/Borrowers—We could withdraw one or more multifamily mortgage loans from the pool due to a breach of representations and warranties, accelerating the rate at which you receive your return of principal” above.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

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

Internal Revenue Service Guidance Regarding the Certificates

In Revenue Ruling 84-10, 1984-1 C.B. 155, the Internal Revenue Service set forth certain federal income tax consequences relating to investments in the certificates issued with respect to a pool. Pursuant to Revenue Ruling 84-10, 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 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.

Although Revenue Ruling 84-10 does not specifically address participation interests in mortgage loans, other IRS pronouncements clearly indicate that the holdings of Revenue Ruling 84-10 are equally applicable to a certificate backed by a pool consisting (in whole or in part) of participation interests. Revenue Ruling 84-10 also does not contemplate the mandatory repurchase of ARMs from pools subsequent to a borrower’s exercise of an option to convert an ARM to a fixed-rate mortgage loan. However, our special tax counsel, Arnold & Porter LLP, has rendered an opinion to us that the conclusions of Revenue Ruling 84-10 will be applicable to ARM pools.

**Application of Revenue Ruling 84-10**

Pursuant to the holdings of Revenue Ruling 84-10, a beneficial owner of a particular issue of 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 premiums, assumption fees and late payment charges, plus any amount paid by us as interest under our guaranty. A beneficial owner can deduct its pro rata share of the expenses of the trust 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 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 ARMs that provide for an incentive interest rate (sometimes referred to as a teaser rate) or mortgage loans, including ARMs, 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 that 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 certificate as ordinary income under the circumstances discussed below under “Sales and Other Dispositions of Certificates.” Third, a beneficial owner that incurs or continues indebtedness to acquire a 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 payments 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, that 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 has 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 ARM is determined by reference to an equivalent fixed-rate debt instrument constructed as of the date the beneficial owner acquires an interest in the ARM.

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 certificate. See “—Sales and Other Dispositions of Certificates.”
**Short-Term Obligations**

A beneficial owner of a DMBS certificate that is an accrual basis taxpayer, a bank, a regulated investment company or another class of beneficial owner described in section 1281 of the Code generally is required to include original issue discount on a DMBS certificate in income as it accrues on a straight-line basis, regardless of its method of accounting. Alternatively, such a beneficial owner may make an irrevocable election to accrue such original issue discount on the basis of the DMBS certificate's yield to maturity and daily compounding.

A beneficial owner not described in section 1281 of the Code generally will include accrued original issue discount in income only when the DMBS certificate is sold or matures. The beneficial owner, however, may be required to defer deductions for all or a portion of the interest expense on any indebtedness incurred or continued to purchase the DMBS certificate, in an amount not exceeding the deferred interest income, until such deferred interest income is recognized.

In addition, any beneficial owner may make the accrual method election described below.

**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.

**Expenses of the Trust**

A beneficial owner's ability to deduct its share of the fee payable to the servicer, the fee payable to us for providing our guaranty and other expenses to administer the pool is limited under section 67 of the Code in the case of (i) estates and trusts, and (ii) individuals owning an interest in a certificate directly or through an investment in a pass-through entity (other than in connection with such individual’s trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, 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 Certificates**

Upon the sale, exchange or other disposition of a certificate, the beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner's adjusted basis in the certificate. The adjusted basis of a certificate generally will equal the cost of the 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
certificate, and reduced by distributions on the 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 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 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 on retirement of any 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 certificate in such a case.

Special Tax Attributes

In Revenue Ruling 84-10, the IRS ruled on the status of the certificates under specific sections of the Code. In particular, the IRS ruled as follows:

1. A 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 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.

The special tax attributes discussed above do not apply to a mortgage loan to the extent that its principal amount exceeds the value of the real property securing it. We believe that the fair market value of the real property securing each mortgage loan exceeds the principal balance of that mortgage loan as of the issue date of the certificates based upon the lender's representation that each mortgage loan complied with underwriting guidelines with respect to property value and loan-to-value ratio. The principal security for each mortgage loan is a first lien (or, in the case of a subordinate lien mortgage loan, a subordinate lien) on real property. However, the mortgage loans may also be secured by a security interest in related tangible personal property (e.g., equipment and furniture) and in related intangible personal property such as rents and revenues, insurance proceeds, condemnation awards or settlements, contract rights, deposits, permits, accounts, licenses, and so forth. If the principal balance of the mortgage loan exceeds the fair market value of the real property securing the mortgage loan, the certificates will retain the special tax attributes discussed above in proportion to the value of the real property remaining as security for the mortgage loan.

Seniors Housing Loans

Based upon the holdings of Revenue Ruling 84-10, a certificate representing an interest in a pool that contains seniors housing loans will be considered as representing loans secured by an interest in educational, health or welfare institutions or facilities within the meaning of section 7701(a)(19)(C)(vii) of the Code, provided the collateral securing each mortgage loan is the type of property described in that section of the Code.
Defeasance Mortgage Loans

With respect to a defeasance mortgage loan, if there is a release of the mortgaged property as discussed under “Multifamily Mortgage Loans—DUS Loans—Standard DUS Loans—DUS Defeasance Loans”, that mortgage loan will no longer qualify as a “loan secured by an interest in real property” within the meaning of section 7701(a)(19)(C)(v) of the Code or a “real estate asset” within the meaning of section 856(c)(3)(B). Thus, upon the release of the mortgaged property securing a defeasance mortgage loan underlying the certificates, the rulings discussed above regarding the application of these Code sections would be limited to the remaining mortgage loans underlying the certificates that are secured by an interest in real property.

Multifamily 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 “—Application of Revenue Ruling 84-10—Premium.” In addition, the excess portion of servicing compensation will be excluded from the income of owners and thus will not be subject to the limitations on the deductibility of miscellaneous itemized deductions. See “—Application of Revenue Ruling 84-10—Expenses of the Trust.”

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 1/6 of one percent times the number of whole years to final stated maturity.

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 certificates.

Information Reporting and Backup Withholding

With each distribution, we will furnish to each 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 certificateholder who at any time during such year received a distribution from us, a statement setting forth that holder’s proportionate share of income and administrative expense for such calendar year.

Payments of interest and principal, as well as payments of proceeds from the sale of certificates, may be subject to the backup withholding tax under section 3406 of the Code 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 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 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 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 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 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.
ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with an investment in 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 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 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, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility rules of ERISA and could cause an investment in 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 evidencing 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, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA or section 4975 of the Code by providing services with respect to the mortgages in the pool. Our counsel, Hunton & Williams LLP, has advised us that the certificates qualify under the definition of guaranteed governmental mortgage pool certificates and, as a result, the purchase and holding of 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 certificate. However, investors should consult with their own counsel regarding the ERISA eligibility of certificates they may purchase.

LEGAL OPINION

If you purchase certificates, we will send you, upon request, an opinion of our general counsel (or one of our deputy general counsels) as to the validity of the certificates, the issue supplement and the trust indenture for that issue.
Frequently Used Multifamily MBS Pool Prefixes

Below is a listing of some of the most frequently used multifamily pool prefixes. For a complete listing and description of pool prefixes, please refer to our Web site at www.fanniemae.com. Unless otherwise stated, the pools contain fixed-rate mortgage loans.

AM....... Conventional, adjustable-rate mortgages.
H2....... Conventional, supplemental lien mortgages; actual/360 interest day basis calculation; maturity dates vary.
HA....... Conventional, adjustable-rate mortgages; actual/360 interest day basis calculation; maturity dates vary.
HI....... Conventional, intermediate-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in fifteen (15) years or less.
HL....... Conventional, long-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in greater than twenty-five (25) years but less than thirty (30) years.
HN....... Conventional, short-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in ten (10) years or less.
HR....... Conventional, adjustable-rate supplemental lien mortgages; actual/360 interest day basis calculation; maturity dates vary.
HS....... Conventional, short-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in ten (10) years or less.
HT....... Conventional, intermediate-term, level-payment mortgages; actual/360 interest day basis calculation; maturing or due in less than twenty (20) years.
HX....... Conventional, short-term, level-payment, balloon mortgages; actual/360 interest day basis calculation; maturing or due in seven (7) years or less.
HY....... Conventional, balloon mortgages; actual/360 interest day basis calculation; maturing or due in seven (7) years or more.
MA....... Government (FHA) long-term, level-payment project mortgages; fully amortizing within forty (40) years.
MB....... Conventional, adjustable-rate balloon mortgages; maturity dates vary.
MD....... Conventional, non-interest bearing (discounted) securities backed by pools of one or more loans; maturity dates vary between 1 and 12 months.
MI....... Conventional, intermediate-term, level-payment mortgages; maturing or due in fifteen (15) years or less.
ML....... Conventional, long-term, level-payment mortgages.
MN....... Conventional, short-term, level-payment mortgages; maturing or due in ten (10) years or less.
MS....... Conventional, short-term, level-payment mortgages; maturing or due in seven (7) years or less.
MT....... Conventional, intermediate-term, level-payment mortgages; maturing or due in twenty (20) years or less.
MX....... Conventional, level-payment, balloon mortgages; maturity dates vary.
MY....... Conventional, level-payment, balloon mortgages; maturing or due in seven (7) years or more.
QI....... Conventional, intermediate-term, level-payment mortgages; actual/360 interest day basis calculation and P&I based on note rate multiplied by 365 and then divided by 360; maturing or due in fifteen (15) years or less.
QN ........ Conventional, short-term, level-payment mortgages; actual/360 interest day basis calculation and P&I based on note rate multiplied by 365 and then divided by 360, maturing or due in ten (10) years or less.

QT ........ Conventional, intermediate-term, level-payment mortgages; actual/360 interest day basis calculation and P&I based on note rate multiplied by 365 and then divided by 360; maturing or due in twenty (20) years or less.

QY ........ Conventional, level-payment, balloon mortgages; actual/360 interest day basis calculation and P&I based on note rate multiplied by 365 and then divided by 360; maturing or due in seven (7) years or more.
All information in this exhibit is for illustrative purposes only and should not be deemed to represent any actual loan or any actual issuance. Information presented may vary for individual pools. Please see the Pool Statistics Methodology section following this sample for further information on the pool statistics described by this sample.
All information in this exhibit is for illustrative purposes only and should not be deemed to represent any actual loan or any actual issuance. Information presented may vary for individual pools. Please see the Pool Statistics Methodology section following this sample for further information on the pool statistics described by this sample.

Exhibit B(2)

Fannie Mae
Guaranteed Mortgage Pass-Through Securities Program
Adjustable Mortgage Loans
Supplement to Prospectus dated November 1, 2004

<table>
<thead>
<tr>
<th>POOL NUMBER</th>
<th>AM-654329</th>
<th>ISSUE DATE</th>
<th>12/01/04</th>
<th>INITIAL POOL ACCRUAL RATE</th>
<th>5.7000</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUSIP NUMBER</td>
<td>65432XYZ1</td>
<td>CONVERTIBLE Y</td>
<td>PTR METHOD W</td>
<td>WTD AVG MAXIMUM POOL ACCRUAL RATE</td>
<td>9.0000</td>
</tr>
<tr>
<td>TRANSFER TYPE</td>
<td>W</td>
<td>WTD AVG MINIMUM POOL ACCRUAL RATE</td>
<td>3.0000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DISTRIBUTION OF POOL LOANS BY FIRST PAYMENT DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORIGINAL INT RATE</td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>01/01/05</td>
</tr>
</tbody>
</table>

| INITIAL INTEREST RATE CHANGE DATE | 03/01/05 |

<table>
<thead>
<tr>
<th>NEXT RATE CHANGE DATE TABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DATE</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

| WEIGHTED AVERAGE MONTHS TO ROLL | 3 |

<table>
<thead>
<tr>
<th>POOL STATISTICS (AS OF ISSUE DATE 12/01/04)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUMBER OF MORTGAGE LOANS</td>
</tr>
<tr>
<td>LARGEST ISSUE DATE UPB</td>
</tr>
<tr>
<td>SMALLEST ISSUE DATE UPB</td>
</tr>
<tr>
<td>AVERAGE ISSUE DATE UPB</td>
</tr>
<tr>
<td>MATURITY DATE</td>
</tr>
<tr>
<td>WEIGHTED AVG REMAINING TERM</td>
</tr>
<tr>
<td>HIGHEST CURRENT INTEREST RATE</td>
</tr>
<tr>
<td>LOWEST CURRENT INTEREST RATE</td>
</tr>
<tr>
<td>WEIGHTED AVG CURRENT INT RATE</td>
</tr>
<tr>
<td>% UPB W/ INTRST ONLY FIRST DISTRIB</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GEOGRAPHIC DISTRIBUTION OF SECURITY PROPERTIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CALIFORNIA</td>
</tr>
</tbody>
</table>

SUPPLEMENT TO PROSPECTUS DATED 11/01/04
Exhibit B(3)

POOL STATISTICS METHODOLOGY

We provide to certificateholders the information as reported to us by lenders. Information presented may vary for individual pools. If a lender has delivered mortgages that are not within the parameters that a lender represents and warrants to us, the lender may be obligated to repurchase the affected mortgage loans. Certificateholders should make their own conclusions regarding the data provided in the prospectus supplement.

1. **Average Outstanding Balance** (for adjustable-rate mortgage loans, Average Issue Date Unpaid Principal Balance)

   On the issue date, we will calculate a simple average of the unpaid principal balances of all the underlying mortgage loans as of the issue date.

2. **Weighted Average Remaining Term**

   On the issue date, we will calculate a weighted average of the calculated maturity for the underlying mortgage loans. The calculated maturity for a mortgage loan is the number of months remaining until the borrower pays its mortgage loan in full, assuming that a borrower makes all future scheduled required payments on time as set forth in the mortgage note but makes no additional prepayment after the date of calculation. The calculated maturity for a loan may be earlier than the maturity date stated in the note if a borrower has made any partial prepayments prior to the date of calculation. The maturity date of a pool as stated in the prospectus supplement is the latest calculated maturity for any of the underlying mortgage loans, as calculated on the issue date for such pool.

3. **Weighted Average Annual Interest Rate** (for adjustable-rate mortgage loans, Weighted Average Current Interest Rate)

   On the issue date, we will calculate a weighted average of the interest rates then in effect on the underlying mortgage loans.

4. **% UPB with Interest Only First Distribution**

   We provide the percent of the aggregate issue date unpaid principal balance of mortgage loans in a pool that do not have their first scheduled principal payment due until the second due period following the issue date of the certificates. Certificateholders will receive no scheduled principal payment on the first distribution date (but will receive interest) with respect to that percentage of loans.

5. **Seller and Servicer**

   We will provide the name of the seller (the entity that delivered the mortgage loans to us) and the servicer (the entity that is servicing the mortgage loans upon delivery to us) for each pool.

6. **Geographic Distribution of Security Properties**

   We will provide information as of the issue date regarding the geographic distribution by state of the mortgaged properties underlying the mortgage loans in a pool. We will provide for each applicable state the number of loans, by aggregate unpaid principal balance of those loans, and the percentage of the pool's issue date unpaid principal balance that the loans represent.

7. **Weighted Average Maximum Pool Accrual Rate**

   For a pool containing adjustable-rate mortgage loans, on the issue date, we will calculate the weighted average of the maximum pool accrual rates that would accrue for that pool if all of the
underlying mortgage loans were accruing interest at the maximum rate provided in their respective loan documents.

8*Weighted Average Minimum Pool Accrual Rate*

For a pool containing adjustable-rate mortgage loans, on the issue date, we will calculate the weighted average of the minimum pool accrual rates that would accrue for that pool if all of the underlying mortgage loans were accruing interest at the minimum rate provided in their respective loan documents. Generally, the weighted average minimum pool accrual rate will not be less than the weighted average of the MBS margins of the mortgage loans in the pool.

9*Distribution of Loans by First Payment Date*

For adjustable-rate mortgage loans, we will provide information as of the issue date regarding distribution of the underlying mortgage loans in a pool by their first payment date and the number of the mortgage loans having each such listed first payment date. We will also provide the aggregate dollar amount of these mortgage loans.

10*Initial Interest Rate Change Date*

For adjustable-rate mortgage loans, we will state the first interest rate change date of the mortgage loan in the pool that has the earliest first interest rate change date if that date has not passed as of the issue date of the certificates.

11*Gross Margins*

For adjustable-rate mortgage loans, we will provide information as of the issue date regarding the mortgage loan margins (as stated in the mortgage note) and the number of mortgage loans having each such listed mortgage loan margin. We will also provide the aggregate dollar amount of these mortgage loans.

12*Next Rate Change Date Table*

For adjustable-rate mortgage loans, we will provide information as of the issue date regarding the next rate change date for the underlying mortgage loans in a pool, including the percentage of the pool (by unpaid principal balance) that will have its next rate change on the listed dates, MBS margin, coupon, cap, and floor information.

13*MBS Margin*

For adjustable-rate mortgage loans, we will provide as of the issue date the highest MBS margin for a mortgage loan in the pool, the lowest MBS margin for a mortgage loan in the pool and the weighted average MBS margin for the pool.

14*Net Coupons*

For adjustable-rate mortgage loans, we will provide as of the issue date the highest net coupon in the pool, the lowest net coupon in the pool and the weighted average of the net coupons for the pool.

15*Net Life Caps*

For adjustable-rate mortgage loans, we will provide as of the issue date the highest net life cap for a mortgage loan in the pool, the lowest net life cap for a mortgage loan in the pool and the weighted average of the net life caps for the pool.
**Net Life Floors**

For adjustable-rate mortgage loans, we will provide as of the issue date the highest net life floor for a mortgage loan in the pool, the lowest net life floor for a mortgage loan in the pool and the weighted average of the net life floors for the pool.

**Weighted Average Months to Roll**

For adjustable-rate mortgage loans, on the issue date, we will calculate a weighted average of the number of months until the next interest rate change date for each mortgage loan in the pool.
All information in this exhibit is for illustrative purposes only and should not be deemed to represent any actual loan or any actual issuance. Information presented may vary for individual loans and pools. Furthermore, certain information will be applicable only to fixed-rate mortgages.

Schedule of Loan Information—Fixed-Rate

<table>
<thead>
<tr>
<th>Information</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pool Number</td>
<td>123456</td>
</tr>
<tr>
<td>Seller Number</td>
<td>9999999999</td>
</tr>
<tr>
<td>Fannie Mae Loan Number</td>
<td>0000000000</td>
</tr>
<tr>
<td>Principal Balance Amount</td>
<td>$6,000,000</td>
</tr>
<tr>
<td>Pool Issue Date</td>
<td>December 1, 2004</td>
</tr>
<tr>
<td>Mortgage Interest Rate</td>
<td>6.000%</td>
</tr>
<tr>
<td>Interest Day Basis</td>
<td>Actual/360</td>
</tr>
<tr>
<td>Maturity Date</td>
<td>December 1, 2014</td>
</tr>
<tr>
<td>1st Monthly Payment Date</td>
<td>January 1, 2005</td>
</tr>
<tr>
<td>Interest Only End Date</td>
<td>N/A</td>
</tr>
<tr>
<td>Original Amortization Term</td>
<td>360 months</td>
</tr>
<tr>
<td>Prepayment Premium Option</td>
<td>Yield Maintenance</td>
</tr>
<tr>
<td>Prepayment Period End Date</td>
<td>N/A</td>
</tr>
<tr>
<td>Yield Maintenance End Date</td>
<td>May 31, 2014</td>
</tr>
<tr>
<td>U.S. Treasury Yield Rate</td>
<td>6%</td>
</tr>
<tr>
<td>Security Due Date</td>
<td>April 1, 2014</td>
</tr>
<tr>
<td>Lockout Period</td>
<td>N/A</td>
</tr>
<tr>
<td>Lockout Period End Date</td>
<td>N/A</td>
</tr>
<tr>
<td>Defeasance Period</td>
<td>N/A</td>
</tr>
<tr>
<td>Defeasance Period End Date</td>
<td>N/A</td>
</tr>
<tr>
<td>1st Scheduled Payment Change Date</td>
<td>N/A</td>
</tr>
<tr>
<td>1st Scheduled Rate Adjustment Date</td>
<td>N/A</td>
</tr>
<tr>
<td>Next Scheduled Rate Adjustment Date</td>
<td>N/A</td>
</tr>
<tr>
<td>Mortgage Margin</td>
<td>N/A</td>
</tr>
<tr>
<td>Mortgage Note Rate Ceiling</td>
<td>N/A</td>
</tr>
<tr>
<td>Mortgage Note Rate Floor</td>
<td>N/A</td>
</tr>
<tr>
<td>Lookback Period</td>
<td>N/A</td>
</tr>
<tr>
<td>Property Type</td>
<td>Multifamily</td>
</tr>
<tr>
<td>Property City</td>
<td>Santa Ana</td>
</tr>
<tr>
<td>Property State</td>
<td>CA</td>
</tr>
<tr>
<td>Property Zip Code</td>
<td>92xxx</td>
</tr>
<tr>
<td>Total Number of Units</td>
<td>200</td>
</tr>
<tr>
<td>Occupancy</td>
<td>98%</td>
</tr>
<tr>
<td>Appraised Value</td>
<td>$8,000,000</td>
</tr>
<tr>
<td>Loan-to-Value Ratio</td>
<td>75%</td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>$800,000</td>
</tr>
<tr>
<td>Debt Service Coverage Ratio</td>
<td>1.45</td>
</tr>
<tr>
<td>% of Units For UNDER 80% Median Income</td>
<td>0%</td>
</tr>
<tr>
<td>% of Units For UNDER 60% Median Income</td>
<td>60%</td>
</tr>
<tr>
<td>% of Units For UNDER 50% Median Income</td>
<td>40%</td>
</tr>
<tr>
<td>Low Income Housing Tax Credits</td>
<td>Y</td>
</tr>
<tr>
<td>Tier Drop Eligible</td>
<td>N</td>
</tr>
</tbody>
</table>
Exhibit C(2)

All information in this exhibit is for illustrative purposes only and should not be deemed to represent any actual loan or any actual issuance. Information presented may vary for individual loans and pools. Furthermore, certain information will be applicable only to adjustable-rate mortgages.

<table>
<thead>
<tr>
<th>Schedule of Loan Information—Adjustable-Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pool Number: 654329</td>
</tr>
<tr>
<td>Fannie Mae Loan Number: 9999999999</td>
</tr>
<tr>
<td>Issue Date: December 1, 2004</td>
</tr>
<tr>
<td>Interest Day Basis: Actual/360</td>
</tr>
<tr>
<td>1st Monthly Payment Date: January 1, 2005</td>
</tr>
<tr>
<td>Original Amortization Term: 360 months</td>
</tr>
<tr>
<td>Prepayment Period End Date: December 1, 2014</td>
</tr>
<tr>
<td>Lockout Period: 12 months</td>
</tr>
<tr>
<td>Declining Premium End Date: N/A</td>
</tr>
<tr>
<td>Defeasance Period: N/A</td>
</tr>
<tr>
<td>1st Scheduled Rate Adjustment Date: January 1, 2005</td>
</tr>
<tr>
<td>Mortgage Margin: 3.000%</td>
</tr>
<tr>
<td>Mortgage Note Rate Floor: 3.000%</td>
</tr>
<tr>
<td>Convertible to Fixed Rate: No</td>
</tr>
<tr>
<td>Property Type: Multifamily</td>
</tr>
<tr>
<td>Property State: CA</td>
</tr>
<tr>
<td>Total—of Units: 100</td>
</tr>
<tr>
<td>Appraised Value: $10,000,000</td>
</tr>
<tr>
<td>Net Operating Income: $1,000,000</td>
</tr>
<tr>
<td>% of Units For UNDER 80% Median Income: 0%</td>
</tr>
<tr>
<td>% of Units For UNDER 50% Median Income: 40%</td>
</tr>
<tr>
<td>Tier Drop Eligible: N</td>
</tr>
</tbody>
</table>
No one is authorized to give information or to make representations in connection with the 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 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 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 pools are available upon request by calling us at 800-237-8627 or by going to our corporate Web site at www.fanniemae.com.

Guaranteed Mortgage Pass-Through Certificates
(Multifamily Residential Mortgage Loans)

MULTIFAMILY MBS PROSPECTUS

November 1, 2004