

**\$302,982,000 (Approximate)**  
**Federal National Mortgage Association**



**Guaranteed REMIC Pass-Through Certificates**  
**Fannie Mae Multifamily REMIC Trust 1996-M3**

The Guaranteed REMIC Pass-Through Certificates offered hereby (the "Certificates") will represent beneficial ownership interests in one of two trust funds. The Certificates, other than the RL Class, will represent beneficial ownership interests in Fannie Mae Multifamily REMIC Trust 1996-M3 (the "Trust"). The Certificates (other than the RL Class), together with the four classes of subordinate certificates (individually, a "Subordinate Class" and, collectively, the "Subordinate Classes"), which are not offered hereby, will represent the entire beneficial ownership interest in the Trust. The assets of the Trust will consist of the "regular interests" in a separate trust fund (the "Lower Tier REMIC"). The assets of the Lower Tier REMIC will consist primarily of a pool (the "Mortgage Pool") of conventional, monthly pay, mortgage loans (each, a "Mortgage Loan") secured by multifamily projects (each, a "Mortgaged Property") consisting primarily of five or more cooperative units. The Mortgage Pool contains Balloon Mortgage Loans representing approximately 97% of the Issue Date Pool Balance and will consist primarily of Fixed Rate Mortgage Loans, but also will contain ARM Loans. The Mortgage Pool will include 66 Mortgage Loans comprising approximately 38.5% of the Issue Date Pool Balance (as hereinafter defined) that will be Discounted Mortgage Loans. A "Discounted Mortgage Loan" is a Fixed Rate Mortgage Loan with a Net Mortgage Rate which is less than 7.41% per annum or any ARM Loan which has a minimum mortgage interest rate (net of the Servicing Fee Rate and the Fannie Mae Fee Rate) which is less than 7.41% per annum. The Mortgage Loans and the Mortgaged Properties are more fully described herein under "Description of the Mortgage Pool" and on Exhibit A hereto.

The Certificates will be issued and guaranteed by Fannie Mae as to the timely distribution of interest on the Certificates and the Required Senior Principal Distribution Amount. The rights of Holders of Certificates will be senior to the rights of the holders of the Subordinate Classes. Fannie Mae will not guarantee (i) the Subordinate Classes or (ii) the payment to Certificateholders of any Prepayment Premiums or Yield Maintenance Charges. See "Description of the Certificates—General—Fannie Mae Guaranty" herein.

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

See "Risk Factors Associated with Multifamily REMIC Pass-Through Certificates" on page S-7 for a discussion of certain risks that should be considered in connection with an investment in the Certificates.

(Cover continued on next page)

**THE CERTIFICATES MAY NOT BE SUITABLE INVESTMENTS FOR ALL INVESTORS. NO INVESTOR SHOULD PURCHASE CERTIFICATES UNLESS SUCH INVESTOR UNDERSTANDS AND IS ABLE TO BEAR THE EXTENSION, PREPAYMENT, YIELD, LIQUIDITY AND OTHER RISKS ASSOCIATED WITH SUCH CERTIFICATES. PROSPECTIVE INVESTORS IN ANY CLASS OF CERTIFICATES SHOULD CAREFULLY CONSIDER WHETHER SUCH AN INVESTMENT IS APPROPRIATE FOR THEIR INVESTMENT OBJECTIVES. SEE "DESCRIPTION OF THE CERTIFICATES" HEREIN.**

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

| Class(1) | Original Principal Balance(2) | Principal Type(3) | Interest Rate | Interest Type(3) | CUSIP Number | Final Distribution Date(4) |
|----------|-------------------------------|-------------------|---------------|------------------|--------------|----------------------------|
| A-1      | \$132,850,000                 | SEQ               | 7.385%        | FIX              | 31359L6W0    | March 2021                 |
| A-2      | 136,000,000                   | SEQ               | 7.410         | FIX              | 31359L6X8    | March 2021                 |
| A-3      | 34,132,000                    | SEQ               | 7.310         | FIX              | 31359L6Y6    | March 2021                 |
| XS       | (5)                           | NTL               | (6)           | WAC/IO           | 31359L6Z3    | March 2021                 |
| R        | 0                             | NPR               | 0             | NPR              | 31359L7E9    | March 2021                 |
| RL       | 0                             | NPR               | 0             | NPR              | 31359L7F6    | March 2021                 |

(1) The Classes (other than the RL Class) will be entitled to receive distributions of Prepayment Premiums and Yield Maintenance Charges which may be received with respect to Mortgage Loans for which a principal prepayment is received, to the extent described under "Description of the Certificates—Allocation of Prepayment Premiums and Yield Maintenance Charges" herein.

(2) Subject to a permitted variance of plus or minus 5%.

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

(4) The latest maturing Mortgage Loan is scheduled to mature March 1, 2016. See Exhibit A hereto. The Final Distribution Date reflects (i) the right to extend the maturity of a Mortgage Loan for three years beyond its original stated maturity date, and (ii) an additional two year period to foreclose upon or liquidate such Mortgage Loan. See "The Trust Agreement—Servicing of the Mortgage Loans—Modifications, Waivers and Amendments" herein.

(5) The XS Class will be a Notional Class, will have no principal balance and will bear interest on its notional principal balance (initially \$302,982,000). The notional principal balance of the XS Class will be calculated based on the outstanding aggregate Class Balance of the Class A-1, A-2 and A-3 Certificates.

(6) Initially, 0.72866% per annum for the XS Class. The XS Class will bear interest on its notional principal balance at a variable rate per annum equal to the excess, if any, of the Weighted Average Pass-Through Rate, over the weighted average of the Class A-1, A-2 and A-3 Certificate Rates. For so long as the notional principal balance of the XS Class exceeds zero, the XS Class will also be entitled to receive distributions in respect of each Discounted Mortgage Loan that is an ARM Loan, following the applicable reset date with respect to such ARM Loan, in an amount equal to the interest accrued for the related Due Period on the Scheduled Principal Balance of such Discounted Mortgage Loan at a rate equal to the excess, if any, of the actual rate per annum (net of the Servicing Fee Rate and the Fannie Mae Fee Rate) over the minimum mortgage interest rate (net of the Servicing Fee Rate and the Fannie Mae Fee Rate) for such ARM Loan.

The Certificates will be offered by CS First Boston Corporation ("CS First Boston") and Morgan Stanley & Co. Incorporated ("Morgan Stanley") and, together with CS First Boston, the "Dealers") from time to time in negotiated transactions, at varying prices to be determined at time of sale.

The Certificates are offered by the Dealers, when, as and if issued, delivered to and accepted by the Dealers, and subject to the Dealers' right to reject any order in whole or in part. It is expected that the Certificates, except for the R and RL Classes, will be available through the book-entry system of the Federal Reserve Banks on or about April 30, 1996 (the "Settlement Date"). It is expected that the R and RL Classes in registered, certificated form will be available for delivery at the offices of CS First Boston, New York, New York on or about the Settlement Date.

**CS First Boston**

**Morgan Stanley & Co.**  
Incorporated

The date of this Prospectus Supplement is April 22, 1996.

(Cover continued from previous page)

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

- Subject to certain restrictions (including Lock-Out Periods and/or the imposition of Prepayment Premiums and Yield Maintenance Charges (as hereinafter defined)) on principal prepayments (as hereinafter defined), Mortgage Loans generally may be prepaid prior to their stated maturities; accordingly, the rate of principal payments thereon is likely to vary considerably from time to time. See "Description of the Certificates—Yield Considerations" on pages S-16 through S-18 and "Description of the Mortgage Pool—Certain Terms and Conditions of the Mortgage Loans—Prepayment Provisions" on pages S-28 and S-29. As used herein, "principal prepayment" means any payment or other collection of principal on a Mortgage Loan which is received in advance of its scheduled due date and which is not accompanied by an amount of interest representing scheduled interest due on any date or dates in any month or months subsequent to the month of payment.
- Slight variations in Mortgage Loan characteristics could substantially affect the weighted average lives and yields of some or all of the Classes. The methodology and assumptions used to compute the Discounted Principal Balance of any Discounted Mortgage Loan may also affect the weighted average lives and yields of the Certificates. See "Description of the Certificates—Yield Considerations" on pages S-16 through S-18 and "Description of the Certificates—Weighted Average Lives of the Certificates" on page S-18.
- In the case of any Certificates purchased at a discount from their principal amounts, a slower than anticipated rate of principal payments is likely to result in a lower than anticipated yield. See "Description of the Certificates—Yield Considerations" on pages S-16 through S-18.
- In the case of any Certificates purchased at a premium to their principal amounts, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield. See "Description of the Certificates—Yield Considerations" on pages S-16 through S-18.
- In the case of any Notional Class, a faster than anticipated rate of principal payments is likely to result in a lower than anticipated yield and, in certain cases, an actual loss on the investment. See "Description of the Certificates—Yield Considerations—The Interest Only Class" on pages S-17 and S-18.
- The allocation to any Class of any Prepayment Premium or Yield Maintenance Charge may be insufficient to offset fully the adverse effects on the anticipated yield arising out of the corresponding principal prepayment. See "Description of the Certificates—Allocation of Prepayment Premiums and Yield Maintenance Charges" on pages S-14 and S-15 and "Description of the Mortgage Pool—Certain Terms and Conditions of the Mortgage Loans—Prepayment Provisions" on pages S-28 and S-29.
- The Trust Agreement (as hereinafter defined) permits the modification (including an extension) of a Mortgage Loan under certain circumstances. See "The Trust Agreement—Servicing of the Mortgage Loans—Modifications, Waivers and Amendments" on page S-21. Any extension of a Mortgage Loan is likely to cause an extension of the weighted average life of a Certificate. In addition, failure of a Mortgagor to timely make a Balloon Payment (as hereinafter defined) is also likely to cause an extension of the weighted average life of a Certificate. See "Risk Factors Associated with Multifamily REMIC Pass-Through Certificates—1. Balloon Mortgage Loans and Extension Risk," on page S-7, "Description of the Certificates—Yield Considerations" on pages S-16 through S-18 and "Description of the Certificates—Weighted Average Lives of the Certificates" on page S-18.
- The yields and weighted average lives (and, therefore, the date of actual final payment) of the Certificates will be affected by the allocation of all principal payments to Certificates for so long as they are outstanding vis-a-vis the Subordinate Classes. See "Description of the Certificates—Distributions of Principal—Principal Distribution Amount" on pages S-12 and S-13.

See "Description of the Certificates—Yield Considerations" on pages S-16 through S-18.

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

- The actual final payment of any Class of Certificates will likely occur earlier, and could occur much earlier, than the Final Distribution Date for such Class specified on the cover page. See "Description of the Certificates—Weighted Average Lives of the Certificates" on page S-18 and "Maturity and Prepayment Considerations and Risks—Weighted Average Life and Final Distribution Dates" in the Multifamily REMIC Prospectus.
- The rate of principal distributions of the Certificates is uncertain and investors may be unable to reinvest the distributions thereon at yields equaling the yields on the Certificates. See "Yield Considerations—Reinvestment Risk" in the Multifamily REMIC Prospectus and "Description of the Certificates—Yield Considerations" on pages S-16 through S-18.
- Investors whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities may be subject to restrictions on investment in certain Classes of the Certificates. Investors should consult their legal advisors to determine whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment. See "Legal Investment Considerations" in the Multifamily REMIC Prospectus.
- The Dealers intend to make a market for the Certificates but are not obligated to do so. There can be no assurance that a secondary market will develop or, if developed, that it will continue. Thus, investors may not be able to sell their Certificates readily or at prices that will enable them to realize their anticipated yield. No investor should purchase Certificates unless such investor understands and is able to bear the risk that the value of the Certificates will fluctuate over time and that the Certificates may not be readily salable.

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

Elections will be made to treat the Lower Tier REMIC and the Trust as "real estate mortgage investment conduits" ("REMICs") pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). The R and RL Classes will be subject to transfer restrictions. See "Description of the Certificates—Characteristics of the R and RL Classes" and "Certain Additional Federal Income Tax Consequences" herein and "Description of the Certificates—Additional Characteristics of Residual Certificates" and "Certain Federal Income Tax Consequences" in the Multifamily REMIC Prospectus.

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

- Fannie Mae's Prospectus for Guaranteed Multifamily REMIC Pass-Through Certificates dated November 1, 1995 (the "Multifamily REMIC Prospectus"); and
- Fannie Mae's Information Statement dated February 22, 1996 and any supplements thereto (collectively, the "Information Statement").

The Information Statement is incorporated herein by reference and may be obtained from Fannie Mae by writing or calling its MBS Helpline at 3900 Wisconsin Avenue, N.W., Area 2H-3S, Washington, D.C. 20016 (telephone 1-800-BEST-MBS or 202-752-6547). Such documents may also be obtained from the Dealers by writing or calling (i) the Prospectus Department of CS First Boston at 55 East 52nd Street, New York, NY 10055, Telephone: 212-909-2000 or (ii) Morgan Stanley at 1585 Broadway, New York, New York 10036, Telephone: 212-761-6775.

## TABLE OF CONTENTS

|                                              | <u>Page</u> |                                             | <u>Page</u> |
|----------------------------------------------|-------------|---------------------------------------------|-------------|
| <b>Reference Sheet</b> .....                 | S- 4        | <i>Modifications, Waivers and</i>           |             |
| <b>Risk Factors Associated With</b>          |             | <i>Amendments</i> .....                     | S-21        |
| <b>Multifamily REMIC Pass-Through</b>        |             | <i>Realization Upon Defaulted</i>           |             |
| <b>Certificates</b> .....                    | S- 7        | <i>Mortgage Loans</i> .....                 | S-22        |
| <b>Description of the Certificates</b> ..... | S- 9        | <i>Treatment of REO Properties</i> .....    | S-22        |
| General .....                                | S- 9        | Certain Rights of the Subordinate           |             |
| <i>Structure</i> .....                       | S- 9        | Directing Holder .....                      | S-23        |
| <i>Fannie Mae Guaranty</i> .....             | S-10        | Termination .....                           | S-23        |
| <i>Characteristics of Certificates</i> ..... | S-10        | <b>The Sale and Servicing Agreement</b> .   | S-24        |
| <i>Authorized Denominations</i> .....        | S-11        | General .....                               | S-24        |
| <i>Distribution Dates</i> .....              | S-11        | <i>Master Servicer</i> .....                | S-24        |
| <i>Record Date</i> .....                     | S-11        | <i>Special Servicer</i> .....               | S-24        |
| <i>REMIC Trust Factors</i> .....             | S-11        | Representations and Warranties;             |             |
| <i>Optional Termination</i> .....            | S-11        | Repurchases .....                           | S-25        |
| Distributions of Interest .....              | S-11        | Amendment .....                             | S-25        |
| <i>Categories of Classes</i> .....           | S-11        | Termination .....                           | S-25        |
| General .....                                | S-11        | <b>Description of the Mortgage Pool</b> ... | S-25        |
| <i>Interest Accrual Period</i> .....         | S-11        | General .....                               | S-25        |
| <i>The Notional Class</i> .....              | S-12        | Cooperative Properties .....                | S-26        |
| Distributions of Principal .....             | S-12        | Certain Terms and Conditions of the         |             |
| <i>Categories of Classes</i> .....           | S-12        | Mortgage Loans .....                        | S-28        |
| <i>Principal Distribution Amount</i> ....    | S-12        | <i>Due Dates</i> .....                      | S-28        |
| Subordination .....                          | S-13        | <i>Mortgage Rates</i> .....                 | S-28        |
| Realized Losses .....                        | S-13        | <i>Monthly Payments</i> .....               | S-28        |
| Allocation of Prepayment Premiums            |             | <i>Discounted Mortgage Loans</i> .....      | S-28        |
| and Yield Maintenance Charges ...            | S-14        | <i>Prepayment Provisions</i> .....          | S-28        |
| Structuring Assumptions .....                | S-15        | Additional Mortgage Loan                    |             |
| <i>Pricing Assumptions</i> .....             | S-15        | Information .....                           | S-29        |
| <i>CPR Assumptions</i> .....                 | S-16        | Changes in Mortgage Pool                    |             |
| Yield Considerations .....                   | S-16        | Characteristics .....                       | S-38        |
| General .....                                | S-16        | <b>Certain Additional Federal Income</b>    |             |
| <i>The Interest Only Class</i> .....         | S-17        | <b>Tax Consequences</b> .....               | S-38        |
| Weighted Average Lives of the                |             | REMIC Election and Special Tax              |             |
| Certificates .....                           | S-18        | Attributes .....                            | S-39        |
| Decrement Tables .....                       | S-19        | Taxation of Beneficial Owners of            |             |
| Characteristics of the R and RL              |             | Regular Certificates .....                  | S-39        |
| Classes .....                                | S-20        | Taxation of Beneficial Owners of            |             |
| <b>The Trust Agreement</b> .....             | S-20        | Residual Certificates .....                 | S-39        |
| Servicing of the Mortgage Loans ....         | S-20        | <b>Plan of Distribution</b> .....           | S-39        |
| <i>Due-on-Sale Clauses; Due-on-</i>          |             | <b>Legal Matters</b> .....                  | S-40        |
| <i>Encumbrance Clauses;</i>                  |             | <b>Glossary</b> .....                       | G- 1        |
| <i>Subordinate Financing</i> .....           | S-20        | <b>Exhibit A</b> .....                      | A- 1        |

## REFERENCE SHEET

This reference sheet is not a complete summary of the REMIC transactions and it does not contain complete information about the Certificates. Investors should purchase the Certificates only after reading this Prospectus Supplement and each of the additional Disclosure Documents described herein in their entirety. Capitalized terms defined in the Glossary and not otherwise defined herein shall have the meanings assigned thereto in the Glossary.

### The Certificates

The Series 1996-M3 Certificates will consist of six classes of senior certificates designated as the A-1 Class, A-2 Class, A-3 Class, XS Class, R Class and RL Class (collectively, the "Certificates") and four classes of subordinate certificates (individually, a "Subordinate Class" and, collectively, the "Subordinate Classes"). The Certificates (other than the RL Class) and the Subordinate Classes will represent the entire beneficial ownership interest in one of two trusts (the "Trust"). The assets of the Trust will consist of the "regular interests" in a separate trust fund (the "Lower Tier REMIC").

It is expected that the assets of the Lower Tier REMIC will consist of Mortgage Loans having an Issue Date Pool Balance of approximately \$315,218,208 (subject to a variance of plus or minus 5% in the aggregate). The initial balance of the Certificates will be approximately \$302,982,000 and initially will evidence an undivided ownership interest of approximately 96.9% in the Mortgage Loans. The initial balance of the Subordinate Classes will be approximately \$9,772,041 and initially will evidence an undivided ownership interest of approximately 3.1% in the Mortgage Loans. The aggregate principal balance of the Certificates and the Subordinate Classes shall equal the sum of the Issue Date Balance of the Mortgage Loans other than Discounted Mortgage Loans plus the Discounted Principal Balance of the Discounted Mortgage Loans.

Only the Certificates are being offered hereby.

### Interest Rates

The interest bearing Certificates will bear interest at the respective per annum interest rates set forth on the cover. See also "Description of the Certificates—Distributions of Interest" herein.

### Interest Only Class

The XS Class is a Notional Class and will have a notional principal balance equal to the indicated percentage of the outstanding principal balance of the following Classes immediately prior to the related Distribution Date:

| <u>Class</u> | <u>Percentage of<br/>Principal Balance<br/>of Specified Class</u> |
|--------------|-------------------------------------------------------------------|
| XS .....     | 100% of A-1, A-2 and A-3 Classes                                  |

### Distributions of Principal

On each Distribution Date, the Required Senior Principal Distribution Amount will be distributed on the A-1 Class, A-2 Class and the A-3 Class in that order, until the respective principal balances thereof are reduced to zero. See "Description of the Certificates—Distributions of Principal—Principal Distribution Amount" herein.

# **Weighted Average Lives (years)\***

| Class      | CPR Prepayment Assumption |      |      |      |      |
|------------|---------------------------|------|------|------|------|
|            | 0%                        | 3%   | 6%   | 9%   | 12%  |
| A-1 .....  | 7.4                       | 7.0  | 6.6  | 6.2  | 5.9  |
| A-2 .....  | 9.5                       | 9.5  | 9.4  | 9.3  | 9.1  |
| A-3 .....  | 12.4                      | 12.1 | 11.9 | 11.6 | 11.4 |
| XS** ..... | 9.0                       | 8.7  | 8.4  | 8.2  | 8.0  |

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

\*\* The XS Class is a Notional Class. The Weighted Average Lives shown on the table for the XS Class are based upon the original notional principal balance thereof which is equal to the initial aggregate Class Balances of the A-1, A-2 and A-3 Classes.

## *Characteristics of Mortgage Loans in the Mortgage Pool*

The table contained in Exhibit A hereto sets forth certain information regarding the Mortgage Loans. In addition, the following table provides certain specific summary information regarding the Mortgage Pool as of the Issue Date after application of payments due on that date. The information with respect to the Mortgage Loans set forth on Exhibit A hereto, and contained in the following table, has been collected and summarized by the Mortgage Loan Sellers and provided to Fannie Mae. Fannie Mae has made no independent verification of such information and, therefore, does not warrant its truth or accuracy and shall not be responsible therefor.

|                                                                                               |               |
|-----------------------------------------------------------------------------------------------|---------------|
| Number of Loans .....                                                                         | 162           |
| Total Issue Date Pool Balance .....                                                           | \$315,218,208 |
| Average Mortgage Loan Principal Balance .....                                                 | \$1,945,791   |
| Minimum Mortgage Loan Principal Balance .....                                                 | \$117,999     |
| Maximum Mortgage Loan Principal Balance .....                                                 | \$13,613,469  |
| Aggregate Issue Date Balance of the Mortgage Loans other than Discounted Mortgage Loans ..... | \$193,995,845 |
| Aggregate Issue Date Balance of the Discounted Mortgage Loans .....                           | \$121,222,363 |
| Aggregate Discounted Principal Balance of the Discounted Mortgage Loans .....                 | \$118,758,195 |
| Weighted Average Rental LTV Ratio(1) .....                                                    | 30.1%         |
| Minimum Rental LTV Ratio(2) .....                                                             | 5.1%          |
| Maximum Rental LTV Ratio(2) .....                                                             | 59.2%         |
| Weighted Average Cooperative LTV Ratio(3) .....                                               | 19.0%         |
| Minimum Cooperative LTV Ratio(4) .....                                                        | 1.7%          |
| Maximum Cooperative LTV Ratio(4) .....                                                        | 42.0%         |
| Weighted Average Remaining Amortization Term .....                                            | 423.2 months  |
| Weighted Average Original Term to Stated Maturity .....                                       | 129.2 months  |
| Minimum Original Term to Stated Maturity .....                                                | 119 months    |
| Maximum Original Term to Stated Maturity .....                                                | 240 months    |
| Weighted Average Remaining Term to Stated Maturity .....                                      | 117.2 months  |
| Minimum Remaining Term to Stated Maturity .....                                               | 82 months     |
| Maximum Remaining Term to Stated Maturity .....                                               | 239 months    |
| Weighted Average Mortgage Rate(5) .....                                                       | 8.31%         |
| Minimum Mortgage Rate(5) .....                                                                | 6.99%         |
| Maximum Mortgage Rate(5) .....                                                                | 10.46%        |
| Weighted Average Pass-Through Rate .....                                                      | 8.11%         |
| Weighted Average Net Mortgage Rate(5) .....                                                   | 8.03%         |
| Minimum Net Mortgage Rate(5) .....                                                            | 6.71%         |
| Maximum Net Mortgage Rate(5) .....                                                            | 10.18%        |

(1) The Weighted Average Rental LTV Ratio is the weighted average of the Loan-to-Value Ratios of the Mortgaged Properties as calculated using the Issue Date Balances of the related Mortgage Loans and the appraised values at origination as if the Mortgaged Properties were multifamily rental properties.

(2) The Minimum and Maximum Rental LTV Ratios are the minimum and maximum Loan-to-Value Ratios of the Mortgaged Properties, as calculated using the Issue Date Balances of the related Mortgage Loans and the appraised values at origination as if such Mortgaged Properties were multifamily rental properties.

- (3) The Weighted Average Cooperative LTV Ratio is the weighted average of the Loan-to-Value Ratios of the Mortgaged Properties, as calculated using the Issue Date Balances of the related Mortgage Loans and the appraised values at origination as Cooperative Properties.
- (4) The Minimum and Maximum Cooperative LTV Ratios are the minimum and maximum Loan-to-Value Ratios of the Mortgaged Properties, as calculated using the Issue Date Balances of the related Mortgage Loans and the appraised values at origination as Cooperative Properties.
- (5) The Weighted Average Mortgage Rate, the Minimum and Maximum Mortgage Rates, the Weighted Average Net Mortgage Rate and the Minimum and Maximum Net Mortgage Rates, were calculated using the Mortgage Rates for the Fixed Rate Mortgage Loans and the Mortgage Rates, as of the Issue Date, for the ARM Loans. The Weighted Average Mortgage Rate and the Weighted Average Net Mortgage Rate were calculated on the basis of the Issue Date Balances of the Mortgage Loans.

For additional information as to the Mortgage Pool see "Description of the Mortgage Pool—Additional Mortgage Loan Information" herein.

## RISK FACTORS ASSOCIATED WITH MULTIFAMILY REMIC PASS-THROUGH CERTIFICATES

Prospective Certificateholders should consider the following factors in connection with a purchase of the Certificates.

1. *Balloon Mortgage Loans and Extension Risk.* 152 of the Mortgage Loans securing approximately 97.2% of the Issue Date Pool Balance are not fully amortizing over their terms to maturity, and thus will have Balloon Payments due at their respective stated maturities. Such Mortgage Loans involve a greater risk of default because the ability of a Mortgagor to make a Balloon Payment typically will depend upon the ability of the Mortgagor to refinance the Mortgage Loan and in the case of a Cooperative Property, to levy against each unit, and collect from tenant-stockholders, a special assessment or to sell the related Mortgaged Property. The ability of a Mortgagor to accomplish any of these goals will be affected by a number of factors, including the level of available mortgage rates at the time of sale or refinancing, the Mortgagor's equity in the Mortgaged Property, the financial condition and operating history of the Mortgaged Property, tax laws and prevailing general economic conditions. If the Mortgagor were unable to refinance the Mortgage Loan or, in the case of a Cooperative Property, levy against each unit, and collect from tenant-stockholders, a special assessment, or to sell the Mortgaged Property and such inability to refinance, levy and collect a special assessment or sell led to a default under the terms of the Mortgage Loan, the Trust Agreement permits the modification or amendment of the terms of such Mortgage Loan, which modification may extend the maturity of the Mortgage Loan up to three years. Any such extension of a Mortgage Loan may cause the weighted average lives of the Certificates to be longer than if the Mortgage Loan had paid under its original terms. See "The Trust Agreement—Servicing of the Mortgage Loans—*Modifications, Waivers and Amendments*" herein. Due to Fannie Mae's guaranty, Certificateholders will continue to receive the interest that accrues during each Interest Accrual Period at the Certificate Rate described on the cover hereof and the Required Senior Principal Distribution Amount on each Distribution Date regardless of whether sufficient funds have been collected from the Mortgagors; however, the receipt of certain principal payments by Certificateholders may be significantly delayed in the event of any defaulted Balloon Payments. See "Description of the Certificates—General—*Fannie Mae Guaranty*" herein.

2. *Certain Risks Associated with Cooperative Apartment Buildings.* 159 of the Mortgaged Properties securing approximately 95.4% of the Issue Date Pool Balance are cooperative apartment buildings with five or more cooperative units and the land owned or leased thereunder (each, a "Cooperative Apartment Building") and three of the Mortgaged Properties securing approximately 4.6% of the Issue Date Pool Balance are condominium units that comprise the residential portions of mixed residential and commercial buildings (each, a "Condominium Unit"; and a Cooperative Apartment Building or a Condominium Unit, each, a "Cooperative Property") owned by a non-profit cooperative corporation (each, a "Cooperative")\*. The units in the Cooperative Properties are primarily owned by tenant-stockholders, but a percentage of the units in certain of the Cooperative Properties consist of sponsor-held units. Any shortfall between the rent collected, if any, on such sponsor-held units and the maintenance charges on such units (the "negative carry") may have an impact on the sponsor's ability to contribute its share of the Cooperative's maintenance payments. Furthermore, to the extent that sponsor-held units are subject to rent control, rent stabilization or tenants' rights laws, the ability of the sponsor to increase rents on such units may be limited. In addition, certain units may be held by investors and will not be owner-occupied and, therefore, raise concerns similar to those applicable to sponsor-held units. See "Description of the Mortgage Pool—Cooperative Properties." Following foreclosure, proprietary lessees may be entitled to remain in occupancy of their respective apartments at rents that are regulated by the applicable jurisdiction

\* One Cooperative has the option to convert from a Cooperative Apartment Building to a condominium regime. Such a conversion would result in the non-residential Condominium Unit(s) being released from the lien of the Mortgage.

and such rents may be substantially below market rents. A recent New York case, *Federal Home Loan Mortgage Corporation v. New York Division of Housing and Community Renewal*, 87 N.Y. 2d 325 (1995), has held that "units in a rent stabilized building that was converted to cooperative ownership revert to units subject to the [New York City] Rent Stabilization Law [(see, NYC Admin. Code §26-501, et. seq.)] upon the foreclosure of the cooperative's underlying mortgage and the return of the building to operation as rental housing." The case, however, did not resolve the uncertainty as to the appropriate rent level. It is anticipated that this issue will be addressed by regulations which are being promulgated by the New York State Division of Housing and Community Renewal.

3. *Geographic Concentration.* All but one of the Mortgaged Properties securing approximately 98.4% of the Issue Date Pool Balance are located in the state of New York. 97 of such Mortgaged Properties securing approximately 59.5% of the Issue Date Pool Balance are located in the borough of Manhattan in New York City. Repayments by Mortgagors and the market value of the Mortgaged Properties could be affected by economic conditions generally or in regions where the Mortgagors and the Mortgaged Properties are located, changes in governmental rules and fiscal policies, acts of nature and other factors which are beyond the control of the Mortgagors. Because of the relative lack of geographic diversity in the Mortgaged Properties, prepayments on the Mortgage Loans may be higher than would be the case if the locations of the Mortgaged Properties were more diverse.

4. *Existing and Potential Subordinate Mortgage Affecting the Mortgaged Properties.* a. Two of the Mortgaged Properties, as identified in Exhibit A, are subject to subordinate mortgage liens that secure a portion of the total balance of the related Mortgage Loan ("Mortgage Pool Second Liens"). Although each Mortgage Pool Second Lien is subordinate to the related first lien Mortgage, the amount secured by the Mortgage Pool Second Lien has, for purposes of this Prospectus Supplement, been combined with the amount secured by the first lien Mortgage and is treated herein as a single Mortgage Loan.

b. 37 of the Mortgaged Properties securing approximately 38.5% of the Issue Date Pool Balance are subject to subordinate mortgage liens securing additional term loans and/or lines of credit that have not been assigned to Fannie Mae ("Existing Second Liens"). Subject to applicable grace and cure periods, if any, a default by the Mortgagor under these Existing Second Liens likewise constitutes a default under the related Mortgage Loan that is part of the Mortgage Pool.

c. 45 of the Mortgages, securing approximately 30.7% of the Issue Date Pool Balance permit the Mortgagor, upon the satisfaction of certain conditions, to grant additional, subordinate mortgage liens securing additional term loans and/or lines of credit ("Potential Second Liens").

5. *Collection of Prepayment Premiums and Yield Maintenance Charges.* Fannie Mae will not guarantee the payment to Certificateholders of any Prepayment Premiums or Yield Maintenance Charges. Generally, a principal prepayment resulting from condemnation of, or casualty on, the related Mortgaged Property need not be accompanied by a Prepayment Premium or Yield Maintenance Charge. In addition, certain state laws limit the amounts that a lender may collect from a Mortgagor as an additional charge in connection with the prepayment of a mortgage loan. Furthermore, the enforceability, under the laws of a number of states, of provisions providing for Prepayment Premiums or Yield Maintenance Charges upon an involuntary prepayment is unclear. See "Description of the Certificates—General—*Fannie Mae Guaranty*" and "—Allocation of Prepayment Premiums and Yield Maintenance Charges" herein.

6. *Repurchases Due to Breach of Representations and Warranties.* National Consumer Cooperative Bank ("NCB") and NCB Mortgage Corp. (individually, a "Mortgage Loan Seller" and

collectively, the "Mortgage Loan Sellers") will make certain customary representations and warranties for the benefit of Fannie Mae with respect to each Mortgage Loan sold to Fannie Mae thereby. If a breach is discovered that is determined to materially and adversely affect the value of any Mortgage Loan, the Mortgage Loan Sellers may be required to purchase the affected Mortgage Loan from the Lower Tier REMIC at the applicable Purchase Price. Prepayments of principal resulting from repurchases of Mortgage Loans out of the Lower Tier REMIC due to breaches of representations and warranties may significantly affect the yield to Certificateholders. If the Mortgage Loan is repurchased, the Certificateholders will not receive any Prepayment Premiums or Yield Maintenance Charges. See "Description of the Certificates—Yield Considerations" and "The Sale and Servicing Agreement—Representations and Warranties; Repurchases" herein.

7. *Permitted Variance Factor.* The Issue Date Pool Balance and initial original principal balances of the Certificates are subject to a permitted variance of plus or minus 5%. Therefore, investors should be aware that the characteristics of the Mortgage Loans actually included in the Mortgage Pool may differ from the characteristics of the Mortgage Loans set forth in the discussions and tables in this Prospectus Supplement.

## DESCRIPTION OF THE CERTIFICATES

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

### General

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

The Certificates (other than the R and RL Classes) and the Subordinate Classes will be designated as the "regular interests" (the "Regular Interests"), and the R Class will be designated as the "residual interest" (the "Residual Interest"), in the REMIC constituted by the Trust.

The interests in the Lower Tier REMIC, other than the RL Class (the "Lower Tier Regular Interests"), will be designated as the "regular interests," and the RL Class will be designated as the "residual interest" in the Lower Tier REMIC.

The assets of the Trust will consist of the Lower Tier Regular Interests. The Certificates (other than the RL Class) and the Subordinate Classes will evidence the entire beneficial ownership in the distributions of principal of and interest on the Lower Tier Regular Interests.

The assets of the Lower Tier REMIC will consist of the Mortgage Loans. The Lower Tier Regular Interests and the RL Class (collectively, the "Lower Tier Interests") will in the aggregate evidence the entire beneficial ownership in the Mortgage Pool.

*Fannie Mae Guaranty.* Fannie Mae guarantees to the Holders of the Certificates the timely payment of the interest that accrues thereon during each Interest Accrual Period at the Certificate Rate described on the cover, whether or not sufficient funds are available therefor in the Trust Account. See “—Distributions of Interest—*General*” herein.

Fannie Mae will not guarantee the timely payment of Balloon Payments on the stated maturity dates of the related Mortgage Loans. Fannie Mae will guarantee to the Holders of the A-1, A-2 and A-3 Classes the timely payment of the Required Senior Principal Distribution Amount (as hereinafter defined), whether or not sufficient funds are available therefor in the Trust Account. However, the distribution of Balloon Payments may be significantly delayed in the event of any defaulted Balloon Payments. In the case of defaulted Balloon Payments, the related Mortgage Loan will be treated as a Mortgage Loan that amortizes in accordance with its prior amortization schedule, and Certificateholders will be entitled, as part of the Required Senior Principal Distribution Amount and distributions of interest, to distributions in respect of a deemed payment (an “Assumed Payment”) that is generally equal to the prior scheduled principal and interest payments, and not the entire Balloon Payment. Fannie Mae will be obligated to distribute the principal balance of the A-1, A-2 and A-3 Classes in full no later than the applicable Final Distribution Date, whether or not sufficient funds are available in the Trust Account. See “—Distributions of Principal—*Principal Distribution Amount*” herein.

Fannie Mae will not guarantee (i) the Subordinate Classes or (ii) the payment to Certificateholders of any Prepayment Premiums or Yield Maintenance Charges. Accordingly, Certificateholders entitled to receive Prepayment Premiums or Yield Maintenance Charges will receive them only to the extent actually received by the Trustee from the Master Servicer. See “Description of the Certificates—Fannie Mae’s Guaranty” in the Multifamily REMIC Prospectus and “Description of the Certificates—Allocation of Prepayment Premiums and Yield Maintenance Charges” herein. For a description of the Prepayment Premiums and Yield Maintenance Charges, see “Description of the Mortgage Pool—Certain Terms and Conditions of the Mortgage Loans—*Prepayment Provisions*” herein. Certain state laws may affect the collectibility of Prepayment Premiums and Yield Maintenance Charges. See “Description of the Certificates—Allocation of Prepayment Premiums and Yield Maintenance Charges” herein.

The guaranties of Fannie Mae are not backed by the full faith and credit of the United States.

*Characteristics of Certificates.* The Certificates, other than the R and RL Certificates, will be issued and maintained and may be transferred by Holders only on the book-entry system of the Federal Reserve Banks. Such entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities for whose accounts such Certificates have been deposited are herein referred to as “Holders” or “Certificateholders.” A Holder is not necessarily the beneficial owner of a book-entry Certificate. Beneficial owners will ordinarily hold book-entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See “Description of the Certificates—Denominations, Certificate Form” in the Multifamily REMIC Prospectus.

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

The distribution to the Holder of the R or RL Certificate of the proceeds of any remaining assets of the Trust or Lower Tier REMIC, as applicable, will be made only upon presentation and

surrender of such Certificates at the office of the paying agent. The paying agent on such Certificates initially will be State Street.

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

**Distribution Dates.** Distributions on the Certificates will be made on the 25th day of each month (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day) (each, a "Distribution Date"), commencing in the month following the Settlement Date.

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

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

**Optional Termination.** Fannie Mae or the Master Servicer, the Special Servicer or the Subordinate Directing Holder may effect an early termination of the Trust as described herein under (i) "The Trust Agreement—Termination" or (ii) "The Sale and Servicing Agreement—Termination," respectively.

## Distributions of Interest

### *Categories of Classes*

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

| <u>Interest Type*</u>   | <u>Classes</u>   |
|-------------------------|------------------|
| Fixed Rate              | A-1, A-2 and A-3 |
| Weighted Average Coupon | XS               |
| Interest Only           | XS               |
| No Payment Residual     | R and RL         |

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

**General.** The interest-bearing Certificates will bear interest at the respective per annum interest rates described on the cover. Interest on the Certificates will be calculated on the basis of a 360-day year consisting of twelve 30-day months and is distributable monthly on each Distribution Date, commencing in the month after the Settlement Date. Interest to be distributed on each interest-bearing Certificate on a Distribution Date will consist of one month's interest on the outstanding principal balance or notional balance of such Certificate immediately prior to such Distribution Date.

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

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

See "—Yield Considerations" herein.

*The Notional Class.* The XS Class will be a Notional Class. A Notional Class will have no principal balance and will bear interest at the per annum interest rate set forth on the cover or described herein during each Interest Accrual Period on its notional principal balance. For so long as the notional principal balance of the XS Class exceeds zero, the XS Class will also be entitled to receive distributions in respect of such Discounted Mortgage Loan that is an ARM Loan, following the applicable reset date with respect to such ARM Loan, in an amount equal to the interest accrued for the related Due Period on the Scheduled Principal Balance of such Discounted Mortgage Loan at a rate equal to the excess, if any, of the actual rate per annum over the minimum mortgage interest rate (in each case net of the Servicing Fee Rate and the Fannie Mae Fee Rate) for such ARM Loan. The notional principal balance of the XS Class will be equal to the indicated percentage of the outstanding principal balance of the following Classes immediately prior to the related Distribution Date:

| <u>Class</u> | <u>Percentage of Principal<br/>Balance of Specified Class</u> |
|--------------|---------------------------------------------------------------|
| XS .....     | 100% of A-1, A-2 and A-3 Classes                              |

The notional principal balance of a Notional Class is used for purposes of the determination of interest distributions thereon and does not represent an interest in the principal distributions of the A-1, A-2 and A-3 Classes or the underlying Mortgage Loans. Although a Notional Class will not have a principal balance, a REMIC Trust Factor (as described herein) will be published with respect to any such Class that will be applicable to the notional principal balance thereof, and references herein to the principal balances of the Certificates generally shall be deemed to refer also to the notional principal balance of a Notional Class.

## **Distributions of Principal**

### *Categories of Classes*

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

| <u>Principal Type*</u> | <u>Classes</u>   |
|------------------------|------------------|
| Sequential Pay         | A-1, A-2 and A-3 |
| Notional               | XS               |
| No Payment Residual    | R and RL         |

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

### *Principal Distribution Amount*

On each Distribution Date, the Required Senior Principal Distribution Amount will be distributed to the A-1 Class, A-2 Class and A-3 Class in that order, until the respective principal balances thereof are reduced to zero. The "Required Senior Principal Distribution Amount," for any Distribution Date with respect to the A-1 Class, A-2 Class and A-3 Class, shall generally equal the sum of (i) the Aggregate Principal Distribution Amount and (ii) on and after the Subordinate Class Termination Date, an amount equal to any Realized Losses (as determined after giving effect to the allocation of Realized Losses to the Subordinate Classes on such Distribution Date).

With respect to any Distribution Date, the "Aggregate Principal Distribution Amount" will generally constitute, without duplication, the sum of (i) for Mortgage Loans (other than Discounted Mortgage Loans) and REO Loans (other than Discounted REO Loans), the principal component of all Scheduled Payments (other than Balloon Payments) which become due, the principal component of all Balloon Payments which became due and are timely paid, and the principal

component of all Assumed Payments deemed to be due, on the related Mortgage Loans or REO Loans, in each case during the Due Period ending in the month in which such Distribution Date occurs; (ii) for all Discounted Mortgage Loans and Discounted REO Loans, the aggregate of the Discounted Principal Balance Declines (which may be a negative amount) in respect of the Discounted Mortgage Loans and Discounted REO Loans for the related Due Period; and (iii) for all Mortgage Loans and REO Loans (without regard to whether they are Discounted Mortgage Loans or Discounted REO Loans), the aggregate of all payments, revenues and proceeds received on or in respect of the Mortgage Loans or REO Loans (exclusive of any Excess Discounted Mortgage Loan Amount) during the calendar month preceding the month in which such Distribution Date occurs, which payments, revenues and proceeds were applied by the Master Servicer as recoveries of principal of such Mortgage Loans or REO Loans in accordance with the Sale and Servicing Agreement (including, without limitation, voluntary prepayments, mandatory prepayments, involuntary prepayments and Balloon Payments not timely paid), in each case net of a portion of such amounts included in clause (i) and (ii) due for the Due Period ending in the month in which such Distribution Date occurs. Any Excess Discounted Mortgage Loan Amount will be paid, if and when received, to the R Class, whether or not the A-1, A-2, A-3 or XS Classes are outstanding.

"Discounted Mortgage Loan" shall mean any Fixed Rate Mortgage Loan with a Net Mortgage Rate which is less than 7.41% per annum or any ARM Loan which has a minimum mortgage interest rate (net of the Servicing Fee Rate and the Fannie Mae Fee Rate) which is less than 7.41% per annum. "Discounted Principal Balance" shall mean with respect to any Discounted Mortgage Loan (i) as of the Issue Date and as of any Due Date during the remaining term of such Mortgage Loan, a principal balance that will result in amounts available to pay interest thereon at the Certificate Rate of the A-2 Class (determined by making a present value calculation with respect to assumed future Scheduled Payments (net of the Servicing Fee and the Fannie Mae Fee) through the remaining term of such Mortgage Loan); and (ii) as of any Due Date coinciding with or following the expiration of such Mortgage Loan's remaining term, the related Scheduled Principal Balance as of such Due Date; provided, however, that the Discounted Principal Balance of any Discounted Mortgage Loan shall not exceed the Scheduled Principal Balance of such Discounted Mortgage Loan. For purposes of determining the present value of the applicable interest portions with respect to any Discounted Mortgage Loan that is an ARM Loan, it was assumed that (i) prior to the reset date with respect to such ARM Loan, the interest rate with respect thereto was the actual mortgage interest rate applicable to such ARM Loan and (ii) following such reset date, the interest rate with respect thereto will equal the minimum mortgage interest rate applicable to such ARM Loan. "Discounted Principal Balance" shall mean with respect to any Discounted REO Loan, as of any Due Date, an amount calculated in accordance with the preceding sentence as if the predecessor Discounted Mortgage Loan were still outstanding. Notwithstanding the foregoing, if a Liquidation Event occurs in respect of any Discounted Mortgage Loan or related REO Property, the Discounted Principal Balance of such Discounted Mortgage Loan or the related Discounted REO Loan, as the case may be, shall be zero as of the Due Date in the calendar month following the month during which such Liquidation Event occurred and as of each Due Date thereafter. See "Glossary" herein.

### **Subordination**

The rights of the holders of the Subordinate Classes to receive distributions with respect to the Mortgage Loans and REO Loans will be subordinate to the rights of the Certificateholders, to the extent described herein. This subordination is effected by the allocation on each Distribution Date of all principal payments on the Mortgage Loans to the A-1, A-2 and A-3 Classes until retired. This subordination is also effected through the allocation of Realized Losses as described below.

### **Realized Losses**

Before each Distribution Date, a determination will be made of the aggregate amount of Realized Losses that were incurred at any time following the Issue Date through the end of the

related Due Period, and in any event that were not previously allocated on any prior Distribution Date. See the "Glossary" for a definition of Realized Losses. All Realized Losses will be allocated to, and therefore reduce, the Class Balance of the Subordinate Classes having the lowest priority until the Class Balance of each Subordinate Class is reduced to zero. Thereafter, whenever a Realized Loss occurs, Fannie Mae will be required, pursuant to its guaranty, to make distributions on the A-1, A-2 and A-3 Classes to the extent described under "Description of the Certificates—*Fannie Mae Guaranty*".

#### **Allocation of Prepayment Premiums and Yield Maintenance Charges**

In the event a Mortgagor is required to pay any Yield Maintenance Charge or any Prepayment Premium, to the extent such payments are actually collected and received by Fannie Mae, Fannie Mae will distribute such payments on the Distribution Date in the month next succeeding the month of such collection and receipt as follows: (i) the amount of such payments of Yield Maintenance Charge will be distributed in respect of each of the A-1, A-2, A-3 Classes and the XS Class, to the extent described below, for so long as they are outstanding and (ii) the amount of such payments of Prepayment Premium will be distributed in respect of the XS Class for so long as it is outstanding, and, in each case, thereafter, to the R Class. For a description of Prepayment Premiums and Yield Maintenance Charges, see "Description of the Mortgage Pool—Certain Terms and Conditions of the Mortgage Loans—*Prepayment Provisions*" herein.

For any Distribution Date, with respect to any particular Yield Maintenance Charge actually received in respect of a Mortgage Loan other than a Discounted Mortgage Loan during the calendar month preceding the month in which such Distribution Date occurs, the A-1 Class, the A-2 Class and the A-3 Class Holders on a class-by-class basis are entitled to distributions in the amount of the product of (a) a fraction (not greater than one), the numerator of which is the A-1 Certificate Rate, the A-2 Certificate Rate and the A-3 Certificate Rate, as applicable, less the discount rate used in calculating such Yield Maintenance Charge (see "Description of the Mortgage Pool—Certain Terms and Conditions of the Mortgage Loans—*Prepayment Provisions*" herein), and the denominator of which is the Mortgage Rate of the applicable Mortgage Loan, less such discount rate, multiplied by (b) the appropriate Class Prepayment Percentage multiplied by (c) the amount of such Yield Maintenance Charge received. On each Distribution Date, the XS Class Holders are entitled to receive any remaining portion of such Yield Maintenance Charge received until the notional principal balance thereof has been reduced to zero. In the event the relevant discount rate is greater than the A-1, A-2 or A-3 Certificate Rate, as applicable, the A-1 Class, A-2 Class or A-3 Class, as applicable, will not be entitled to receive distributions of any such Yield Maintenance Charge, and the applicable portion of the Yield Maintenance Charge will be distributed to the XS Class Holders for so long as the XS Class is outstanding. For any Distribution Date, the "Class Prepayment Percentage" means, for each of the A-1 Class, A-2 Class and A-3 Class, the ratio, expressed as a percentage, of (i) the portion of the Required Senior Principal Distribution Amount to be distributed on such Distribution Date on such Class, to (ii) the Required Senior Principal Distribution Amount to be distributed on such Distribution Date on all such Classes. In the case of Discounted Mortgage Loans, any Yield Maintenance Charge received in respect of such Discounted Mortgage Loan will be allocated to the A-1, A-2 and A-3 Classes in proportion to the related Class Prepayment Percentages.

Fannie Mae does not guarantee that any Prepayment Premiums or Yield Maintenance Charges due under any Mortgage Loan will in fact be collected. In certain circumstances, the Special Servicer may have the right to waive collection of any Prepayment Premiums or Yield Maintenance Charges. See "The Trust Agreement—Servicing of the Mortgage Loans—*Modifications, Waivers and Amendments*" and "The Sale and Servicing Agreement—General—*Special Servicer*" herein. In addition, certain state laws limit the amounts that a lender may collect from a borrower as an additional charge in connection with the prepayment of a mortgage loan.

Furthermore, the enforceability, under the laws of a number of states, of provisions providing for Prepayment Premiums or Yield Maintenance Charges upon an involuntary prepayment is unclear. No assurance can be given that, at the time a Prepayment Premium or a Yield Maintenance Charge is required to be made on a Mortgage Loan in connection with an involuntary prepayment, the obligation to pay such Prepayment Premium or Yield Maintenance Charge will be enforceable under applicable state law. See "Maturity and Prepayment Considerations and Risks—Early Repayment of Mortgage Loans" in the Multifamily REMIC Prospectus, and "Description of the Mortgage Pool—Certain Terms and Conditions of the Mortgage Loans—*Prepayment Provisions*" herein. It should be noted that a Mortgage Loan Seller's repurchase of a Mortgage Loan pursuant to the Sale and Servicing Agreement or any purchase of a Mortgage Loan by Fannie Mae, the Master Servicer, the Special Servicer or the Subordinate Directing Holder will not be accompanied by payment of any Prepayment Premium or Yield Maintenance Charge. See "The Sale and Servicing Agreement—Representations and Warranties; Repurchases," "The Trust Agreement—Termination" and "The Sale and Servicing Agreement—Termination" herein.

### Structuring Assumptions

*Pricing Assumptions.* The information in the tables under "—Yield Considerations" and "—Decrement Tables" has been prepared on the basis of the actual characteristics of the Mortgage Loans (as described in "Description of the Mortgage Pool" and Exhibit A hereto) and the following assumptions (such characteristics and assumptions, collectively, the "Pricing Assumptions"):

(i) scheduled interest and principal payments on the Mortgage Loans are received in a timely manner;

(ii) Mortgage Loans representing approximately 86.0% of the Issue Date Pool Balance are subject to a Lock-Out Period as specified on Exhibit A hereto during which time no voluntary prepayments will be made with respect to each such Mortgage Loan; following any applicable Lock-Out Period with respect to any such Mortgage Loan, and at any time with respect to any Mortgage Loan which does not provide for a Lock-Out Period, prepayments will be made on each Mortgage Loan (except during an interest only period for any Mortgage Loan that pays interest only for any period of time as noted on Exhibit A) at the indicated percentages of CPR (except that with respect to each ARM Loan no prepayments will be made prior to its reset date). The information in the tables under "—Yield Considerations" and "—Decrement Tables" has been prepared assuming the Lock-Out Periods for the ARM Loans run from the first Monthly Payment date (on which principal and interest is payable) to the expiration of their respective Lock-Out Periods;

(iii) there are no repurchases of Mortgage Loans and none of Fannie Mae, the Master Servicer, the Special Servicer or the Subordinate Directing Holder exercises its right of optional termination of the Trust described herein;

(iv) no modifications, extensions, waivers or amendments regarding the payment by the Mortgagors of principal and interest on the Mortgage Loans occur;

(v) each Distribution Date occurs on the 25th day of each month, and the first Distribution Date occurs in May, 1996;

(vi) there are no defaults, losses or delinquencies on the Mortgage Loans;

(vii) the closing date for the sale of the Certificates is the Settlement Date;

(viii) the Due Date for each Mortgage Loan is the first day of each month;

(ix) all Mortgage Loans bear interest on the basis of a 360-day year consisting of twelve 30-day months;

(x) no Prepayment Premiums or Yield Maintenance Charges are received; and

(xi) the Mortgage Rate on each ARM Loan initially will be its current Mortgage Rate and will adjust on its reset date to a Mortgage Rate equal to the minimum mortgage interest rate for such ARM Loan and will remain constant at such rate.

*CPR Assumptions.* Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used herein is the "Constant Prepayment Rate" or "CPR" model. The CPR model represents an assumed constant rate of prepayment each month, expressed as an annual rate relative to the then outstanding principal balance of the pool of mortgage loans. *CPR does not purport to be either a historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans relating to the Trust. See "Yield Considerations" and "Decrement Tables" herein and "Yield Considerations" and "Maturity and Prepayment Considerations and Risks" in the Multifamily REMIC Prospectus.*

### **Yield Considerations**

*General.* The yield to maturity for each Certificate will depend upon the purchase price thereof, the rate of principal payments (including prepayments resulting from liquidations of Mortgage Loans due to defaults, casualties or condemnations affecting the Mortgaged Properties, or purchases out of the Lower Tier REMIC), the allocation of amounts received in respect of Discounted Mortgage Loans and the actual characteristics of the Mortgage Loans. There can be no assurance that the pre-tax yields shown herein will be realized or that the aggregate purchase prices of the Certificates will be as assumed. An investor should purchase Certificates only after performing an analysis of such Certificates based upon the investor's own assumptions as to future rates of prepayment.

There can be no assurance that prepayments due to a default under a Mortgage Loan or a casualty or condemnation with respect to a Mortgaged Property will not occur during a Lock-Out Period. There can be no assurance that, following any applicable Lock-Out Periods, the Mortgage Loans will prepay at any of the rates assumed herein, or at any other particular rate. The rate and timing of principal payments on the Certificates will be primarily based on the rate and timing of principal payments (including principal prepayments) on the Mortgage Loans. See "Description of the Certificates—Distributions of Principal—*Principal Distribution Amount*" herein.

The timing of changes in the rate of prepayments (including prepayments resulting from liquidations of Mortgage Loans due to defaults, casualties or condemnations affecting the Mortgaged Properties, or purchases of Mortgage Loans out of the Lower Tier REMIC), may significantly affect the yield to an investor, even if the average rate of prepayments is consistent with such investor's expectations. In general, the earlier the payment of principal, the greater the effect on an investor's yield to maturity. As a result, the effect on an investor's yield due to prepayments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the Settlement Date may not be offset by any subsequent equivalent reduction (or increase) in the rate of prepayments.

The effective yield on the Delay Classes will be reduced below the yield otherwise produced because principal and interest payable on a Distribution Date will not be distributed until the 25th day following the end of the related Interest Accrual Period and will not bear interest during such delay. As a result of the foregoing, the market value of the Delay Classes will be lower than would have been the case if there were no such delay. Investors must make their own decisions as to the appropriate assumptions, including prepayment assumptions, to be used in deciding whether to purchase the Certificates.

100% of the distributions of principal (including prepayments) will be made on the A-1, A-2 and A-3 Certificates for so long as the Senior Certificates are outstanding. See "*Distributions of Principal—Principal Distribution Amount*." As a result, the average lives of the Senior Certificates will be shorter than would be the case for, and the performance characteristics of the Senior Certificates will be different from, other mortgage pass-through certificates that do not disproportionately allocate principal payments (including prepayments) on Mortgage Loans according to certificate class.

The rate of prepayment on the Mortgage Loans will depend on a variety of factors, including the characteristics of such Mortgage Loans, the level of prevailing interest rates, the application of Lock-Out Periods or the assessment of Prepayment Premiums or Yield Maintenance Charges and other economic, geographic and social factors. 152 of the Mortgage Loans representing approximately 97.2% of the Issue Date Pool Balance provide for Balloon Payments; 152 of the Mortgage Loans representing approximately 86.0% of the Issue Date Pool Balance provide for Lock-Out Periods. The remaining Mortgage Loans can be prepaid subject to the payment of Yield Maintenance Charges or Prepayment Premiums. See Exhibit A. See also "Description of the Mortgage Pool—Certain Terms and Conditions of the Mortgage Loans—*Prepayment Provisions*" herein. The required payment of Prepayment Premiums or Yield Maintenance Charges may not be a sufficient disincentive to prevent the voluntary prepayment of the Mortgage Loans and, even if collected, allocation thereof to any Class may be insufficient to offset fully the adverse effects on the anticipated yield thereon arising out of the corresponding principal prepayment.

See "The Trust Agreement—Termination" for the rights of Fannie Mae, and "The Sale and Servicing Agreement—Termination" for the rights of Fannie Mae, the Master Servicer, the Special Servicer and the Subordinate Directing Holder to purchase the Mortgage Loans and any REO Properties and, thereby, effect an early termination of the Trust.

#### *The Interest Only Class*

The table below indicates the sensitivity of the pre-tax corporate bond equivalent yields to maturity of the XS Class to various constant percentages of CPR. The yields set forth in the table were calculated by determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the applicable Class, would cause the discounted present value of such assumed streams of cash flows to equal the assumed aggregate purchase price of such Class and converting such monthly rates to corporate bond equivalent rates. Such calculations do not take into account variations that may occur in the interest rates at which investors may be able to reinvest funds received by them as distributions on the Certificates and consequently do not purport to reflect the return on any investment in the Certificates when such reinvestment rates are considered.

As indicated in the table below, the yield to investors in the Notional Class will be sensitive to the rate of principal payments (including prepayments) of the Mortgage Loans. 152 of the Mortgage Loans representing approximately 86.0% of the Issue Date Pool Balance provide for Lock-Out Periods during which voluntary prepayments of such Mortgage Loans are prohibited, and Mortgage Loans not in their Lock-Out Periods permit prepayments generally subject to the payment during specified periods of Prepayment Premiums or Yield Maintenance Charges. There can be no assurance that such Prepayment Premiums or Yield Maintenance Charges will reduce the actual rate of prepayments of the Mortgage Loans following the applicable Lock-Out Periods. Furthermore, prepayments due to a default under a Mortgage Loan or a casualty or condemnation with respect to a Mortgaged Property or a repurchase or a purchase of such a Mortgage Loan out of the Lower Tier REMIC may occur during a Lock-Out Period. Any Prepayment Premiums or Yield Maintenance Charges actually received will be allocated to the XS Class in the manner described above. See "Allocation of Prepayment Premiums and Yield Maintenance Charges" herein. Such allocation may be insufficient to offset fully the adverse effects on the anticipated yield arising out of the corresponding principal prepayment. In addition, any early termination of the Trust as described herein may adversely affect the yield to the Certificateholders of the XS Class.

On the basis of the assumptions described below (including the assumption that no Prepayment Premiums or Yield Maintenance Charges are received), the yield to maturity

on the XS Class would be 0% if prepayments were to occur at a constant rate of approximately 44% CPR. If the actual prepayment rate of the Mortgage Loans were to exceed the foregoing level for as little as one month while equaling such level for the remaining months, the investors in the XS Class would not fully recoup their initial investments. There can be no assurance that the Mortgage Loans will prepay at any of the rates assumed herein or at any other particular rate, that the pre-tax yield on the XS Class will correspond to any of the pre-tax yields shown herein or that the aggregate purchase price of the XS Class will be as assumed below.

The information set forth in the following sensitivity table was prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase price of the XS Class (expressed as a percentage of original notional principal balance) is as follows:

| <u>Class</u> | <u>Price*</u> |
|--------------|---------------|
| XS .....     | 4.217%        |

\* The price does not include accrued interest. Accrued interest has been added to such price in calculating the yields set forth in the table below.

#### Sensitivity of the XS Class to Prepayments (Pre-Tax Yields to Maturity\*)

| <u>Class</u> | <u>CPR Prepayment Assumption</u> |           |           |           |            |
|--------------|----------------------------------|-----------|-----------|-----------|------------|
|              | <u>0%</u>                        | <u>3%</u> | <u>6%</u> | <u>9%</u> | <u>12%</u> |
| XS .....     | 9.2%                             | 8.3%      | 7.5%      | 6.7%      | 5.9%       |

\* Calculated assuming no Prepayment Premiums or Yield Maintenance Charges are received.

See generally "Yield Considerations" in the Multifamily REMIC Prospectus.

#### Weighted Average Lives of the Certificates

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

In general, the weighted average lives of the Certificates will be shortened if the level of prepayments of principal of the Mortgage Loans increases. However, the weighted average lives will depend upon a variety of other factors, including the timing of changes in such rate of principal payments. See "Description of the Certificates—Distributions of Principal," "—Subordination," "—Realized Losses" and "—Yield Considerations."

The methodology and assumptions used to compute the Discounted Principal Balance of any Discounted Mortgage Loan may affect the weighted average lives of the Certificates. If such Discounted Mortgage Loan is a Balloon Mortgage Loan, such computation will be based on the assumed Scheduled Payments (which in turn are determined by reference to an amortization term that is longer than the term to maturity of such Discounted Mortgage Loan) due on such Discounted Mortgage Loan which may cause the related Discounted Principal Balance to increase, rather than decrease, over time. In such event, the amount otherwise distributable to Certificateholders in respect of principal on each Distribution Date occurring prior to the Maturity

Date for such Discounted Mortgage Loan will be reduced by the amount of the increase in such Discounted Principal Balance for the related Due Period.

The Trust Agreement permits Modifications (as hereinafter defined), including extensions, of the Mortgage Loans under certain circumstances. Any extension of a Mortgage Loan is likely to cause an extension of the weighted average life of a Certificate. In addition, failure of a Mortgagor to timely make a Balloon Payment is also likely to cause an extension of the expected weighted average lives of the Certificates. See "The Trust Agreement—Servicing of the Mortgage Loans—Modifications, Waivers and Amendments."

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

### Decrement Tables

The following tables indicate the percentages of original principal balance of the specified Classes that would be outstanding after each of the dates shown at various *constant* CPR levels and the corresponding weighted average lives of such Classes. It is unlikely, however, that prepayments of the Mortgage Loans will conform to any level of CPR, or that the events described in the Pricing Assumptions will conform to the assumptions with respect thereto and no representation is made that the Mortgage Loans will prepay at the CPRs shown or at any other *constant* prepayment rate or that such events will so conform. Prepayments due to a default under a Mortgage Loan or a casualty or condemnation with respect to a Mortgaged Property or a repurchase or a purchase of a Mortgage Loan out of the Lower Tier REMIC may occur during a Lock-Out Period. The table has been prepared on the basis of the Pricing Assumptions.

### Percent of Original Principal Balances Outstanding

| Date                                  | A-1 Class                 |     |     |     |     | A-2 Class                 |     |     |     |     | A-3 Class                 |      |      |      |      | XS† Class                 |     |     |     |     |
|---------------------------------------|---------------------------|-----|-----|-----|-----|---------------------------|-----|-----|-----|-----|---------------------------|------|------|------|------|---------------------------|-----|-----|-----|-----|
|                                       | CPR Prepayment Assumption |     |     |     |     | CPR Prepayment Assumption |     |     |     |     | CPR Prepayment Assumption |      |      |      |      | CPR Prepayment Assumption |     |     |     |     |
|                                       | 0%                        | 3%  | 6%  | 9%  | 12% | 0%                        | 3%  | 6%  | 9%  | 12% | 0%                        | 3%   | 6%   | 9%   | 12%  | 0%                        | 3%  | 6%  | 9%  | 12% |
| Initial Percent .....                 | 100                       | 100 | 100 | 100 | 100 | 100                       | 100 | 100 | 100 | 100 | 100                       | 100  | 100  | 100  | 100  | 100                       | 100 | 100 | 100 | 100 |
| April 1997 .....                      | 98                        | 97  | 96  | 95  | 94  | 100                       | 100 | 100 | 100 | 100 | 100                       | 100  | 100  | 100  | 100  | 99                        | 99  | 98  | 98  | 97  |
| April 1998 .....                      | 96                        | 94  | 92  | 90  | 89  | 100                       | 100 | 100 | 100 | 100 | 100                       | 100  | 100  | 100  | 100  | 98                        | 97  | 97  | 96  | 95  |
| April 1999 .....                      | 94                        | 91  | 88  | 86  | 84  | 100                       | 100 | 100 | 100 | 100 | 100                       | 100  | 100  | 100  | 100  | 97                        | 96  | 95  | 94  | 93  |
| April 2000 .....                      | 91                        | 88  | 84  | 81  | 79  | 100                       | 100 | 100 | 100 | 100 | 100                       | 100  | 100  | 100  | 100  | 96                        | 95  | 93  | 92  | 91  |
| April 2001 .....                      | 89                        | 84  | 80  | 77  | 73  | 100                       | 100 | 100 | 100 | 100 | 100                       | 100  | 100  | 100  | 100  | 95                        | 93  | 91  | 90  | 88  |
| April 2002 .....                      | 86                        | 79  | 74  | 68  | 64  | 100                       | 100 | 100 | 100 | 100 | 100                       | 100  | 100  | 100  | 100  | 94                        | 91  | 88  | 86  | 84  |
| April 2003 .....                      | 81                        | 72  | 63  | 55  | 47  | 100                       | 100 | 100 | 100 | 100 | 100                       | 100  | 100  | 100  | 100  | 92                        | 88  | 84  | 80  | 77  |
| April 2004 .....                      | 50                        | 37  | 26  | 16  | 6   | 100                       | 100 | 100 | 100 | 100 | 100                       | 100  | 100  | 100  | 100  | 78                        | 73  | 67  | 63  | 59  |
| April 2005 .....                      | 0                         | 0   | 0   | 0   | 0   | 79                        | 70  | 63  | 56  | 49  | 100                       | 100  | 100  | 100  | 100  | 47                        | 43  | 39  | 36  | 33  |
| April 2006 .....                      | 0                         | 0   | 0   | 0   | 0   | 0                         | 0   | 0   | 0   | 0   | 100                       | 93   | 87   | 81   | 76   | 11                        | 10  | 10  | 9   | 9   |
| April 2007 .....                      | 0                         | 0   | 0   | 0   | 0   | 0                         | 0   | 0   | 0   | 0   | 72                        | 66   | 61   | 56   | 51   | 8                         | 7   | 7   | 6   | 6   |
| April 2008 .....                      | 0                         | 0   | 0   | 0   | 0   | 0                         | 0   | 0   | 0   | 0   | 68                        | 60   | 53   | 46   | 40   | 8                         | 7   | 6   | 5   | 4   |
| April 2009 .....                      | 0                         | 0   | 0   | 0   | 0   | 0                         | 0   | 0   | 0   | 0   | 36                        | 30   | 24   | 19   | 15   | 4                         | 3   | 3   | 2   | 2   |
| April 2010 .....                      | 0                         | 0   | 0   | 0   | 0   | 0                         | 0   | 0   | 0   | 0   | 15                        | 10   | 6    | 2    | 0    | 2                         | 1   | 1   | *   | 0   |
| April 2011 .....                      | 0                         | 0   | 0   | 0   | 0   | 0                         | 0   | 0   | 0   | 0   | 0                         | 0    | 0    | 0    | 0    | 0                         | 0   | 0   | 0   | 0   |
| Weighted Average Life (years)** ..... | 7.4                       | 7.0 | 6.6 | 6.2 | 5.9 | 9.5                       | 9.5 | 9.4 | 9.3 | 9.1 | 12.4                      | 12.1 | 11.9 | 11.6 | 11.4 | 9.0                       | 8.7 | 8.4 | 8.2 | 8.0 |

\*\* Determined as described under "—Weighted Average Lives of the Certificates" above.

† In the case of a Notional Class, the Decrement Table indicates the percentages of the original notional principal balance outstanding.

### **Characteristics of the R and RL Classes**

The R and RL Classes will not have principal balances and will not bear interest. The Holder of the R Class will be entitled to receive the proceeds of the remaining assets of the Trust, if any, after the principal balances of all Classes of Certificates and all Subordinate Classes have been reduced to zero and all interest due on the Certificates has been paid in full. Any Excess Discounted Mortgage Loan Amount will be paid, if and when received, to the R Class, whether or not the A-1, A-2, A-3 or XS Classes are outstanding. The Holder of the R Class will also be entitled to receive payments of Yield Maintenance Charges and Prepayment Premiums as set forth under "Description of the Certificates—Allocation of Prepayment Premiums and Yield Maintenance Charges" herein. If the XS Class is no longer outstanding, the R Class will also be entitled to receive distributions in respect of each Discounted Mortgage Loan that is an ARM Loan, following the applicable reset date with respect to such ARM Loan, in an amount equal to the interest accrued for the related Due Period on the Scheduled Principal Balance of such Discounted Mortgage Loan at a rate equal to the excess, if any, of the actual rate per annum over the minimum mortgage interest rate (in each case net of the Servicing Fee Rate and the Fannie Mae Fee Rate) for such ARM Loan. The Holder of the RL Class will be entitled to receive the proceeds of the remaining assets of the Lower Tier REMIC, if any, after the principal balances of the Lower Tier Regular Interests have been reduced to zero. It is not anticipated that there will be any material assets remaining in either such circumstance.

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

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

### **THE TRUST AGREEMENT**

The following summary descriptions of certain provisions set forth in the Trust Agreement do not purport to be complete and are subject to, and qualified in their entirety by reference to, the provisions of the Trust Agreement.

#### **Servicing of the Mortgage Loans**

*Due-on-Sale Clauses; Due-on-Encumbrance Clauses; Subordinate Financing.* Substantially all of the Mortgage Loans have "due-on-sale" clauses generally providing (with limited exception) that such Mortgage Loans will (or may at the mortgagee's option) become due and payable upon the sale or other transfer of the related Mortgagor's interest in the related Mortgaged Property. In

general, with respect to Mortgage Loans, the Trust Agreement permits the waiver of the enforcement of any such due-on-sale clause upon transfer of a Mortgaged Property if certain conditions are satisfied.

Substantially all of the Mortgage Loans also have "due-on-encumbrance" clauses generally providing that each such Mortgage Loan may at the mortgagee's option become due and payable upon the creation of any additional lien or other encumbrance on the Mortgaged Property that is not permitted by the related Mortgage. The right of the related Mortgagor to grant subordinate mortgages on the Mortgaged Property is subject to the satisfaction of certain conditions and generally to the consent of the holder of the Mortgage Note (which consent generally may not be unreasonably withheld). If the Mortgage Loan permits subordinate financing but requires the consent of the mortgagee to any such subordinate financing and, pursuant to applicable law or the provisions of the Mortgage Loan, such consent must not be unreasonably withheld, then the Trust Agreement permits Fannie Mae to consider requests by a Mortgagor to permit subordinate financing subject to the satisfaction of certain conditions. The Trust Agreement permits Fannie Mae to consent to any subordinate financing with respect to Cooperative Properties even though prohibited by the Mortgage Loan, subject to the satisfaction of certain conditions.

*Modifications, Waivers and Amendments.* The Trust Agreement permits Fannie Mae to agree to any modification, waiver or amendment (each, a "Modification") of any term of any Mortgage Loan without the consent of any Certificateholder, subject to compliance with the REMIC Provisions and the other limitations set forth in the Trust Agreement, certain of which are described below.

Subject to certain conditions, the Trust Agreement permits Fannie Mae to agree to the forbearance and forgiveness of interest either prior to a Maturity Date or in connection with an extension on such Mortgage Loan. The extension of the maturity of a Mortgage Loan is subject to the following limitations, among others: (i) any such extension may not result in a final scheduled payment date that is more than 12 months beyond the date on which it was previously due or that is more than a total of 36 months beyond its original stated maturity date; and (ii) in the event that there is no agreement to forbear interest in connection with an extension, the contract interest rate (coupon rate) and the Monthly Payment for each month during the extension period shall not be less than the contract interest rate (coupon rate) and the Monthly Payment, respectively, due on such Mortgage Loan in the month prior to the month in which the final payment was originally scheduled to be due thereon, not taking into account any prior forbearance of interest. The extension of the maturity of a Discounted Mortgage Loan also requires that the contract interest rate for each month during the extension period shall not be less than 7.695%.

The Trust Agreement does not permit the waiver or modification of any payment of any applicable Prepayment Premium or Yield Maintenance Charge due to be paid under the terms of any Mortgage Loan, unless (A) there is a determination that the Mortgage Loan is in default due to bona fide cash flow deficiencies and not an effort to avoid payment of a Prepayment Premium or Yield Maintenance Charge, or (B) there is a substantial risk that the Prepayment Premium or Yield Maintenance Charge provisions would be found unenforceable by a court with jurisdiction of the action, or (C) the prepayment of the Mortgage Loan is made due to a casualty loss or a condemnation.

If the Mortgagor reasonably requests a partial release of a Mortgaged Property, the Trust Agreement permits Fannie Mae to grant such a partial release provided that, among other conditions, (i) the Mortgagor pays, for application to the unpaid principal balance of the related Mortgage Loan(s), an amount equal to the appraised value of the released portion of the Mortgaged Property, (ii) the lien of the related Mortgage(s) on the remaining property is not adversely affected and the remaining property can, practically and economically, continue to be used for its intended

purposes, (iii) the income of the Mortgaged Property is not adversely affected by such release, and (iv) the resulting Loan-to-Value Ratio would be no higher than the Loan-to-Value Ratio at the Issue Date.

*Realization Upon Defaulted Mortgage Loans.* The Trust Agreement permits Fannie Mae (i) to sell an REO Property or (ii) to sell a Defaulted Mortgage Loan or to foreclose upon or otherwise comparably convert the ownership of the related Mortgaged Property or Properties, if no satisfactory arrangements can be made for collection of delinquent payments, subject to the limitations described below. Fannie Mae has the right to purchase any Defaulted Mortgage Loan and to bid on any REO Property.

Promptly after any Mortgage Loan becomes a Specially Serviced Mortgage Loan, then with respect to any payment default or performance default (other than a payment default) by the Mortgagor thereunder, the Trust Agreement permits Fannie Mae, subject to the foregoing, to initiate a dialogue with the related Mortgagor, including with respect to any Modification requested thereby and to commence the foreclosure process. Promptly upon commencement of a foreclosure action, the Trust Agreement permits the taking of action to obtain control of the rents and other revenues of each related Mortgaged Property and the Mortgaged Property for the benefit of Certificateholders.

The Trust Agreement does not permit the initiation of foreclosure proceedings, or obtaining title to a Mortgaged Property in lieu of foreclosure or otherwise, or taking any other action with respect to any Mortgaged Property, if, as a result of any such action, the Trustee, on behalf of Certificateholders and the holders of the Subordinate Classes, would be considered to hold title to, to be a "mortgagee-in-possession" of, or to be an "owner" or "operator" of such Mortgaged Property within the meaning of CERCLA or any comparable law, unless there has been a determination, based on a current or currently updated environmental assessment, meeting the standards to be prescribed by Fannie Mae, of such Mortgaged Property, that each of the following conditions has been satisfied (or that the taking of action to achieve satisfaction thereof is reasonably likely to produce a greater recovery on a present value basis than not taking such actions and refraining from initiating foreclosure proceedings): (i) the Mortgaged Property is in compliance with applicable environmental laws, and (ii) there are no circumstances or conditions present at the Mortgaged Property relating to any hazardous, toxic or dangerous waste, substance or material which could require investigation, testing, monitoring, containment, clean-up or remediation under any applicable environmental laws and regulations.

If the environmental testing described above establishes that either of the foregoing environmental conditions has not been satisfied, Fannie Mae may take such action as it deems in the best economic interest of the Trust, including selling the related Defaulted Mortgage Loan. The cost of any remedial, corrective or other further action related to an environmental condition will be an expense of the Trust.

Fannie Mae is required to sell any such REO Property within two years after the Lower Tier REMIC acquires ownership of such REO Property, unless Fannie Mae either (i) is granted an extension of time (an "REO Extension") by the Internal Revenue Service to sell such REO Property or (ii) obtains an opinion of counsel to the effect that the holding of such REO Property subsequent to the second anniversary of such acquisition will not result in the imposition of taxes on "prohibited transactions" as defined in Section 860F of the Code or cause the Lower Tier REMIC to fail to qualify as a REMIC at any time that any Certificates or Subordinate Classes are outstanding.

*Treatment of REO Properties.* Notwithstanding that a Mortgaged Property securing any Mortgage Loan may be acquired on behalf of the Lower Tier REMIC as REO Property, such Mortgage Loan (after the date of such acquisition, an "REO Loan") will, for purposes of determining amounts payable (including the Required Senior Principal Distribution Amount) on the Certificates and the Subordinate Classes and losses allocable to Subordinate Classes, be treated

as having remained outstanding until such REO Property is liquidated, and each such REO Loan will be deemed to have the same terms and conditions as its predecessor Mortgage Loan. An unpaid principal balance, as well as Scheduled Principal Balance, will continue to be calculated for each REO Loan.

See "The Sale and Servicing Agreement—General" for a general description of the Sale and Servicing Agreement and the allocation by Fannie Mae to the Master Servicer and the Special Servicer, as independent contractors to Fannie Mae, of the foregoing servicing responsibilities with respect to the Mortgage Loans, subject to certain retained consent rights of Fannie Mae described below.

### **Certain Rights of the Subordinate Directing Holder**

Pursuant to the Trust Agreement and the Sale and Servicing Agreement, the Subordinate Directing Holder has the right to appoint a special servicer (a "Special Servicer"), to direct the course of action to be followed by the Special Servicer with respect to any Specially Serviced Mortgage Loans, to purchase Defaulted Mortgage Loans and to bid on REO Properties and to effect a termination of the Trust by purchasing the Mortgage Loans and the REO Properties remaining in the Lower Tier REMIC. See "—Servicing of the Mortgage Loans" and "The Sale and Servicing Agreement—General—*Special Servicer*" and "—Termination." Notwithstanding the foregoing, during any Final Control Period for a Mortgage Loan or REO Property, Fannie Mae will have the right, but not the obligation, (i) in the case of a Defaulted Mortgage Loan, to direct the course of action to be followed by the Special Servicer with respect to the relevant default, (ii) in the case of a Mortgage Loan with a due-on-sale clause, to approve any transferee of the related Mortgaged Property, (iii) in the case of any Mortgage Loan with a due-on-encumbrance clause, to consent to allowance of any subordinate financing, (iv) to consent to any action to be taken by the Special Servicer with respect to any Mortgaged Property in the event of the existence of certain environmental conditions with respect to such Mortgaged Property, (v) to evaluate and determine the advisability of certain extensions to such Mortgage Loan, (vi) to consent to Modifications to such Mortgage Loan and (vii) to consent to the acquisition or sale of an REO Property or the sale of a Defaulted Mortgage Loan. Fannie Mae has the right to terminate the Special Servicer, with or without cause, during the Final Control Period and to terminate the Special Servicer at any other time with cause. See the "Glossary."

In the Trust Agreement, Fannie Mae covenants not to enter into an amendment to the Sale and Servicing Agreement that materially and adversely affects the rights of the Subordinate Directing Holder, without the consent of the Subordinate Directing Holder.

The Trust Agreement provides that Fannie Mae will not be liable for any act or omission of any Special Servicer appointed by the Subordinate Directing Holder.

### **Termination**

Pursuant to the Trust Agreement, Fannie Mae, in its corporate capacity, is entitled to purchase all of the Mortgage Loans and any REO Properties remaining in the Lower Tier REMIC and effect an early termination of the Lower Tier REMIC and the Trust at any time that the aggregate Scheduled Principal Balance of all of the Mortgage Loans and REO Loans remaining in the Lower Tier REMIC is five percent or less of the Issue Date Pool Balance, for a purchase price equal to the aggregate Purchase Price for all of the Mortgage Loans (including the REO Loans) remaining in the Lower Tier REMIC.

There also may be an early termination of the Trust in the event the Master Servicer, the Special Servicer or the Subordinate Directing Holder purchases the Mortgage Loans and any REO Properties in the Lower Tier REMIC. See "The Sale and Servicing Agreement—Termination" herein.

## THE SALE AND SERVICING AGREEMENT

Fannie Mae, as purchaser, the Mortgage Loan Sellers, and NCB as master servicer (the "Master Servicer") and initial Special Servicer, are parties to a Sale and Servicing Agreement, dated as of April 1, 1996 (the "Sale and Servicing Agreement"), pursuant to which Fannie Mae acquired the Mortgage Loans from the Mortgage Loan Sellers and, pursuant to its powers under the Trust Agreement, Fannie Mae engaged the Master Servicer and the Special Servicer, as an independent contractor to Fannie Mae, to service the Mortgage Loans, subject to the right of the Subordinate Directing Holder to appoint the Special Servicer and direct the course of action thereof with respect to Specially Serviced Mortgage Loans. See "The Trust Agreement—Certain Rights of the Subordinate Directing Holder."

The Sale and Servicing Agreement is a contract solely between Fannie Mae and the other parties thereto and neither the Certificateholders nor the holders of the Subordinate Classes are deemed to be parties thereto or, except as provided under "The Trust Agreement—Certain Rights of the Subordinate Directing Holder" above, have any claims, rights, obligations, duties or liabilities with respect to the Sale and Servicing Agreement or the parties thereto.

### General

The Sale and Servicing Agreement sets forth the standards and the detailed procedures to be followed by, and the rights and obligations of, the Master Servicer and the Special Servicer with respect to servicing the Mortgage Loans.

#### *Master Servicer*

In general, the Master Servicer is responsible for (i) making determinations with respect to the enforcement of due-on-sale and due-on-encumbrance clauses, as well as consents to permitted subordinate financing, as described under "The Trust Agreement—Servicing of the Mortgage Loans—*Due-on-Sale Clauses; Due-on-Encumbrance Clauses; Subordinate Financing,*" (ii) making determinations with respect to a partial release of a Mortgaged Property as described under "Trust Agreement—Servicing of the Mortgage Loans—*Modifications, Waivers and Amendments,*" (iii) making Advances, and (iv) the collection of payments on the Mortgage Loans (other than the REO Loans) and the maintenance of various accounts with respect thereto. Notwithstanding the foregoing, during any Final Control Period, Fannie Mae shall have the right, but not the obligation, to approve the course of action to be taken by the Master Servicer under clauses (i) and (ii) of the preceding sentence. Subject to the consent right of Fannie Mae during the Final Control Period, the Master Servicer has the right to purchase any Defaulted Mortgage Loan and to bid on any REO Property.

#### *Special Servicer*

In general, the Special Servicer is responsible for (i) the servicing and administering the Specially Serviced Mortgage Loans and any REO Loans, including the management and operation of any REO Properties, including taking the actions with respect to defaulted Mortgage Loans described under "The Trust Agreement—Servicing of the Mortgage Loans—*Realization Upon Defaulted Mortgage Loans,*" and (ii) negotiating and determining whether to approve of a Modification described under "The Trust Agreement—Servicing of the Mortgage Loans—*Modifications, Waivers and Amendments.*" See "The Trust Agreement—Certain Rights of the Subordinate Directing Holder" for a description of the right, but not the obligation, of Fannie Mae to direct, approve of, or consent to, the actions of the Special Servicer described in the preceding sentence during the Final Control Period. Subject to the consent right of Fannie Mae during the Final Control Period, the Special Servicer has the right to purchase any Defaulted Mortgage Loan and to bid on any REO Property.

## **Representations and Warranties; Repurchases**

In the Sale and Servicing Agreement, the Mortgage Loan Sellers will make certain customary representations and warranties for the benefit of Fannie Mae with respect to the Mortgage Loans being sold by the Mortgage Loan Sellers. In the Trust Agreement, Fannie Mae will assign or cause to be assigned to the Trustee all such representations and warranties given to Fannie Mae with respect to the Mortgage Loans and shall also give the Trustee the right to directly enforce the remedies set forth in the Sale and Servicing Agreement with respect to a breach of any such representations and warranties. The representations and warranties in the Sale and Servicing Agreement will continue in effect throughout the term of the Sale and Servicing Agreement. Following the discovery of a breach of any of such representations and warranties that is determined to materially and adversely affect the value of a Mortgage Loan, the Mortgage Loan Sellers may be required to purchase the affected Mortgage Loan from the Lower Tier REMIC at the applicable Purchase Price. See the "Glossary" herein.

## **Amendment**

The Sale and Servicing Agreement may be amended from time to time by the mutual agreement of Fannie Mae, the Mortgage Loan Sellers, the Master Servicer, and the Special Servicer, without the consent of any of the Certificateholders; provided, however, that such parties acknowledge and agree in the Sale and Servicing Agreement that certain provisions thereof expressly grant rights or benefits to the Subordinate Directing Holder, and that the Subordinate Directing Holder is a third party beneficiary of such provisions.

## **Termination**

The obligations and responsibilities created by the Sale and Servicing Agreement will terminate upon payment (or provision for payment) to the Certificateholders and the holders of the Subordinate Classes of all amounts held by or on behalf of the Trustee and required under the Trust Agreement to be so paid on the Distribution Date following the earlier to occur of (i) the purchase by Fannie Mae, the Master Servicer, the Special Servicer or the Subordinate Directing Holder of all of the Mortgage Loans and REO Properties remaining in the Lower Tier REMIC in the event the aggregate Scheduled Principal Balance of the Mortgage Loans and any REO Loans remaining in the Lower Tier REMIC as of the date of such election is five percent or less of the Issue Date Pool Balance and (ii) the final payment (or any advance with respect thereto) on or other liquidation of the last Mortgage Loan or REO Property remaining in the Lower Tier REMIC. The purchase price payable by Fannie Mae, the Master Servicer, the Special Servicer or the Subordinate Directing Holder pursuant to clause (i) of the preceding sentence will be equal to the aggregate Purchase Price of all of the Mortgage Loans (including, without limitation, all of the REO Loans) then remaining in the Lower Tier REMIC. See the "Glossary."

## **DESCRIPTION OF THE MORTGAGE POOL**

### **General**

The Lower Tier REMIC will consist of 162 Mortgage Loans with an aggregate Issue Date Balance of \$315,218,208 (the "Issue Date Pool Balance"), subject to a permitted variance of plus or minus 5%. The "Issue Date Balance" of each Mortgage Loan is the actual unpaid principal balance thereof as of the Issue Date (without regard to any discounting), after application of all payments of principal due on or before such date, whether or not received.

Each Mortgage Loan is evidenced by a note, bond or other evidence of indebtedness (a "Mortgage Note"). Each Mortgage Loan is generally secured by a single mortgage, deed of trust or other similar security instrument (each, a "Mortgage") that creates a first or second\* mortgage lien on a multifamily project (a "Mortgaged Property") consisting of a Cooperative Property.

\* Only two Mortgage Pool Second Liens are part of the Mortgage Pool, and they are treated as having been combined with their related first Mortgages for purposes of this Prospectus Supplement.

37 of the Mortgaged Properties securing approximately 38.5% of the Issue Date Pool Balance are subject to Existing Second Liens. Subject to applicable grace and cure periods, if any, a default by the Mortgagor under these Existing Second Liens likewise constitutes a default under the related loan that is part of the Mortgage Pool.

45 of the Mortgages, securing approximately 30.7% of the Issue Date Pool Balance permit the Mortgagor, upon the satisfaction of certain conditions, to grant Potential Second Liens.

Each Mortgage covers a Mortgagor's entire interest in the Mortgaged Property. None of the Mortgage Loans is insured or guaranteed by the United States, any governmental agency or any private mortgage insurer.

Substantially all of the Mortgage Loans were originated between 1993 and 1996 and will be acquired by Fannie Mae from the Mortgage Loan Sellers on or before the Settlement Date pursuant to the Sale and Servicing Agreement.

The information with respect to the Mortgage Loans set forth in "Description of the Mortgage Pool" and on Exhibit A hereto has been collected and summarized by the Mortgage Loan Sellers and provided to Fannie Mae. Fannie Mae has made no independent verification of such information and, therefore, does not warrant its truth or accuracy and shall not be responsible therefor.

### **Cooperative Properties**

Generally, in a typical housing cooperative, a Cooperative Apartment Building is owned by a Cooperative. Accordingly, the Cooperative owns all the apartment units and common areas in such building. 159 of the Mortgage Loans representing approximately 95.4% of the Issue Date Pool Balance are secured by Cooperative Apartment Buildings owned by Cooperatives. Three of the Mortgage Loans are secured by Condominium Units representing approximately 4.6% of the Issue Date Pool Balance. One Cooperative has the option to convert from a Cooperative Apartment Building to a condominium regime. Such a conversion would result in the non-residential Condominium Unit(s) being released from the lien of the Mortgage. See Exhibit A.

However, an apartment building and the land thereunder may be submitted to the condominium form of ownership, and thereby be divided into two or more condominium units. Generally, in such instances, the Cooperative does not own the entire apartment building and the land under the building, but rather owns a single Condominium Unit that generally comprises the residential portions of such apartment building. The other condominium units in such apartment building will generally comprise commercial space and will generally be owned by persons or entities other than the Cooperative. In instances where an apartment building has been submitted to the condominium form of ownership, certain of the common areas in such building may be owned by the Cooperative and other common areas (often including the land under the building) may constitute common elements of the condominium, which common elements are owned in common by the Cooperative and the owners of the other condominium units.

Generally, in a Cooperative Apartment Building, the Cooperative is directly responsible for building management and payment of real estate taxes and hazard and liability insurance premiums. Where the apartment building has been submitted to the condominium form of ownership, each condominium unit owner will be directly responsible for the payment of real estate taxes on such owner's unit, but certain specified maintenance and other obligations, including hazard and liability insurance premiums, may not be the direct responsibility of the Cooperative but rather will be the responsibility of the condominium board of managers.

Each Cooperative's ability to pay its debt service obligations on the Mortgage Loan and its expenses is dependent primarily upon the receipt of maintenance payments from the tenant-stockholders, as well as any rental income from units or commercial areas that the Cooperative owns. Unanticipated expenditures may in some cases have to be paid by special assessments on the tenant-stockholders. In addition, where the building has been submitted to the condominium form of ownership, the ability of the condominium board of managers to pay certain expenses of the building will be dependent upon the payment by all condominium unit owners of common charges assessed by the condominium board of managers. Each Cooperative's ability to pay the Balloon Payment of a Mortgage Loan at maturity depends primarily on its ability to refinance the Mortgage Loan or to levy against each unit, and collect from the tenant-stockholders who own the Cooperative, a special assessment. The Mortgage Loan Sellers will have no obligation to provide refinancing for the Mortgage Loans.

35 Mortgage Loans representing approximately 16.1% of the Issue Date Pool Balance are secured by Mortgaged Properties that have the benefit of a property tax abatement and/or exemption pursuant to the so-called J-51 program in New York City. The expiration of such abatement and/or exemption may result in a significant increase in property maintenance charges. There can be no assurance that the Cooperative affected by increased tax burdens will be able to increase maintenance requirements in an amount sufficient to meet its debt service requirements.

Tenant-stockholders own a Cooperative through ownership of stock, shares or membership certificates in the Cooperative. Tenant-stockholders receive proprietary leases or occupancy agreements which confer exclusive rights to occupy specific apartments or units. Generally, a tenant-stockholder of a Cooperative must make a monthly payment to the Cooperative representing such tenant-stockholder's pro rata share of the debt service obligations on the Mortgage Loan and the expenses of the Cooperative. Such payments are in addition to any payments of principal and interest the tenant-stockholder must make on any loans of the tenant-stockholder secured by its shares in the Cooperative.

In a typical cooperative conversion plan, the owner of a rental apartment building contracts to sell the building to a newly formed Cooperative. Under a typical non-eviction plan, shares are allocated to each apartment unit by the owner or sponsor, and the current tenants have a certain period to subscribe at prices discounted from the prices to be offered to the public after such period. As part of the consideration for the sale, the owner or sponsor receives all the unsold shares of the Cooperative. Each purchaser of shares in the Cooperative generally enters into a long-term proprietary lease which provides the stockholder with the right to occupy the apartment. However, a tenant at the time of conversion who chooses not to purchase shares is entitled to reside in the unit, as a subtenant from the owner of the shares allocated to such apartment unit. The subtenant would continue to be protected by any applicable rent control and rent stabilization laws, may be entitled to renew its lease indefinitely and would be protected from rent increases by the stockholder above those permitted by any applicable rent control and rent stabilization laws. The stockholder is responsible for the maintenance payments to the Cooperative without regard to its receipt or non-receipt of rent from the subtenant, which may be lower than maintenance payments on the units. Newly-formed Cooperatives typically have the greatest concentration of non-tenant stockholders.

In general, a tenant-stockholder of a "cooperative housing corporation" (as defined in the Code) is allowed a deduction for amounts paid or accrued within its taxable year to the Cooperative to the extent of its proportionate share of certain interest expenses and certain real estate taxes allowable as a deduction to the Cooperative. Because qualification as a "cooperative housing corporation" is made on a year-to-year basis, there can be no assurance that Cooperatives relating to the Mortgage Loans will so qualify for any particular year. In the event that such a Cooperative

fails to qualify for one or more years, the value of the Mortgaged Property securing the related Mortgage Loan could be significantly impaired because no deduction would be allowable to tenant-stockholders with respect to those years.

### **Certain Terms and Conditions of the Mortgage Loans**

*Due Dates.* Monthly Payments under the Mortgage Loans will be due on the first day of each month. See Exhibit A hereto. As of the Settlement Date, no Monthly Payment on any Mortgage Loan will be more than 30 days past due. The first Monthly Payments of principal and interest on two Mortgage Loans representing approximately 3.0% of the Issue Date Pool Balance are due in June of 1996. See Exhibit A.

*Mortgage Rates.* 138 of the Mortgage Loans (the "Fixed Rate Mortgage Loans"), which represent 93.3% of the Issue Date Pool Balance, bear interest at Mortgage Rates which are in each case, as of the Issue Date, fixed for the particular Mortgage Loan's remaining term to stated maturity. 24 of the Mortgage Loans (the "ARM Loans"), which represent the remaining 6.7% of the Issue Date Pool Balance, bear interest at mortgage rates which are in each case subject to periodic adjustments following the Issue Date by adding a specified number of basis points (a "Gross Margin") to the applicable value of the 5-Year Treasury Index subject to a one time adjustment five years following the date of origination. The "5-Year Treasury Index" is the current weekly average yield for United States Treasury Securities, adjusted to a constant maturity of five years as published as of a day, ranging from 1 to 45 days, preceding the applicable adjustment date, or, if such day falls on a weekend or legal holiday, the next business day following such day, in document H.15 (519) published by the Board of Governors of the Federal Reserve System and entitled "Federal Reserve Statistical Release," or its successor publication, generally rounded up to the nearest  $\frac{1}{8}$  of one percent. Should the 5-Year Treasury Index become unavailable, Fannie Mae will select an alternative index, as dictated by the terms of the Mortgage Loan.

*Monthly Payments.* All of the Mortgage Loans provide for monthly payments of interest and all but one of the Mortgage Loans provide for monthly payments of principal based on amortization schedules ranging from 10 to 60 years, which in the case of 152 Mortgage Loans representing approximately 97.2% of the Issue Date Pool Balance are significantly longer than the remaining terms of such Mortgage Loans (each, a "Balloon Mortgage Loan"), thereby leaving substantial principal amounts due and payable (each such payment, a "Balloon Payment") on their respective stated maturity dates, unless prepaid prior thereto.

*Discounted Mortgage Loans.* A Discounted Mortgage Loan is a Fixed Rate Mortgage Loan with a Net Mortgage Rate which is less than 7.41% per annum or any ARM Loan which has a minimum mortgage interest rate (net of the Servicing Fee Rate and the Fannie Mae Fee Rate) which is less than 7.41% per annum. See Exhibit A hereto and "Description of the Certificates—Distributions of Principal" herein.

*Prepayment Provisions.* 152 Mortgage Loans representing approximately 86.0% of the Issue Date Pool Balance have a period during which voluntary principal prepayments are prohibited (a "Lock-Out Period").

With respect to Fixed Rate Mortgage Loans with Lock-Out Periods that have original terms to maturity of 10 years and represent approximately 65.7% of the Issue Date Pool Balance, the Lock-Out Periods remaining as of the Issue Date generally range from 5 to 7 years. With respect to Fixed Rate Mortgage Loans with Lock-Out Periods that have original terms to maturity ranging from 15 to 20 years and represent approximately 14.1% of the Issue Date Pool Balance, the Lock-Out Periods remaining as of the Issue Date generally range from 8 to 12 years. However, nine Fixed Rate Mortgage Loans representing approximately 13.5% of the Issue Date Pool Balance may be

voluntarily prepaid at any time but generally require the payment of a Yield Maintenance Charge (unless prepayment resulted from condemnation of, or casualty on, the related Mortgaged Property). Generally, there is a period, ranging from 0 to 90 days immediately prior to the Maturity Date for the Fixed Rate Mortgage Loans during which a principal prepayment of such a Mortgage Loan need not be accompanied by a Yield Maintenance Charge or Prepayment Premium. The "Yield Maintenance Charge" will be computed on the basis of a formula specified in the related Mortgage Note. See the "Glossary." Generally, the ARM Loans may only be prepaid during the 45-day period prior to each adjustment date or the Maturity Date and any prepayment during such period generally need not be accompanied by a Yield Maintenance Charge or Prepayment Premium. The "Maturity Date" of a Mortgage Loan is the stated maturity date thereof. See Exhibit A hereto.

After any applicable Lock-Out Period, certain of the Mortgage Loans provide that any principal prepayment must be accompanied by a Yield Maintenance Charge or Prepayment Premium (unless the prepayment resulted from a condemnation of, or casualty on, the related Mortgaged Property). Generally, upon making a permitted voluntary prepayment of a Fixed Rate Mortgage Loan, the applicable Mortgagor must pay a Prepayment Premium equal to 2% of the unpaid principal balance of the Mortgage Loan.

Further information regarding the Lock-Out Periods, prepayment premium periods and yield maintenance periods applicable to the Mortgage Loans is set forth on Exhibit A hereto.

Unless the Mortgage Loan to be prepaid is relatively near its Maturity Date or unless the sale price or the amount of the proceeds of a refinancing of the related Mortgaged Property is considerably higher than the current outstanding principal balance of such Mortgage Loan (due to an increase in the value of the Mortgaged Property or otherwise), the Yield Maintenance Charge or Prepayment Premium may, in a lower interest rate environment, offset entirely or render insignificant any economic benefit to be received by the Mortgagor upon a refinancing or sale of the Mortgaged Property. The Yield Maintenance Charge or Prepayment Premium provision of a Mortgage Loan creates an economic disincentive for the Mortgagor to prepay such a Mortgage Loan voluntarily and, accordingly, the Mortgagor may elect not to prepay such Mortgage Loan. However, there can be no assurance that the imposition of a Yield Maintenance Charge or Prepayment Premium will provide a sufficient disincentive to prevent a voluntary principal prepayment.

The Special Servicer will not be permitted to waive or modify any term of a Mortgage Loan that requires the payment of a Prepayment Premium or a Yield Maintenance Charge in connection with any principal prepayment thereon except in certain circumstances. See "Trust Agreement—Servicing of the Mortgage Loans—*Modifications, Waivers and Amendments*" herein. If and to the extent received, Prepayment Premiums are distributable to the XS Class for so long as it is outstanding and Yield Maintenance Charges are distributable to the A-1, A-2, A-3 and XS Classes for so long as they are outstanding, and, in each case, thereafter to the R Class as described herein under "Description of the Certificates—Allocation of Prepayment Premiums and Yield Maintenance Charges." Certain state laws limit the amounts that a lender may collect from a borrower as an additional charge in connection with the prepayment of a mortgage loan. Furthermore, the enforceability, under the laws of a number of states, of provisions providing for Prepayment Premiums or Yield Maintenance Charges upon an involuntary prepayment is unclear. No assurance can be given that, at the time a Prepayment Premium or a Yield Maintenance Charge is required to be made on a Mortgage Loan in connection with an involuntary prepayment, the obligation to pay such Prepayment Premium or Yield Maintenance Charge will be enforceable under applicable state law. See "Maturity and Prepayment Considerations and Risks—Early Repayment of Mortgage Loans" in the Multifamily REMIC Prospectus.

#### **Additional Mortgage Loan Information**

The Mortgage Loans and Mortgaged Properties are expected to have the following additional characteristics as of the Issue Date. The figures in the columns titled "Aggregate Issue Date

Balance" in the tables below are based on the Issue Date Balances of the related Mortgage Loans. The sum in any column of the following tables, or in the table set forth on Exhibit A hereto, may not equal the indicated total due to rounding.

Following the issuance of the Certificates, Fannie Mae will make available in electronic form certain data specific to the Certificates and certain information with respect to the underlying Mortgage Loans, in each case as of the Issue Date, including the information set forth on Exhibit A hereto and will make available certain other information relating to the Mortgage Loans and Mortgaged Properties. To obtain this information in electronic form, call Fannie Mae at 1-800-752-6440 or 202-752-6000.

The following table sets forth the range of Mortgage Rates on the Mortgage Loans as of the Issue Date.

**Mortgage Rates for the Mortgage Loans as of the Issue Date(1)**

| <u>Range of Mortgage Rates (%)</u> | <u>Number of<br/>Mortgage Loans</u> | <u>Aggregate Issue<br/>Date Balance</u> | <u>Percent of<br/>Issue Date Pool<br/>Balance</u> |
|------------------------------------|-------------------------------------|-----------------------------------------|---------------------------------------------------|
| 6.750% - 6.999% .....              | 2                                   | \$ 2,413,208                            | .77%                                              |
| 7.000 - 7.249 .....                | 12                                  | 26,418,105                              | 8.38                                              |
| 7.250 - 7.499 .....                | 17                                  | 35,270,805                              | 11.19                                             |
| 7.500 - 7.749 .....                | 25                                  | 64,136,871                              | 20.35                                             |
| 7.750 - 7.999 .....                | 13                                  | 18,973,189                              | 6.02                                              |
| 8.000 - 8.249 .....                | 11                                  | 11,020,819                              | 3.50                                              |
| 8.250 - 8.499 .....                | 10                                  | 28,631,634                              | 9.08                                              |
| 8.500 - 8.749 .....                | 13                                  | 25,960,503                              | 8.24                                              |
| 8.750 - 8.999 .....                | 13                                  | 21,095,213                              | 6.69                                              |
| 9.000 - 9.249 .....                | 14                                  | 21,674,243                              | 6.88                                              |
| 9.250 - 9.499 .....                | 6                                   | 11,900,460                              | 3.78                                              |
| 9.500 - 9.749 .....                | 13                                  | 26,409,925                              | 8.38                                              |
| 9.750 - 9.999 .....                | 8                                   | 12,178,101                              | 3.86                                              |
| 10.000 - 10.249 .....              | 1                                   | 1,073,239                               | .34                                               |
| 10.250 - 10.499 .....              | 4                                   | 8,061,892                               | 2.56                                              |
| Total .....                        | <u>162</u>                          | <u>\$315,218,209</u>                    | <u>100.00%</u>                                    |

Weighted Average Mortgage Rate: 8.31% per annum

(1) The ARM Loans are reflected at their respective Mortgage Rates as of the Issue Date.

The following table sets forth the range of Net Mortgage Rates on the Mortgage Loans as of the Issue Date.

**Net Mortgage Rates for the Mortgage Loans as of the Issue Date(1)**

| <u>Range of Net Mortgage Rates (%)</u> | <u>Number of<br/>Mortgage Loans</u> | <u>Aggregate Issue<br/>Date Balance</u> | <u>Percent of<br/>Issue Date Pool<br/>Balance</u> |
|----------------------------------------|-------------------------------------|-----------------------------------------|---------------------------------------------------|
| 6.500% – 6.749% .....                  | 6                                   | \$ 9,698,273                            | 3.08%                                             |
| 6.750 – 6.999 .....                    | 10                                  | 22,627,828                              | 7.18                                              |
| 7.000 – 7.249 .....                    | 21                                  | 38,630,280                              | 12.26                                             |
| 7.250 – 7.499 .....                    | 20                                  | 57,831,645                              | 18.35                                             |
| 7.500 – 7.749 .....                    | 16                                  | 19,881,655                              | 6.31                                              |
| 7.750 – 7.999 .....                    | 8                                   | 15,063,317                              | 4.78                                              |
| 8.000 – 8.249 .....                    | 12                                  | 31,434,850                              | 9.97                                              |
| 8.250 – 8.499 .....                    | 15                                  | 22,079,509                              | 7.00                                              |
| 8.500 – 8.749 .....                    | 12                                  | 21,321,163                              | 6.76                                              |
| 8.750 – 8.999 .....                    | 11                                  | 19,187,843                              | 6.09                                              |
| 9.000 – 9.249 .....                    | 6                                   | 16,219,782                              | 5.15                                              |
| 9.250 – 9.499 .....                    | 13                                  | 20,572,303                              | 6.53                                              |
| 9.500 – 9.749 .....                    | 7                                   | 11,534,631                              | 3.66                                              |
| 9.750 – 9.999 .....                    | 1                                   | 1,073,239                               | .34                                               |
| 10.000 – 10.249 .....                  | 4                                   | 8,061,892                               | 2.56                                              |
| Total .....                            | <u>162</u>                          | <u>\$315,218,209</u>                    | <u>100.00%</u>                                    |

Weighted Average Net Mortgage Rate: 8.03% per annum

(1) The ARM Loans are reflected at their respective Net Mortgage Rates as of the Issue Date.

The following table sets forth the range of Issue Date Balances of the Mortgage Loans.

**Issue Date Balances for the Mortgage Loans**

| <u>Range of Issue Date Balances (\$)</u> | <u>Number of<br/>Mortgage Loans</u> | <u>Aggregate Issue<br/>Date Balance</u> | <u>Percent of<br/>Issue Date Pool<br/>Balance</u> |
|------------------------------------------|-------------------------------------|-----------------------------------------|---------------------------------------------------|
| \$ 100,001 – \$ 200,000 .....            | 2                                   | \$ 254,776                              | .08%                                              |
| 200,001 – 400,000 .....                  | 26                                  | 7,585,758                               | 2.41                                              |
| 400,001 – 600,000 .....                  | 15                                  | 7,622,868                               | 2.42                                              |
| 600,001 – 800,000 .....                  | 14                                  | 9,911,599                               | 3.14                                              |
| 800,001 – 1,000,000 .....                | 10                                  | 9,350,161                               | 2.97                                              |
| 1,000,001 – 2,000,000 .....              | 40                                  | 61,754,204                              | 19.59                                             |
| 2,000,001 – 3,000,000 .....              | 24                                  | 59,135,826                              | 18.76                                             |
| 3,000,001 – 4,000,000 .....              | 12                                  | 40,543,723                              | 12.86                                             |
| 4,000,001 – 5,000,000 .....              | 6                                   | 27,778,188                              | 8.81                                              |
| 5,000,001 – 10,000,000 .....             | 11                                  | 67,175,138                              | 21.31                                             |
| 10,000,001 – 20,000,000 .....            | 2                                   | 24,105,968                              | 7.65                                              |
| Total .....                              | <u>162</u>                          | <u>\$315,218,209</u>                    | <u>100.00%</u>                                    |

Average Issue Date Balance: \$1,945,791

The following tables set forth the range of original and remaining terms to stated maturity (in months) of the Mortgage Loans.

**Original Terms to Stated Maturity (In Months) for the Mortgage Loans**

| <u>Original<br/>Terms (in Months)</u> | <u>Number of<br/>Mortgage Loans</u> | <u>Aggregate Issue<br/>Date Balance</u> | <u>Percent of<br/>Issue Date Pool<br/>Balance</u> |
|---------------------------------------|-------------------------------------|-----------------------------------------|---------------------------------------------------|
| 119 .....                             | 1                                   | 2,436,191                               | 0.77%                                             |
| 120 .....                             | 139                                 | 264,168,360                             | 83.80                                             |
| 121 .....                             | 2                                   | 4,084,996                               | 1.30                                              |
| 180 .....                             | 16                                  | 40,787,066                              | 12.94                                             |
| 240 .....                             | 4                                   | 3,741,596                               | 1.19                                              |
| Total .....                           | <u>162</u>                          | <u>\$315,218,209</u>                    | <u>100.00%</u>                                    |

Weighted Average Original Term to Stated Maturity: 129.2 Months

**Remaining Terms to Stated Maturity (In Months) for the  
Mortgage Loans as of the Issue Date**

| <u>Range of Remaining<br/>Terms (in Months)</u> | <u>Number of<br/>Mortgage Loans</u> | <u>Aggregate Issue<br/>Date Balance</u> | <u>Percent of<br/>Issue Date Pool<br/>Balance</u> |
|-------------------------------------------------|-------------------------------------|-----------------------------------------|---------------------------------------------------|
| 78+ - 84 months .....                           | 1                                   | \$ 2,436,191                            | .77%                                              |
| 84+ - 90 .....                                  | 6                                   | 6,810,234                               | 2.16                                              |
| 90+ - 96 .....                                  | 35                                  | 34,488,714                              | 10.94                                             |
| 96+ - 102 .....                                 | 25                                  | 36,335,571                              | 11.53                                             |
| 102+ - 108 .....                                | 25                                  | 61,582,220                              | 19.54                                             |
| 108+ - 114 .....                                | 8                                   | 29,131,788                              | 9.24                                              |
| 114+ - 120 .....                                | 40                                  | 90,604,829                              | 28.74                                             |
| 120+ - 132 .....                                | 2                                   | 9,300,000                               | 2.95                                              |
| 144+ - 156 .....                                | 4                                   | 14,448,613                              | 4.58                                              |
| 156+ - 168 .....                                | 8                                   | 7,854,755                               | 2.49                                              |
| 168+ - 180 .....                                | 4                                   | 18,483,698                              | 5.86                                              |
| 216+ - 240 .....                                | 4                                   | 3,741,596                               | 1.19                                              |
| Total .....                                     | <u>162</u>                          | <u>\$315,218,209</u>                    | <u>100.00%</u>                                    |

Weighted Average Remaining Term to Stated Maturity: 117.2 Months

The following table sets forth the respective years in which the Mortgage Loans are scheduled to mature.

**Years of Scheduled Maturity for the Mortgage Loans**

| <u>Years</u> | <u>Number of<br/>Mortgage Loans</u> | <u>Aggregate Issue<br/>Date Balance</u> | <u>Percent of<br/>Issue Date Pool<br/>Balance</u> |
|--------------|-------------------------------------|-----------------------------------------|---------------------------------------------------|
| 2003 .....   | 13                                  | \$ 13,296,124                           | 4.22%                                             |
| 2004 .....   | 57                                  | 72,233,007                              | 22.92                                             |
| 2005 .....   | 37                                  | 102,984,173                             | 32.67                                             |
| 2006 .....   | 35                                  | 82,176,243                              | 26.07                                             |
| 2009 .....   | 10                                  | 20,568,195                              | 6.53                                              |
| 2010 .....   | 2                                   | 1,735,173                               | .55                                               |
| 2011 .....   | 4                                   | 18,483,698                              | 5.86                                              |
| 2014 .....   | 3                                   | 3,192,559                               | 1.01                                              |
| 2016 .....   | 1                                   | 549,037                                 | .17                                               |
| Total .....  | <u>162</u>                          | <u>\$315,218,209</u>                    | <u>100.00%</u>                                    |

The following tables set forth the range of (i) Issue Date LTV Ratios of all of the Mortgage Loans as though they were secured by multifamily rental property, and (ii) the Issue Date LTV Ratios of the Mortgage Loans as Cooperative Properties. An "Issue Date LTV Ratio" is a fraction, expressed as a percentage, the numerator of which is the Issue Date Balance of a Mortgage Loan, and the denominator of which is the appraised value of the related Mortgaged Property as a multifamily rental property or Cooperative Property, as applicable, in each case as determined by the appraisal made in connection with the origination of such Mortgage Loan. The Issue Date LTV Ratio is typically calculated based on each such appraisal because in the event of a foreclosure or the acceptance of a deed in lieu of foreclosure with respect to a Cooperative Property it could be operated as a multifamily rental property. An Issue Date LTV Ratio, because it is based on the appraised value of a Mortgaged Property determined as of loan origination, is not necessarily a reliable measure of the Mortgagor's current equity, if any, in that Mortgaged Property. In evaluating the Mortgage Loans, Fannie Mae used a different methodology for calculating loan to value ratios than that described herein. Application of such different methodology with regard to certain Mortgage Loans produced results which differ from those set forth in the following table and on Exhibit A.

**Issue Date LTV Ratios for the Mortgage Loans  
as Multifamily Rental Property**

| <b>Range of Issue<br/>Date LTV Ratio (%) (1)</b> | <b>Number of<br/>Mortgage Loans</b> | <b>Aggregate Issue<br/>Date Balance</b> | <b>Percent of<br/>Issue Date Pool<br/>Balance</b> |
|--------------------------------------------------|-------------------------------------|-----------------------------------------|---------------------------------------------------|
| 5.01% - 10.00% .....                             | 12                                  | \$ 22,721,515                           | 7.21%                                             |
| 10.01 - 15.00 .....                              | 21                                  | 18,896,523                              | 5.99                                              |
| 15.01 - 20.00 .....                              | 20                                  | 38,784,164                              | 12.30                                             |
| 20.01 - 25.00 .....                              | 18                                  | 36,806,205                              | 11.68                                             |
| 25.01 - 30.00 .....                              | 26                                  | 33,827,283                              | 10.73                                             |
| 30.01 - 35.00 .....                              | 20                                  | 37,864,033                              | 12.01                                             |
| 35.01 - 40.00 .....                              | 19                                  | 48,611,521                              | 15.42                                             |
| 40.01 - 45.00 .....                              | 13                                  | 41,625,775                              | 13.21                                             |
| 45.01 - 50.00 .....                              | 9                                   | 27,132,721                              | 8.61                                              |
| 50.01 - 55.00 .....                              | 1                                   | 1,800,000                               | .57                                               |
| 55.01 - 60.00 .....                              | 3                                   | 7,148,468                               | 2.27                                              |
| Total .....                                      | <u>162</u>                          | <u>\$315,218,209</u>                    | <u>100.00%</u>                                    |

Weighted Average Issue Date LTV Ratio as multifamily rental properties: 30.1%

(1) The Issue Date LTV Ratios were calculated using the appraised values of the Mortgaged Properties at the time of origination of the related Mortgage Loans. All of the Mortgage Loans were originated between 1993 and 1996.

**Issue Date LTV Ratios for Mortgage Loans  
as Cooperative Properties**

| <b>Range of Issue<br/>Date LTV Ratios (%)</b> | <b>Number of<br/>Mortgage Loans</b> | <b>Aggregate Issue<br/>Date Balance</b> | <b>Percentage of<br/>Issue Date Pool<br/>Balance</b> |
|-----------------------------------------------|-------------------------------------|-----------------------------------------|------------------------------------------------------|
| 1.70% – 5.00% .....                           | 6                                   | \$ 9,929,009                            | 3.15%                                                |
| 5.01 – 10.00 .....                            | 32                                  | 42,276,961                              | 13.41                                                |
| 10.01 – 15.00 .....                           | 32                                  | 53,078,127                              | 16.84                                                |
| 15.01 – 20.00 .....                           | 31                                  | 66,707,850                              | 21.16                                                |
| 20.01 – 25.00 .....                           | 29                                  | 71,161,383                              | 22.58                                                |
| 25.01 – 30.00 .....                           | 18                                  | 38,150,922                              | 12.10                                                |
| 30.01 – 35.00 .....                           | 7                                   | 21,004,508                              | 6.66                                                 |
| 35.01 – 40.00 .....                           | 5                                   | 6,834,221                               | 2.17                                                 |
| 40.01 – 45.00 .....                           | 2                                   | 6,075,229                               | 1.93                                                 |
| Total .....                                   | <u>162</u>                          | <u>\$315,218,209</u>                    | <u>100.00%</u>                                       |

Weighted Average Issue Date LTV Ratio of the Mortgage Loans as Cooperative Properties: 19.0%

The following table sets forth the percentage of sponsor-held units in the Cooperative Properties.

**Sponsor Percentage of Units  
in Cooperative Properties**

| <b>Sponsor-Held Units (%)<sup>(1)</sup></b> | <b>Number of<br/>Mortgage Loans</b> | <b>Aggregate Issue<br/>Date Balance</b> | <b>Percentage of<br/>Issue Date Pool<br/>Balance</b> |
|---------------------------------------------|-------------------------------------|-----------------------------------------|------------------------------------------------------|
| 0.00% .....                                 | 88                                  | \$131,097,734                           | 41.59%                                               |
| 0.01 – 10.00 .....                          | 12                                  | 41,596,819                              | 13.20                                                |
| 10.01 – 20.00 .....                         | 25                                  | 52,946,889                              | 16.80                                                |
| 20.01 – 30.00 .....                         | 20                                  | 46,014,540                              | 14.60                                                |
| 30.01 – 40.00 .....                         | 15                                  | 39,082,504                              | 12.40                                                |
| 40.01 – 50.00 .....                         | 2                                   | 4,479,723                               | 1.42                                                 |
| Total .....                                 | <u>162</u>                          | <u>\$315,218,209</u>                    | <u>100.00%</u>                                       |

Weighted Average Percentage of sponsor-held units in the Cooperative Properties: 11.9%

(1) The percentage of sponsor-held units is as of the date of origination of the related Mortgage Loans. See Exhibit A.

The following table sets forth the year of conversion of each applicable Mortgaged Property to a Cooperative Property.

**Year Converted to Cooperative(1)**

| <u>Year Converted</u> | <u>Number of<br/>Mortgage Loans</u> | <u>Aggregate Issue<br/>Date Balance</u> | <u>Percentage of<br/>Issue Date Pool<br/>Balance</u> |
|-----------------------|-------------------------------------|-----------------------------------------|------------------------------------------------------|
| 1921 .....            | 1                                   | \$ 450,000                              | 0.14%                                                |
| 1947 .....            | 2                                   | 1,688,925                               | 0.54                                                 |
| 1952 .....            | 2                                   | 3,132,914                               | 0.99                                                 |
| 1955 .....            | 2                                   | 2,201,307                               | 0.70                                                 |
| 1957 .....            | 1                                   | 697,777                                 | 0.22                                                 |
| 1958 .....            | 1                                   | 2,462,090                               | 0.78                                                 |
| 1959 .....            | 2                                   | 3,577,966                               | 1.14                                                 |
| 1961 .....            | 1                                   | 1,399,673                               | 0.44                                                 |
| 1962 .....            | 2                                   | 4,155,190                               | 1.32                                                 |
| 1966 .....            | 2                                   | 6,269,018                               | 1.99                                                 |
| 1968 .....            | 1                                   | 713,845                                 | 0.23                                                 |
| 1969 .....            | 4                                   | 14,347,160                              | 4.55                                                 |
| 1971 .....            | 1                                   | 2,745,253                               | 0.87                                                 |
| 1972 .....            | 4                                   | 9,195,370                               | 2.92                                                 |
| 1973 .....            | 3                                   | 5,545,490                               | 1.76                                                 |
| 1974 .....            | 1                                   | 220,563                                 | 0.07                                                 |
| 1975 .....            | 2                                   | 942,223                                 | 0.30                                                 |
| 1976 .....            | 1                                   | 697,989                                 | 0.22                                                 |
| 1977 .....            | 6                                   | 10,990,950                              | 3.49                                                 |
| 1978 .....            | 7                                   | 14,426,538                              | 4.58                                                 |
| 1979 .....            | 9                                   | 18,235,137                              | 5.78                                                 |
| 1980 .....            | 14                                  | 36,933,033                              | 11.72                                                |
| 1981 .....            | 16                                  | 35,477,517                              | 11.25                                                |
| 1982 .....            | 14                                  | 25,217,047                              | 8.00                                                 |
| 1983 .....            | 14                                  | 21,751,606                              | 6.90                                                 |
| 1984 .....            | 22                                  | 38,504,251                              | 12.22                                                |
| 1985 .....            | 5                                   | 9,856,601                               | 3.13                                                 |
| 1986 .....            | 9                                   | 19,760,925                              | 6.27                                                 |
| 1987 .....            | 3                                   | 12,231,667                              | 3.88                                                 |
| 1988 .....            | 6                                   | 7,543,928                               | 2.39                                                 |
| 1989 .....            | 3                                   | 3,581,412                               | 1.14                                                 |
| 1990 .....            | 1                                   | 264,842                                 | 0.08                                                 |
| Total .....           | <u>162</u>                          | <u>\$315,218,209</u>                    | <u>100.00%</u>                                       |

(1) The conversion dates were compiled from the appraisals of the Mortgaged Properties.

161 of the Mortgage Loans are secured by Mortgaged Properties located in the state of New York. The following table sets forth the areas in which the Mortgaged Properties are located.

### Geographic Distribution of the Mortgaged Properties

| <u>State</u>      | <u>Number of<br/>Mortgaged<br/>Properties</u> | <u>Aggregate Issue<br/>Date Balance</u> | <u>Percent of<br/>Issue Date Pool<br/>Balance</u> |
|-------------------|-----------------------------------------------|-----------------------------------------|---------------------------------------------------|
| New Jersey        |                                               |                                         |                                                   |
| Bergen .....      | 1                                             | \$ 4,969,282                            | 1.58%                                             |
| New York          |                                               |                                         |                                                   |
| Bronx .....       | 2                                             | 2,487,239                               | .79                                               |
| Brooklyn .....    | 23                                            | 17,627,794                              | 5.59                                              |
| Manhattan .....   | 97                                            | 187,450,092                             | 59.47                                             |
| Nassau .....      | 8                                             | 30,429,928                              | 9.65                                              |
| Queens .....      | 11                                            | 29,081,338                              | 9.23                                              |
| Westchester ..... | 20                                            | 43,172,536                              | 13.70                                             |
| Total .....       | <u>162</u>                                    | <u>\$315,218,209</u>                    | <u>100.00%</u>                                    |

The following table sets forth the respective years in which the Mortgaged Properties were built.

### Years in Which the Mortgaged Properties were Built

| <u>Year of<br/>Construction(1)</u> | <u>Number of<br/>Mortgaged<br/>Properties</u> | <u>Aggregate Issue<br/>Date Balance</u> | <u>Percent of<br/>Issue Date Pool<br/>Balance</u> |
|------------------------------------|-----------------------------------------------|-----------------------------------------|---------------------------------------------------|
| 1840.....                          | 1                                             | \$ 220,563                              | 0.07%                                             |
| 1856.....                          | 1                                             | 789,596                                 | 0.25                                              |
| 1870.....                          | 2                                             | 902,973                                 | 0.29                                              |
| 1874.....                          | 1                                             | 374,070                                 | 0.12                                              |
| 1882.....                          | 1                                             | 489,582                                 | 0.16                                              |
| 1890.....                          | 4                                             | 858,835                                 | 0.27                                              |
| 1893.....                          | 3                                             | 1,596,934                               | 0.51                                              |
| 1894.....                          | 2                                             | 3,656,201                               | 1.16                                              |
| 1895.....                          | 1                                             | 586,898                                 | 0.19                                              |
| 1899.....                          | 2                                             | 2,574,892                               | 0.82                                              |
| 1900.....                          | 8                                             | 6,275,376                               | 1.99                                              |
| 1901.....                          | 2                                             | 2,947,822                               | 0.94                                              |
| 1902.....                          | 1                                             | 549,037                                 | 0.17                                              |
| 1903.....                          | 1                                             | 1,580,555                               | 0.50                                              |
| 1904.....                          | 2                                             | 728,636                                 | 0.23                                              |
| 1905.....                          | 1                                             | 538,371                                 | 0.17                                              |
| 1906.....                          | 4                                             | 3,222,849                               | 1.02                                              |
| 1908.....                          | 1                                             | 1,349,540                               | 0.43                                              |
| 1910.....                          | 8                                             | 7,664,385                               | 2.43                                              |
| 1911.....                          | 2                                             | 839,140                                 | 0.27                                              |
| 1912.....                          | 1                                             | 217,977                                 | 0.07                                              |
| 1913.....                          | 1                                             | 691,650                                 | 0.22                                              |
| 1914.....                          | 1                                             | 643,556                                 | 0.20                                              |
| 1915.....                          | 1                                             | 1,393,703                               | 0.44                                              |
| 1920.....                          | 3                                             | 11,161,460                              | 3.54                                              |
| 1922.....                          | 2                                             | 3,758,085                               | 1.19                                              |
| 1923.....                          | 3                                             | 2,613,621                               | 0.83                                              |
| 1924.....                          | 2                                             | 4,318,131                               | 1.37                                              |
| 1925.....                          | 3                                             | 4,796,368                               | 1.52                                              |
| 1926.....                          | 4                                             | 7,018,268                               | 2.23                                              |
| 1927.....                          | 5                                             | 9,363,880                               | 2.97                                              |
| 1928.....                          | 4                                             | 7,478,710                               | 2.37                                              |
| 1929.....                          | 5                                             | 14,877,816                              | 4.72                                              |
| 1930.....                          | 9                                             | 15,936,607                              | 5.06                                              |
| 1935.....                          | 1                                             | 403,362                                 | 0.13                                              |
| 1936.....                          | 1                                             | 2,185,616                               | 0.69                                              |
| 1937.....                          | 2                                             | 4,672,124                               | 1.48                                              |
| 1938.....                          | 4                                             | 4,695,953                               | 1.49                                              |
| 1939.....                          | 3                                             | 8,456,758                               | 2.68                                              |
| 1940.....                          | 4                                             | 8,411,664                               | 2.67                                              |
| 1941.....                          | 1                                             | 2,479,536                               | 0.79                                              |
| 1944.....                          | 1                                             | 1,765,413                               | 0.56                                              |
| 1945.....                          | 1                                             | 3,100,000                               | 0.98                                              |
| 1947.....                          | 2                                             | 3,629,723                               | 1.15                                              |
| 1948.....                          | 3                                             | 4,234,227                               | 1.34                                              |
| 1949.....                          | 2                                             | 5,643,806                               | 1.79                                              |

| Year of Construction(1) | Number of Mortgaged Properties | Aggregate Issue Date Balance | Percent of Issue Date Pool Balance |
|-------------------------|--------------------------------|------------------------------|------------------------------------|
| 1950.....               | 4                              | \$ 18,440,180                | 5.85%                              |
| 1952.....               | 1                              | 1,889,058                    | 0.60                               |
| 1953.....               | 1                              | 1,399,009                    | 0.44                               |
| 1954.....               | 2                              | 3,814,862                    | 1.21                               |
| 1955.....               | 2                              | 3,035,509                    | 0.96                               |
| 1956.....               | 3                              | 4,601,307                    | 1.46                               |
| 1957.....               | 1                              | 697,777                      | 0.22                               |
| 1958.....               | 1                              | 1,399,673                    | 0.44                               |
| 1959.....               | 1                              | 2,738,161                    | 0.87                               |
| 1960.....               | 3                              | 7,733,726                    | 2.45                               |
| 1961.....               | 1                              | 6,200,000                    | 1.97                               |
| 1962.....               | 8                              | 25,078,970                   | 7.96                               |
| 1963.....               | 2                              | 4,745,091                    | 1.51                               |
| 1964.....               | 2                              | 11,565,654                   | 3.67                               |
| 1965.....               | 3                              | 7,773,527                    | 2.47                               |
| 1966.....               | 4                              | 18,029,279                   | 5.72                               |
| 1967.....               | 1                              | 5,498,327                    | 1.74                               |
| 1968.....               | 2                              | 7,124,562                    | 2.26                               |
| 1969.....               | 1                              | 7,000,000                    | 2.22                               |
| 1970.....               | 1                              | 2,562,467                    | 0.81                               |
| 1974.....               | 1                              | 2,196,800                    | 0.70                               |
| Total .....             | <u>162</u>                     | <u>\$315,218,209</u>         | <u>100.00%</u>                     |

(1) The construction dates were compiled from the engineering reports on the Mortgaged Properties.

### Changes in Mortgage Pool Characteristics

The description herein of the Mortgage Pool and the Mortgaged Properties is based upon the Mortgage Pool as expected to be constituted at the time the Certificates and the Subordinate Classes are issued, as adjusted for the scheduled principal payments due on or before the Issue Date. Prior to the issuance of the Certificates, a Mortgage Loan may be removed from the Mortgage Pool if a Mortgage Loan Seller deems such removal necessary or appropriate or if it is prepaid. A limited number of other mortgage loans may be included in the Mortgage Pool prior to the issuance of the Certificates, unless the inclusion of such mortgage loans would materially alter the characteristics of the Mortgage Pool as described herein. The Mortgage Loan Sellers believe that the information set forth herein will be representative of the characteristics of the Mortgage Pool as it will be constituted at the time the Certificates are issued, although the range of Mortgage Rates and maturities, as well as the other characteristics of the Mortgage Loans described herein, may vary. The Issue Date Pool Balance will be subject to a permitted variance of plus or minus 5%.

### CERTAIN ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES

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

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

Elections will be made to treat the Trust and the Lower Tier REMIC as REMICs for federal income tax purposes. The Certificates (other than the R Class and the RL Class) and the Subordinate Classes will be designated as the "regular interests," and the R Class will be designated as the "residual interest," in the REMIC constituted by the Trust. The Lower Tier Regular Interests will be designated as the "regular interests," and the RL Class will be designated as the "residual interest," in the Lower Tier REMIC.

As a consequence of the qualification of the Trust and the Lower Tier REMIC as REMICs, the Certificates generally will be treated as "qualifying real property loans" for mutual savings banks and domestic building and loan associations, "regular or residual interests in a REMIC" for domestic building and loan associations, "real estate assets" for real estate investment trusts, and, except for the R Class and the RL Class, as "qualified mortgages" for other REMICs. See "Certain Federal Income Tax Consequences—Special Tax Attributes" in the Multifamily REMIC Prospectus.

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

The Notional Class will be, and the A-1, A-2 and A-3 Classes may be, issued with original issue discount for federal income tax purposes, which generally will result in recognition of some taxable income in advance of the receipt of the cash attributable to such income. The Prepayment Assumption that will be used in determining the rate of accrual of original issue discount will be 0% CPR. See "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*" in the Multifamily REMIC Prospectus. No representation is made as to whether the Mortgage Loans underlying the Lower Tier REMIC will prepay at either that or any other rate. See "Description of the Certificates—Weighted Average Lives of the Certificates" herein and "Maturity and Prepayment Considerations and Risks—Weighted Average Life and Final Distribution Dates" in the Multifamily REMIC Prospectus. In addition, the A-1, A-2 and A-3 Classes may be treated as having been issued at a premium for federal income tax purposes. See "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Certificates Purchased at a Premium*" in the Multifamily REMIC Prospectus.

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

Under the Regulations, neither the R Class nor the RL Class will have significant value. As a result, an organization to which section 593 of the Code applies and which is the beneficial owner of an R or RL Certificate may not use its allowable deductions to offset any "excess inclusions" with respect to such Certificate. See "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*" in the Multifamily REMIC Prospectus.

For purposes of determining the portion of the taxable income of the Trust that generally will not be treated as excess inclusions, the rate to be used is 7.62% (which is 120% of the "federal long-term rate"). See "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*" and "—Foreign Investors—*Residual Certificates*" in the Multifamily REMIC Prospectus. The federal income tax consequences of any consideration paid to a transferee on the transfer of an R or RL Certificate are unclear; any transferee receiving such consideration should consult its own tax advisors.

### **PLAN OF DISTRIBUTION**

The Mortgage Loan Sellers will receive the Certificates in exchange for the Mortgage Loans pursuant to a Fannie Mae commitment. The Dealers, on behalf of the Mortgage Loan Sellers, propose to offer the Certificates directly to the public from time to time in negotiated transactions

at varying prices to be determined at the time of sale. The Dealers may effect such transactions to or through dealers.

### **LEGAL MATTERS**

Certain legal matters will be passed upon for Fannie Mae by Mayer, Brown & Platt, Chicago, Illinois; and an opinion with respect to certain tax matters will be delivered to Fannie Mae by Dewey Ballantine, Washington, D.C. Any purchaser of Certificates will be furnished upon request an opinion by the General Counsel or Deputy General Counsel of Fannie Mae as to the validity of the Certificates and the Trust Agreement.

## GLOSSARY

**A-1 Class:** As defined herein on the Prospectus Supplement cover page.

**A-2 Class:** As defined herein on the Prospectus Supplement cover page.

**A-3 Class:** As defined herein on the Prospectus Supplement cover page.

**A-1 Class Balance:** The outstanding principal balance of such Class.

**A-2 Class Balance:** The outstanding principal balance of such Class.

**A-3 Class Balance:** The outstanding principal balance of such Class.

**Advance:** A Delinquency Advance, Servicing Advance or Fannie Mae Fee Advance.

**Aggregate Principal Distribution Amount:** As defined herein under "Description of the Certificates—Distributions of Principal—*Principal Distribution Amount*" on page S-12.

**ARM Loan:** A Mortgage Loan bearing an adjustable rate of interest.

**Assigned Asset Value:** As of any date of determination, with respect to any Mortgage Loan (other than a Seriously Delinquent Loan or a Materially Modified Loan), the Scheduled Principal Balance of such Mortgage Loan. With respect to any Mortgage Loan that is a Seriously Delinquent Loan or a Materially Modified Loan, the lesser of (a) the Scheduled Principal Balance of such Mortgage Loan as of such date of determination and (b) ninety percent (90%) of the appraised value of the related Mortgaged Property as of such date of determination (less the reasonable expected costs of sale, unless already considered in the determination of such appraised value) reduced by the aggregate of (i) to the extent not previously advanced by the Master Servicer, all unpaid interest on such Mortgage Loan at a per annum rate equal to the related Mortgage Rate minus the related Servicing Fee Rate and the Fannie Mae Fee Rate, (ii) all unpaid Servicing Fees and Fannie Mae Fees and unreimbursed Advances in respect of such Mortgage Loan and (iii) all currently due but unpaid real estate taxes, assessments, insurance premiums and similar items in respect of the related Mortgaged Property. With respect to any REO Property, the appraised value of such REO Property as of such date of determination net of the aggregate of clauses (i), (ii) and (iii) in the immediately preceding sentence.

**Assumed Payment:** With respect to any Balloon Mortgage Loan that is delinquent and still outstanding in respect of its Balloon Payment, and including any REO Loan as to which the related Mortgage Note provided for a Balloon Payment which would have been past due, an amount deemed to be due for such Balloon Mortgage Loan on the related Due Date, which shall be equal to the Monthly Payment that would have been due on such Mortgage Loan on such Due Date had such Balloon Payment not become due.

**Balance Differential:** With respect to any Discounted Mortgage Loan (or successor Discounted REO Loan) for any Due Date, the excess, if any, of the Scheduled Principal Balance thereof as of such Due Date, over the Discounted Principal Balance thereof as of such Due Date.

**Balloon Mortgage Loan:** As defined herein under "Description of the Mortgage Pool—Certain Terms and Conditions of the Mortgage Loans—*Monthly Payments*" on page S-28.

**Balloon Payment:** As defined herein under "Description of the Mortgage Pool—Certain Terms and Conditions of the Mortgage Loans—*Monthly Payments*" on page S-28.

**CERCLA:** The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

**Certificate Balance:** With respect to any Certificate or Subordinate Certificate, as of any date of determination, the then outstanding principal amount of such Certificate or Subordinate Certificate equal to the product of (a) the Percentage Interest evidenced by such Certificate or Subordinate Certificate, multiplied by (b) the then Class Balance of the Class of Certificates or Subordinate Certificates to which such Certificate or Subordinate Certificate belongs.

**Certificate Rate:** The interest rate of the A-1, A-2, A-3 and XS Classes as set forth on the Prospectus Supplement cover page.

**Certificateholder:** As defined herein under "Description of the Certificates—General—Characteristics of Certificates" on page S-10.

**Certificates:** As defined herein on the Prospectus Supplement cover page.

**Class:** Collectively with respect to the Certificates, all of the Certificates bearing the same alphabetical and, if applicable, numerical class designation.

**Class Balance:** With respect to the Certificates (other than the R and RL Classes) and the Subordinate Certificates, the Class Balance outstanding at any time represents the maximum amount that the Holders of such Certificates or the holders of such Subordinate Certificates, respectively, are entitled to receive as distributions allocable to principal from the cash flow on the Mortgage Loans.

**Class Notional Amount:** The aggregate notional principal amount on which the Class XS Certificates accrue interest, which is equal to the outstanding aggregate Class Balances of the A-1, A-2 and A-3 Classes.

**Class Prepayment Percentage:** As defined herein under "Description of the Certificates—Allocation of Prepayment Premiums and Yield Maintenance Charges" on page S-14.

**Code:** As defined herein on page S-2.

**Condominium Unit:** As defined herein under "Risk Factors Associated with Multifamily REMIC Pass-Through Certificates—2. *Certain Risks Associated with Cooperative Apartment Buildings*" on page S-7.

**Cooperative:** As defined herein under "Risk Factors Associated with Multifamily REMIC Pass-Through Certificates—2. *Certain Risks Associated with Cooperative Apartment Buildings*" on page S-7.

**Cooperative Apartment Building:** As defined herein under "Risk Factors Associated with Multifamily REMIC Pass-Through Certificates—2. *Certain Risks Associated with Cooperative Apartment Buildings*" on page S-7.

**Cooperative Property:** As defined herein under "Risk Factors Associated with Multifamily REMIC Pass-Through Certificates—2. *Certain Risks Associated with Cooperative Apartment Buildings*" on page S-7.

**CPR:** As defined herein under "Description of the Certificates—Structuring Assumptions—CPR Assumptions" on page S-15.

**Dealer:** As defined herein on the Prospectus Supplement cover page.

**Defaulted Mortgage Loan:** A Mortgage Loan that is at least 30 days delinquent in respect of any Scheduled Payment (such delinquency to be determined without regard to any grace period permitted by the related Mortgage or Mortgage Note), provided that no suitable arrangements have been made for the collection of the delinquent payments pursuant to the Sale and Servicing Agreement and the Master Servicer has determined, in its reasonable and good faith judgment, that such Mortgage Loan will become the subject of foreclosure or similar proceedings.

**Deficient Valuation:** With respect to any Mortgage Loan, the amount of principal thereof that is forgiven due to a valuation of the related Mortgaged Property by a court of competent jurisdiction in an amount less than the then outstanding principal balance of the Mortgage Loan, which valuation is made in a proceeding initiated under the federal Bankruptcy Code. The determination of the Deficient Valuation and the application thereof as a Realized Loss shall not be made until the date of the discharge of such principal amount by the court.

**Delay Classes:** As defined herein under "Description of the Certificates—Distributions of Interest—*Interest Accrual Period*" on page S-11.

**Delinquency Advance:** An advance by the Master Servicer of principal of, or interest on, a Mortgage Loan, in accordance with, and subject to the limitations in, the Sale and Servicing Agreement.

**Disclosure Documents:** As defined herein on page S-2.

**Discounted Mortgage Loans:** Fixed Rate Mortgage Loans with a Net Mortgage Rate which is less than 7.41% per annum or any ARM Loan which has a minimum mortgage interest rate (net of Servicing Fee Rate and the Fannie Mae Fee Rate) which is less than 7.41% per annum.

**Discounted Principal Balance:** As defined herein under "Description of the Certificates—Distribution of Principal—*Principal Distribution Amount*" on page S-13.

**Discounted Principal Balance Decline:** With respect to any Discounted Mortgage Loan (or successor Discounted REO Loan) for any Due Period, the excess, if any, of (i) the Discounted Principal Balance thereof as of the Due Date in the immediately preceding Due Period (or, if such preceding Due Period is the initial Due Period, as of the Issue Date) over (ii) the Discounted Principal Balance thereof as of the Due Date in the current Due Period. If the Discounted Principal Balance of such Discounted Mortgage Loan (or successor Discounted REO Loan) as of the Due Date in the immediately preceding Due Period is less than the Discounted Principal Balance as of the Due Date in the current Due Period, the Discounted Principal Balance Decline with respect to such Discounted Mortgage Loan (or such Discounted REO Loan) shall be a negative number for the related Due Period.

**Discounted REO Loan:** Any REO Loan as to which the predecessor Mortgage Loan was a Discounted Mortgage Loan.

**Distribution Date:** As defined herein under "Description of the Certificates—General—*Distribution Dates*" on page S-11.

**Due Date:** With respect to each Mortgage Loan, including, without limitation, a Mortgage Loan that is 30 days or more delinquent in respect of any payment due thereunder, including a Balloon Payment, and with respect to each REO Loan, the first day of each month.

**Due Period:** With respect to any Distribution Date, the period commencing on and including the second day of the month preceding the month in which such Distribution Date occurs and ending on and including the first day of the month in which such Distribution Date occurs.

**Excess Discounted Mortgage Loan Amount:** With respect to any Distribution Date and all payments received on or in respect of a Discounted Mortgage Loan that are distributable to Certificateholders on such Distribution Date, the total amount of those payments reduced by: (i) the amount by which the Discounted Principal Balance of such Mortgage Loan has been reduced after taking into account such payments; (ii) an amount equal to interest accrued for the related Due Period on such Discounted Principal Balance at a rate equal to the Certificate Rate for the A-2 Class; and (iii) if such Discounted Mortgage Loan is an ARM Loan, following the reset date for such ARM Loan, an amount equal to interest accrued for the related Due Period on the Scheduled Principal Balance of such ARM Loan at a rate equal to the excess, if any, of the actual rate per annum (net of the Servicing Fee Rate and the Fannie Mae Fee Rate) over the minimum mortgage interest rate (net of the Servicing Fee Rate and the Fannie Mae Fee Rate) for such ARM Loan.

**Exempted Securities:** As defined herein on the Prospectus Supplement cover page.

**Existing Second Liens:** As defined herein under "Risk Factors Associated with Multifamily REMIC Pass-Through Certificates—4. *Existing and Potential Subordinate Mortgage Affecting the Mortgaged Properties*" on page S-8.

**Fannie Mae:** As defined herein under "Description of the Certificates—General—*Structure*" on page S-9.

**Fannie Mae Fee:** With respect to each Mortgage Loan and REO Loan, the fee payable to Fannie Mae in respect of its guaranty and the performance of its other obligations under the Trust Agreement.

**Fannie Mae Advance:** An advance by the Master Servicer of the Fannie Mae Fee.

**Fannie Mae Fee Rate:** The rate per annum specified in the Sale and Servicing Agreement at which the Fannie Mae Fee accrues.

**FDIC:** The Federal Deposit Insurance Corporation or any successor.

**Final Control Period:** With respect to any Mortgage Loan or REO Property, as of any date of determination, any period during which (i) the Senior Balance is greater than zero and the Subordinate Balance is equal to or less than a percentage determined in accordance with the Sale and Servicing Agreement (which percentage may be less than one percent (1%) of the Issue Date Pool Balance), or (ii) the Senior Balance exceeds the aggregate Assigned Asset Value of all of the Mortgage Loans and REO Properties; provided, however, that for purposes of this determination: (i) the Senior Balance shall reflect all distributions of principal made on the Certificates on the Distribution Date immediately preceding such date of determination; and (ii) the Scheduled Principal Balance of the Mortgage Loans shall reflect all reductions to be made thereto on the Distribution Date immediately preceding such date of determination.

**Final Distribution Date:** As defined herein on the Prospectus Supplement cover page.

**Final Due Period:** With respect to any Mortgage Loan or any REO Property (and the related REO Loan), the Due Period during which a Liquidation Event has occurred in respect thereof.

**Final Recovery Determination:** A determination by the Master Servicer based upon information produced by the Special Servicer with respect to any Defaulted Mortgage Loan or REO Property (other than a Mortgage Loan or REO Property, as the case may be, that was purchased by (i) a Mortgage Loan Seller as described under "The Sale and Servicing Agreement—Representations and Warranties; Repurchases," (ii) by Fannie Mae as described under "The Trust Agreement—Termination" or by (iii) Fannie Mae, the Master Servicer, the Special Servicer or the

Subordinate Directing Holder as summarized under "The Sale and Servicing Agreement—Termination") that there has been a recovery of all insurance proceeds, liquidation proceeds and other payments or recoveries that the Master Servicer, in its reasonable and good faith judgment, exercised without regard to any obligation of the Master Servicer to make payments from its own funds to cover certain deductible amounts under insurance policies covering the Mortgaged Property or REO Property, expects to be ultimately recoverable.

**Fixed Rate Mortgage Loan:** A Mortgage Loan whose Mortgage Rate is a fixed annual rate of interest.

**Gross Margin:** As defined herein under "Description of the Mortgage Pool—Certain Terms and Conditions of the Mortgage Loans—*Mortgage Rates*" on page S-28.

**Holder:** As defined herein under "Description of the Certificates—General—*Characteristics of Certificates*" on page S-10.

**Information Statement:** As defined herein on page S-2.

**Interest Accrual Period:** As defined herein under "Description of the Certificates—Distributions of Interest—*Interest Accrual Period*" on page S-11.

**Issue Date:** April 1, 1996. Information set forth herein as of the Issue Date reflects application of payments due on the Mortgage Loans on or before such date, whether or not received.

**Issue Date Balance:** As defined herein under "Description of the Mortgage Pool—General" on page S-25.

**Issue Date Pool Balance:** As defined herein under "Description of the Mortgage Pool—General" on page S-25.

**Liquidation Event:** With respect to any Mortgage Loan, any of the following events: (i) such Mortgage Loan is paid in full; (ii) a Final Recovery Determination is made with respect to such Mortgage Loan; or (iii) such Mortgage Loan is repurchased by (A) a Mortgage Loan Seller as summarized under "The Sale and Servicing Agreement—Representations and Warranties; Repurchases" or (B) by Fannie Mae, the Master Servicer, the Special Servicer or the Subordinate Directing Holder as summarized under "The Sale and Servicing Agreement—Termination" or (C) Fannie Mae as summarized under "The Trust Agreement—Termination". With respect to any REO Property (and the related REO Loan), any of the following events: (i) a Final Recovery Determination is made with respect to such REO Property; or (ii) such REO Property is purchased by Fannie Mae, the Master Servicer, the Special Servicer or the Subordinate Directing Holder as summarized under "Description of the Sale and Servicing Agreement—Termination" or Fannie Mae as summarized under "The Trust Agreement—Termination."

**Loan-to-Value Ratio:** With respect to any Mortgage Loan, as of any date of determination, the fraction, expressed as a percentage, the numerator of which is the then Mortgage Loan Principal Balance of such Mortgage Loan and the denominator of which is the appraised value of the related Mortgaged Property based on the most recent appraisal available to the applicable Mortgage Loan Seller or, following the Issue Date, the Master Servicer.

**Lock-Out Period:** As defined herein under "Description of the Mortgage Pool—Certain Terms and Conditions of the Mortgage Loans—*Prepayment Provisions*" on page S-28.

**Lower Tier Interests:** As defined herein under "Description of the Certificates—General—*Structure*" on page S-9.

**Lower Tier Regular Interests:** As defined herein under "Description of the Certificates—General—*Structure*" on page S-9.

**Lower Tier REMIC:** As defined herein on the Prospectus Supplement cover page.

**Master Servicer:** As defined under "The Sale and Servicing Agreement" on page S-24.

**Materially Modified Loan:** Any Mortgage Loan as to which, by reason of a bankruptcy or similar proceeding involving the related Mortgagor or a Modification of such Mortgage Loan granted or agreed to by the Special Servicer, as summarized under "The Sale and Servicing Agreement—General—*Special Servicer*" and "The Trust Agreement—Servicing of the Mortgage Loans—*Modifications, Waivers and Amendments*," the Maturity Date therefor has been extended and/or the Mortgage Rate or the Monthly Payment is reduced.

**Maturity Date:** As defined herein under "Description of the Mortgage Pool—Certain Terms and Conditions of the Mortgage Loans—*Prepayment Provisions*" on page S-29.

**Modification:** As defined herein under "The Trust Agreement—Servicing of the Mortgage Loans—*Modifications, Waivers and Amendments*" on page S-21.

**Monthly Payment:** With respect to any Mortgage Loan, for any Due Date as of which it is outstanding, the scheduled monthly payment of principal and/or interest on such Mortgage Loan that is actually payable by the related Mortgagor from time to time under the terms of the related Mortgage Note (as such terms may be changed or modified in connection with a bankruptcy or similar proceeding involving the related Mortgagor or a Modification of such Mortgage Loan granted or agreed to by the Special Servicer as described under "The Sale and Servicing Agreement—General—*Special Servicer*" and "The Trust Agreement—Servicing of the Mortgage Loans—*Modifications, Waivers and Amendments*").

**Mortgage:** As defined herein under "Description of the Mortgage Pool—General" on page S-25.

**Mortgage File:** With respect to any Mortgage Loan, the related Mortgage Note, Mortgage and certain other related documents specified in the Sale and Servicing Agreement.

**Mortgage Loan:** As defined herein on the Prospectus Supplement cover page.

**Mortgage Loan Principal Balance:** With respect to any Mortgage Loan or REO Loan, as of any date of determination, a principal amount equal to the Issue Date Balance of such Mortgage Loan (or, with respect to any REO Loan, the Mortgage Loan Principal Balance of the predecessor Mortgage Loan as of the date of the related REO Acquisition), minus the aggregate of all payments or other recoveries, net insurance proceeds, net liquidation proceeds, and income, rents and profits derived from the ownership, operation or leasing of any REO Property received on or in respect of the related Mortgage Loan or REO Loan, on or before such date of determination, that were applied by the Master Servicer as recoveries of principal of such Mortgage Loan or REO Loan in accordance with the Sale and Servicing Agreement.

**Mortgage Loan Schedule:** The mortgage loan schedule or schedules attached to the Trust Agreement, which lists the Mortgage Loans transferred to the Lower Tier REMIC.

**Mortgage Loan Sellers:** As defined herein under "Risk Factors Associated with Multifamily REMIC Pass-Through Certificates—6. *Repurchases Due to Breach of Representations and Warranties*" on page S-8.

**Mortgage Note:** As defined herein under "Description of the Mortgage Pool—General" on page S-25.

**Mortgage Pool:** As defined herein on the Prospectus Supplement cover page.

**Mortgage Pool Second Lien:** As defined herein under "Risk Factors Associated with Multifamily REMIC Pass-Through Certificates—4. *Existing and Potential Subordinate Mortgage Affecting the Mortgaged Properties*" on page S-8.

**Mortgage Rate:** With respect to each Mortgage Loan that is not both a Discounted Mortgage Loan and an ARM Loan, the fixed or adjustable rate per annum set forth in the related Mortgage Note from time to time at which interest accrues on such Mortgage Loan, as of the Issue Date (in the case of a Fixed Rate Mortgage Loan) or as of the reset date pursuant to the related Mortgage Note (in the case of an ARM Loan), in each case after giving effect to any modification of a Mortgage Loan for any period in connection with a bankruptcy or similar proceeding involving the related Mortgagor or a modification, waiver or amendment of such Mortgage Loan granted or agreed to by the Special Servicer pursuant to the Sale and Servicing Agreement. With respect to each Discounted Mortgage Loan that is an ARM Loan, (i) prior to the reset date thereof, the initial rate per annum set forth in the related Mortgage Note, and (ii) on and after such reset date, the minimum mortgage interest rate set forth in such Mortgage Note, in each case after giving effect to any modification of such Mortgage Loan for any period in connection with a bankruptcy or similar proceeding involving the related Mortgagor or a modification, waiver or amendment of such Mortgage Loan granted or agreed to by the Special Servicer pursuant to the Sale and Servicing Agreement.

**Mortgaged Property:** As defined herein on the Prospectus Supplement cover page.

**Mortgagor:** The obligor or obligors on a Mortgage Note, including, without limitation, any person that purchased the related Mortgaged Property subject to the Mortgage and any person that has assumed the obligations of the original obligor under the Mortgage Note.

**Multifamily REMIC Prospectus:** As defined herein on page S-2.

**NCB:** As defined herein under "Risk Factors Associated with Multifamily REMIC Pass-Through Certificates—6. *Repurchases Due to Breach of Representations and Warranties*" on page S-8.

**Net Mortgage Rate:** For any Mortgage Loan or REO Loan, as of any date of determination, the rate per annum equal to (i) the applicable Mortgage Rate (without regard to any modification thereof made in connection with a bankruptcy proceeding or in connection with a default or a threatened default) minus (ii) the sum of the applicable Servicing Fee Rate and the Fannie Mae Fee Rate. For information as to the Net Mortgage Rates applicable to the Mortgage Loans, see Exhibit A.

**Notional Class:** A Class having no principal balance and bearing interest on the related notional principal balance.

**Percentage Interest:** With respect to any Certificate (other than the R or RL Certificate) or Subordinate Certificate, the portion of the relevant Class evidenced by such Certificate, expressed as a percentage, the numerator of which is the Certificate Balance of such Certificate (other than the R or RL Certificate) or Subordinate Certificate as of the Settlement Date, as specified on the face thereof, and the denominator of which is the original Class Balance of the relevant Class. With respect to a Class R or Class RL Certificate, the percentage interest in distributions to be made with respect to such Class, as stated on the face of such Class R or Class RL Certificate.

**Potential Second Liens:** As defined herein under "Risk Factors Associated with Multifamily REMIC Pass-Through Certificates—4. *Existing and Potential Subordinate Mortgage Affecting the Mortgaged Properties*" on page S-8.

**Prepayment Premium:** Any premium, penalty or fee (other than a Yield Maintenance Charge) paid or payable, as the context requires, by a Mortgagor in connection with a principal prepayment.

**Pricing Assumptions:** As defined herein under "Description of the Certificates—Structuring Assumptions—*Pricing Assumptions*" on page S-15.

**principal prepayment:** As defined herein on page S-2.

**Purchase Price:** With respect to any Mortgage Loan or REO Loan, a price equal to the Mortgage Loan Principal Balance of such Mortgage Loan or REO Loan as of the date of purchase, together with (a) all accrued and unpaid interest on such Mortgage Loan or REO Loan at the related Mortgage Rate in effect from time to time to but not including the Due Date in the month following the month of purchase, any unpaid interest on unreimbursed Delinquency Advances with respect to such Mortgage Loan or REO Loan, (b) all related unreimbursed Servicing Advances, plus any unpaid interest on such Servicing Advances and without taking into account any reduction in principal or change in the Mortgage Rate permitted by the Trust Agreement and the Sale and Servicing Agreement and (c) to the extent not included in any of the foregoing, all unreimbursed Fannie Mae Fee Advances.

**R Class:** As defined herein on the Prospectus Supplement cover page.

**Realized Loss:** With respect to any Distribution Date, the amount, if any, by which (a) the sum of the aggregate Certificate Balance of the Certificates (other than the Class Notional Amount) and the Subordinate Classes, after giving effect to distributions which reduce Certificate Balances made on such Distribution Date, exceeds (b) an amount equal to (i) the aggregate Scheduled Principal Balance of the Mortgage Loans that are not Discounted Mortgage Loans plus the aggregate Discounted Principal Balance of the Discounted Mortgage Loans, after giving effect to distributions made on such Distribution Date, minus (ii) the excess, if any, of the aggregate of all amounts payable to the Master Servicer on such Distribution Date for all unreimbursed Advances made by the Master Servicer in respect of defaulted Mortgage Loans and/or REO Properties as to which a Final Recovery Determination was made during or prior to the related Due Period and all unpaid accrued interest on all unreimbursed Advances over the increase in the amount of Subordinated Principal Shortfall for such Distribution Date from the amount of Subordinated Principal Shortfall for the immediately preceding Distribution Date. In addition, with respect to any Discounted Mortgage Loan (or Discounted REO Loan) that was not paid in full on or before the related Maturity Date and has not been extended and as to which no other Liquidation Event has occurred, a loss amount will be deemed to be incurred on each Due Date following such Maturity Date equal to 30 days' interest at a per annum rate equal to the excess of the Certificate Rate of the A-2 Class over the related Net Mortgage Rate accrued on the Scheduled Principal Balance thereof as of the immediately preceding Due Date.

**Record Date:** With respect to each Distribution Date, the last day of the month immediately preceding the month in which such Distribution Date occurs.

**Regular Interests:** As defined herein under "Description of the Certificates—General—*Structure*" on page S-9.

**Regulations:** As defined herein under "Description of the Certificates—Characteristics of the R and RL Classes" on page S-20.

**REMIC:** As defined herein on page S-2.

**REMIC Provisions:** Provisions of the federal income tax law relating to real estate mortgage investment conduits, which appear at Sections 860A through 860G of Subchapter M of Chapter 1 of the Code, and related provisions, and proposed, temporary and final Treasury regulations and any rulings promulgated thereunder, as the foregoing may be in effect from time to time.

**REO Acquisition:** The acquisition of an REO Property in accordance with the procedures summarized under "The Trust Agreement—Servicing of the Mortgage Loans—*Realization Upon Defaulted Mortgage Loans*" on pages S-21 and S-22.

**REO Extension:** As defined herein under "The Trust Agreement—Servicing of the Mortgage Loans—*Realization Upon Defaulted Mortgage Loans*" on page S-22.

**REO Loan:** As defined herein under "The Trust Agreement—Servicing of the Mortgage Loans—*Treatment of REO Properties*" on page S-22.

**REO Property:** A Mortgaged Property acquired on behalf of the Lower Tier REMIC through foreclosure, acceptance of a deed in lieu of foreclosure or otherwise in connection with a default or imminent default of a Mortgage Loan.

**REO Revenues:** All income, rents and profits derived from the ownership, operation or leasing of any REO Property.

**Required Senior Principal Distribution Amount:** As defined herein under "Description of the Certificates—Distributions of Principal—*Principal Distribution Amount*" on page S-12.

**Residual Interest:** As defined herein under "Description of the Certificates—General—*Structure*" on page S-9.

**RL Class:** As defined herein on the Prospectus Supplement cover page.

**Sale and Servicing Agreement:** As defined herein under "The Sale and Servicing Agreement" on page S-24.

**Scheduled Payment:** With respect to any Mortgage Loan and for any Due Date, the scheduled monthly payment of principal (including, without limitation, the Balloon Payment) and/or interest on such Mortgage Loan that is payable by the related Mortgagor on such Due Date under the terms of the related Mortgage Note as in effect on the Issue Date, without taking into account any default interest which may be payable thereunder. For any Mortgage Loan originated after the Issue Date, the Scheduled Payment for the first Due Date thereafter shall be equal to interest at the Mortgage Rate for such Mortgage Loan for the entire calendar month in which the Issue Date occurs (and not merely interest for the period from the date of origination of such Mortgage Loan to the end of such calendar month).

**Scheduled Principal Balance:** With respect to any Mortgage Loan (or any REO Loan), as of the Issue Date, the Issue Date Balance. With respect to any Mortgage Loan (or any REO Loan), as of any Due Date subsequent to the Issue Date, an amount (not less than zero) equal to the Issue Date Balance of such Mortgage Loan, minus the sum of, without duplication, the following: (a) the aggregate of the principal portions of all Scheduled Payments (other than any Balloon Payment) due, and of any Assumed Payments deemed due, whether or not received or advanced; (b) the aggregate of all payments, insurance proceeds and liquidation proceeds received on or in respect of such Mortgage Loan (or, in the case of such REO Loan, revenues from the REO Property insurance

proceeds and liquidation proceeds received on or in respect of the related REO Property), applied as recoveries of principal of such Mortgage Loan (or REO Loan), in each case net of any portion of the particular payment or other collection which represents a recovery of the principal portion of any Scheduled Payment (other than a Balloon Payment) due, or of the principal portion of any Assumed Payment deemed due in respect of such Mortgage Loan (or REO Loan) on a Due Date during or prior to the Due Period in which such collection was received; and (c) the principal portion of any Realized Loss incurred in respect of such Mortgage Loan (or such REO Loan) during the period subsequent to the Issue Date through and including such Due Date (including, without limitation, any Deficient Valuation). Notwithstanding the foregoing, if a Liquidation Event occurs in respect of any Mortgage Loan or REO Property, then the "Scheduled Principal Balance" of such Mortgage Loan or of the related REO Loan, as the case may be, shall be zero as of the Due Date in the calendar month following the month during which such Liquidation Event occurred and as of each Due Date thereafter.

**Senior Balance:** The aggregate of the Class Balances of the A-1, A-2 and A-3 Classes.

**Senior Certificate:** A Certificate of the A-1 Class, A-2 Class, A-3 Class or XS Class.

**Seriously Delinquent Loan:** Any Mortgage Loan that is at least 90 days delinquent in respect of its Balloon Payment or any other Scheduled Payment (such delinquency to be determined without regard to any grace period permitted by the related Mortgage(s) or Mortgage Note), provided that no suitable arrangements have been made for the collection of the delinquent payments as summarized under "The Trust Agreement—Servicing of the Mortgage Loans—Modifications, Waivers and Amendments" on page S-21.

**Servicing Advances:** All customary, reasonable and necessary "out-of-pocket" costs and expenses (including attorneys' fees and expenses and fees of real estate brokers) incurred by the Master Servicer in connection with the servicing and administering of (a) a Mortgage Loan in respect of which a default, delinquency or other unanticipated event has occurred (without regard to any grace or cure period available to the applicable Mortgagor) or as to which a default is imminent or (b) an REO Property; however "Servicing Advance" will not include any cost or expense that the Master Servicer is expressly required by the Sale and Servicing Agreement to bear out of its own funds or without right of reimbursement or that the Sale and Servicing Agreement expressly states is not to be borne by Fannie Mae or the Trust or is not a Servicing Advance.

**Servicing Fee:** With respect to each Mortgage Loan and REO Loan, the fee payable to the Master Servicer and the Special Servicer pursuant to the Sale and Servicing Agreement, as calculated using the Servicing Fee Rate.

**Servicing Fee Rate:** The rate per annum specified in the Sale and Servicing Agreement at which the Servicing Fee accrues.

**Settlement Date:** As defined herein on the Prospectus Supplement cover page.

**Special Servicer:** As defined under "The Trust Agreement—Certain Rights of the Subordinate Directing Holder" on page S-23.

**Specially Serviced Mortgage Loan:** Any Mortgage Loan as to which (a) the Master Servicer or the Special Servicer knows or has been notified that a Balloon Payment has become past due or any other payment has become more than thirty (30) days past due; provided, however, with respect to such other payment, such Mortgage Loan shall not be a Specially Serviced Mortgage Loan if the Master Servicer determines that the reason for the default is administrative error or a

temporary cash flow problem and the Master Servicer expects that the default will be cured within sixty (60) days of the date of default; (b) the Master Servicer or Special Servicer knows or has been notified that the related Mortgagor has entered into or consented to bankruptcy, appointment of a receiver or conservator or similar insolvency or other proceeding, or the related Mortgagor has become the subject of a decree or order for such a proceeding which shall have remained in force for a period of sixty (60) days; (c) the Master Servicer or the Special Servicer shall have received notice of the foreclosure or proposed foreclosure of any lien on the related Mortgaged Property other than the lien of the Mortgage; (d) in the judgment of the Master Servicer or the Special Servicer, an event of default under the Mortgage Loan documents has occurred or is reasonably foreseeable and is not likely to be cured by the Mortgagor within thirty (30) days (in the case of a payment default, without giving effect to any grace periods or cure periods); provided, however, such Mortgage Loan shall not be a Specially Serviced Mortgage Loan if the Master Servicer determines that the reason for the default is administrative error or a temporary cash flow problem and the Master Servicer expects that the default will be cured within sixty (60) days of the date of default; or (e) the Master Servicer or Special Servicer has been notified that the related Mortgagor admits in writing its inability to pay its debts generally as they become due, files a petition to take advantage of any applicable insolvency or reorganization statute, makes an assignment for the benefit of its creditors, or voluntarily suspends payments of its obligations or takes any corporate action in furtherance of the above.

**State Street:** As defined herein under "Description of the Certificates—General—*Characteristics of Certificates*" on page S-10.

**Subordinate Balance:** The aggregate of the Class Balances of all the Subordinate Classes.

**Subordinate Certificate:** A certificate of a Subordinate Class.

**Subordinate Class Termination Date:** The date on which the Class Balances of all of the Subordinate Classes have been reduced to zero.

**Subordinate Classes:** As defined herein on the Prospectus Supplement cover page.

**Subordinate Directing Holder:** The person, if any, which is either: (a) the holder of (i) one hundred percent (100%) of the aggregate Class Balance of the second most senior (as of the Issue Date) of the Subordinate Classes, and (ii) less than fifty-one percent (51%) of the aggregate Class Balance of the most senior (as of the Issue Date) of the Subordinate Classes; *provided*, however, that such person shall not become a Subordinate Directing Holder unless, at the time in question, the aggregate Class Balance of the second most senior (as of the Issue Date) of the Subordinate Classes is at least equal to nine tenths of one percent (0.9%) of the aggregate principal portion of the Issue Date Balances of all Mortgage Loans originally in the Lower Tier REMIC; or (b) the holder of (i) at least fifty-one percent (51%) of the aggregate Class Balance of the most senior (as of the Issue Date) of the Subordinate Classes, and (ii) at least fifty-one percent (51%) of the aggregate Class Balance of the second most senior (as of the Issue Date) of the Subordinate Classes; *provided*, however, that such person shall not become a Subordinate Directing Holder unless, at the time in question, the sum of the aggregate Class Balance of the most senior (as of the Issue Date) of the Subordinate Classes and the aggregate Class Balance of the second most senior (as of the Issue Date) of the Subordinate Classes is greater than one percent (1%) of the aggregate principal portion of the Issue Date Balances of all Mortgage Loans originally in the Lower Tier REMIC. In the event that no person satisfies the requirements of either *clause (a)* or *clause (b)* of this definition, there shall be no Subordinate Directing Holder. Such Subordinate Directing Holder shall cease to be such as set forth in the Sale and Servicing Agreement.

**Subordinated Principal Distribution Amount:** With respect to any Distribution Date, the sum of (A) the excess, if any, of the Aggregate Principal Distribution Amount over the Required Senior Principal Distribution Amount and (B) the Subordinated Principal Shortfall with respect to the immediately preceding Distribution Date.

**Subordinated Principal Shortfall:** With respect to any Distribution Date, the amount equal to the excess, if any, of (a) the Subordinated Principal Distribution Amount with respect to such Distribution Date, over (b) the aggregate distributions of principal actually made to the holders of the Subordinate Classes on such Distribution Date.

**Trust:** As defined herein on the Prospectus Supplement cover page.

**Trust Account:** The one or more trust accounts created pursuant to the Trust Agreement into which will be deposited all distributions on the Certificates and Subordinate Classes and all investments of, and investment income from, such moneys.

**Trust Agreement:** As defined herein under "Description of the Certificates—General—Structure" on page S-9.

**Trustee:** As defined herein under "Description of the Certificates—General—Structure" on page S-9.

**U.S. Person:** 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, or an estate or trust whose income is subject to United States federal income tax purposes regardless of its source.

**Weighted Average Pass-Through Rate:** With respect to each Interest Accrual Period, an annualized rate equal to a fraction (expressed as a percentage and rounded to eight decimal places) the numerator of which is the sum of (i) for each Mortgage Loan and each REO Loan (other than a Discounted Mortgage Loan or a Discounted REO Loan), the amount of interest accrued on the Scheduled Principal Balance of such Mortgage Loan or REO Loan at the Net Mortgage Rate for such Mortgage Loan or REO Loan as of the Due Date in such Interest Accrual Period and (ii) for each Discounted Mortgage Loan and each Discounted REO Loan, the amount of interest accrued on the Discounted Principal Balance of such Discounted Mortgage Loan or Discounted REO Loan at the Certificate Rate of the A-2 Class for such Interest Accrual Period, and the denominator of which is the sum of (i) the aggregate Scheduled Principal Balance of all Mortgage Loans and REO Loans (other than Discounted Mortgage Loans and Discounted REO Loans) and (ii) the aggregate Discounted Principal Balance of all Discounted Mortgage Loans and Discounted REO Loans.

**Yield Maintenance Charge:** Payments paid or payable, as the context requires, on a Mortgage Loan as the result of a principal prepayment thereon, not otherwise due thereon in respect of principal or interest, which have been calculated (based on Scheduled Payments on such Mortgage Loan) to compensate the maker for reinvestment losses based on the value of an interest rate index (plus, in certain instances a specified number of basis points) at or near the time of prepayment. Prepayment premiums, penalties and fees not so calculated will not be considered Yield Maintenance Charges.

# FIXED RATE MORTGAGE LOANS

Exhibit A

| Property Name                        | County/Borough | State | Original Balance | Issue Date      | Mortgage Rate | Net Mortgage Rate | First Monthly Payment Date | Maturity Date | Original Amortization Term (months) | Original Loan Age (months) | Mortgage Status(1/6) | Current Pre-payment Status(1/6) | Remaining Lockout (months)(1/6) | Prepayment Code(1/6)                                    | Issue Date | Issue Date Ratio | Sponsor Hold Units |
|--------------------------------------|----------------|-------|------------------|-----------------|---------------|-------------------|----------------------------|---------------|-------------------------------------|----------------------------|----------------------|---------------------------------|---------------------------------|---------------------------------------------------------|------------|------------------|--------------------|
| GREAT NECK TERRACE OWNERS CORP.(5)   | Nassau         | NY    | \$13,700,000     | \$13,613,468.51 | 8.410%        | 8.125%            | 10/01/95                   | 05/23/05      | 300                                 | 120                        | 1                    | Y/M                             | 0                               | Yrs. 11-15: 5% 4% 3% 2%                                 | 24.43%     | 44.63%           | 19%                |
| 1118 EAST 60TH OWNERS, INC.          | Manhattan      | NY    | 10,500,000       | 10,492,499.10   | 7.690         | 7.405             | 04/01/96                   | 03/01/11      | 360                                 | 180                        | 1                    | L/O                             | 119                             | 1% of Principal Bal.                                    | 21.28      | 38.15            | 0                  |
| 205/78 OWNERS CORP.(4)               | Manhattan      | NY    | 8,500,000        | 8,496,566.53    | 9.150         | 8.865             | 05/01/95                   | 04/01/05      | 720                                 | 120                        | 12                   | L/O                             | 60                              | 3% yrs 7-8 2% yrs 9-10                                  | 25.92      | 36.94            | 23                 |
| SCARBOROUGH MANOR OWNER'S CORP.      | Westchester    | NY    | 7,000,000        | 7,000,000       | 7.040         | 6.755             | 05/01/95                   | 04/01/06      | 360                                 | 120                        | 0                    | L/O                             | 84                              | 2% of Principal Balance                                 | 19.66      | 32.05            | 4                  |
| 17-85 215TH STREET OWNERS INC.       | Queens         | NY    | 6,500,000        | 6,481,091.94    | 9.510         | 9.225             | 02/01/95                   | 01/01/05      | 480                                 | 120                        | 15                   | L/O                             | 69                              | 2% of Principal Balance                                 | 16.37      | 32.01            | 0                  |
| 205 THIRD AVENUE OWNERS, INC.(3)     | Manhattan      | NY    | 6,200,000        | 6,200,000       | 7.720         | 7.435             | 06/01/96                   | 05/01/06      | 360                                 | 120                        | 0                    | L/O                             | 84                              | 2% of Principal Balance                                 | 15.05      | 20.67            | 18                 |
| 110-118 RIVERSIDE TOWNS INC.(5)(7)   | Manhattan      | NY    | 6,000,000        | 6,000,000       | 7.330         | 7.045             | 05/01/96                   | 04/01/06      | 300                                 | 120                        | 0                    | L/O                             | 84                              | 2% of Principal Balance                                 | 5.45       | 9.52             | 0                  |
| 522 SHORE ROAD OWNERS INC.(5)(7)     | Nassau         | NY    | 5,946,869.61     | 5,946,869.61    | 8.880         | 8.595             | 06/01/95                   | 04/06/05      | 300                                 | 120                        | 11                   | Y/M                             | 0                               | Yield Maintenance                                       | 31.80      | 42.48            | 22                 |
| INTERLAKEN OWNERS, INC.              | Westchester    | NY    | 5,500,000        | 5,500,000       | 8.260         | 7.975             | 05/01/96                   | 04/01/11      | 300                                 | 180                        | 0                    | L/O                             | 144                             | 2% of Principal Balance                                 | 10.58      | 18.12            | 1                  |
| 80 CPW APARTMENTS CORP.              | Manhattan      | NY    | 5,500,000        | 5,498,327.29    | 7.380         | 7.095             | 01/01/96                   | 12/01/05      | 720                                 | 120                        | 4                    | L/O                             | 80                              | 2% of Principal Balance                                 | 11.62      | 16.92            | 0                  |
| QUAKER RIDGE TENANTS CORP.           | Manhattan      | NY    | 5,500,000        | 5,474,036.65    | 7.660         | 7.375             | 01/01/96                   | 12/01/05      | 360                                 | 120                        | 3                    | Y/M                             | 0                               | Yield Maintenance                                       | 14.78      | 17.41            | 9                  |
| MEADOWLARK GARDENS OWNERS, INC.(5)   | Queens         | NY    | 5,374,788.22     | 5,374,788.22    | 9.570         | 9.275             | 04/01/95                   | 03/01/05      | 360                                 | 120                        | 4                    | L/O                             | 80                              | 2% of Principal Balance                                 | 28.63      | 45.55            | 36                 |
| 320 RIVERSIDE APARTMENTS CORP.       | Manhattan      | NY    | 5,300,000        | 5,193,457.80    | 7.700         | 7.415             | 03/01/96                   | 02/01/09      | 360                                 | 180                        | 26                   | L/O                             | 94                              | 2% of Principal Balance                                 | 19.13      | 31.53            | 17                 |
| MARLO TOWER OWNERS INC.              | Manhattan      | NY    | 5,000,000        | 5,000,000       | 7.590         | 7.305             | 05/01/96                   | 04/01/06      | 360                                 | 120                        | 0                    | Y/M                             | 0                               | Yield Maintenance                                       | 11.82      | 18.52            | 4                  |
| BRIDGE PLAZA CO-OP INC.              | Manhattan      | NJ    | 5,000,000        | 4,969,281.54    | 10.300        | 10.015            | 03/01/95                   | 02/01/05      | 360                                 | 120                        | 14                   | Y/M                             | 0                               | Yield Maintenance                                       | 22.89      | 47.11            | 37                 |
| RIVERVIEW EAST OWNERS INC.(5)(7)     | Manhattan      | NY    | 4,900,000        | 4,851,900.59    | 9.950         | 9.665             | 03/01/95                   | 02/01/05      | 300                                 | 120                        | 14                   | Y/M                             | 0                               | Yield Maintenance                                       | 27.41      | 48.23            | 4                  |
| ELLIVKROY REALTY CORP.               | Manhattan      | NY    | 4,500,000        | 4,495,455.32    | 9.370         | 9.085             | 04/01/94                   | 03/01/09      | 600                                 | 120                        | 25                   | L/O                             | 71                              | 2% of Principal Balance                                 | 16.15      | 29.95            | 0                  |
| 29-45 TENANTS CORPORATION            | Manhattan      | NY    | 4,400,000        | 4,313,102.16    | 7.570         | 7.285             | 04/01/94                   | 03/01/09      | 360                                 | 180                        | 25                   | L/O                             | 95                              | 2% of Principal Balance                                 | 25.51      | 40.67            | 5                  |
| BROADLAWN APARTMENTS, INC.           | Westchester    | NY    | 4,200,000        | 4,148,447.82    | 8.500         | 8.215             | 10/01/94                   | 09/01/04      | 360                                 | 120                        | 19                   | L/O                             | 65                              | 2% of Principal Balance                                 | 25.62      | 38.40            | 25                 |
| ADISON HALL OWNERS CORP.             | Manhattan      | NY    | 4,000,000        | 3,955,562.02    | 9.000         | 8.715             | 10/01/94                   | 09/01/04      | 360                                 | 120                        | 19                   | L/O                             | 65                              | 2% of Principal Balance                                 | 32.13      | 47.99            | 32                 |
| 21 N. CHATSWORTH OWNERS CORP.        | Westchester    | NY    | 3,600,000        | 3,598,885.30    | 7.730         | 7.445             | 04/01/96                   | 03/01/06      | 480                                 | 120                        | 1                    | L/O                             | 83                              | 3% 2% 1% of Outstanding Principal Balance               | 32.13      | 47.99            | 32                 |
| 301 EAST TENANTS CORP.               | Manhattan      | NY    | 3,500,000        | 3,498,372.91    | 8.670         | 8.385             | 06/01/95                   | 05/01/05      | 720                                 | 120                        | 11                   | L/O                             | 73                              | 2% of Principal Balance                                 | 18.81      | 24.29            | 27                 |
| 350 BLECKER STREET APARTMENT CORP.   | Manhattan      | NY    | 3,500,000        | 3,495,185.17    | 7.820         | 7.535             | 02/01/96                   | 01/01/06      | 420                                 | 120                        | 3                    | L/O                             | 81                              | 2% of Principal Balance                                 | 24.27      | 37.99            | 34                 |
| 83-33 GARDENS CORP.                  | Queens         | NY    | 3,500,000        | 3,489,720.55    | 8.720         | 8.435             | 12/01/95                   | 11/01/05      | 360                                 | 120                        | 5                    | L/O                             | 79                              | 2% of Principal Balance                                 | 42.04      | 59.15            | 28                 |
| 1 TOMS POINT LANE CORPORATION        | Nassau         | NY    | 3,500,000        | 3,475,596.64    | 8.900         | 8.615             | 05/01/95                   | 04/01/05      | 360                                 | 120                        | 5                    | L/O                             | 72                              | 2% of Principal Balance                                 | 15.24      | 25.75            | 4                  |
| BROADWAY ELEVEN OWNERS, INC.(4)      | Manhattan      | NY    | 3,450,000        | 3,447,180.66    | 8.810         | 8.525             | 09/01/94                   | 08/01/04      | 720                                 | 120                        | 20                   | L/O                             | 64                              | 2% of Principal Balance                                 | 22.75      | 36.81            | 0                  |
| 20125 OWNERS CORP.                   | Manhattan      | NY    | 3,200,000        | 3,197,930.66    | 7.590         | 7.305             | 03/01/96                   | 02/01/06      | 480                                 | 120                        | 2                    | L/O                             | 82                              | 2% of Principal Balance                                 | 20.77      | 31.05            | 37                 |
| 203 EAST 72ND STREET CORP.(3)        | Manhattan      | NY    | 3,100,000        | 3,100,000.00    | 7.850         | 7.565             | 05/01/96                   | 04/01/06      | 720                                 | 120                        | 0                    | L/O                             | 83                              | 2% of Principal Balance                                 | 9.75       | 17.61            | 35                 |
| 40 STONER AVENUE CORP.(3)            | Nassau         | NY    | 3,100,000        | 3,100,000.00    | 7.990         | 7.705             | 06/01/96                   | 04/02/06      | 360                                 | 120                        | 0                    | Y/M                             | 0                               | Yield Maintenance                                       | 20.13      | 30.39            | 41                 |
| SCARSDALE CHATEAUX OWNERS CORP.      | Westchester    | NY    | 3,100,000        | 3,092,844.43    | 7.350         | 7.065             | 02/01/96                   | 01/01/06      | 360                                 | 120                        | 3                    | L/O                             | 81                              | 2% of Principal Balance                                 | 13.39      | 21.04            | 0                  |
| 21 EAST 90 APARTMENTS CORP.          | Manhattan      | NY    | 3,100,000        | 3,092,444.67    | 7.160         | 6.875             | 02/01/94                   | 01/01/04      | 720                                 | 120                        | 3                    | L/O                             | 57                              | 2% of Principal Balance                                 | 9.49       | 14.06            | 0                  |
| 38 PARK ROW RESIDENCE CORP.(8)       | Manhattan      | NY    | 3,000,000        | 2,980,166.68    | 9.570         | 9.285             | 04/01/95                   | 03/01/05      | 360                                 | 120                        | 13                   | L/O                             | 71                              | 2% of Principal Balance                                 | 20.70      | 43.83            | 0                  |
| SUTTON MANOR APARTMENTS, INC.        | Manhattan      | NY    | 3,000,000        | 2,926,785.15    | 7.500         | 7.215             | 11/01/93                   | 10/01/03      | 360                                 | 120                        | 30                   | L/O                             | 54                              | 2% of Principal Balance                                 | 9.58       | 18.88            | 0                  |
| 1150 PARK AVE. TENANTS INC.          | Manhattan      | NY    | 2,800,000        | 2,798,936.25    | 8.040         | 7.725             | 02/01/96                   | 03/01/06      | 480                                 | 120                        | 1                    | L/O                             | 83                              | 2% of Principal Balance                                 | 6.59       | 9.46             | 0                  |
| 220 EAST 54TH STREET OWNERS          | Manhattan      | NY    | 2,800,000        | 2,745,252.84    | 8.040         | 7.755             | 02/01/94                   | 01/01/04      | 180                                 | 180                        | 27                   | L/O                             | 93                              | 2% of Principal Balance                                 | 8.09       | 21.96            | 8                  |
| 755 WEST END HOUSING CORP.           | Manhattan      | NY    | 2,750,000        | 2,733,161.18    | 7.420         | 7.135             | 02/01/96                   | 01/01/04      | 360                                 | 120                        | 2                    | L/O                             | 82                              | 2% of Principal Balance                                 | 18.70      | 23.26            | 21                 |
| COLONIAL APARTMENT CORPORATION       | Manhattan      | NY    | 2,600,000        | 2,593,161.18    | 7.110         | 6.825             | 03/01/95                   | 02/01/05      | 360                                 | 120                        | 2                    | L/O                             | 71                              | 2% of Principal Balance                                 | 15.57      | 27.36            | 21                 |
| FOREST HILLS CHATEAU CORP.           | Brooklyn       | NY    | 2,600,000        | 2,585,508.39    | 8.720         | 8.435             | 06/01/94                   | 05/01/04      | 360                                 | 120                        | 23                   | L/O                             | 61                              | 2% of Principal Balance                                 | 41.90      | 57.46            | 40                 |
| QUEENS GARDENS CORP.                 | Queens         | NY    | 2,600,000        | 2,599,553.68    | 7.320         | 7.035             | 03/01/95                   | 03/01/05      | 360                                 | 120                        | 13                   | L/O                             | 83                              | 2% of Principal Balance                                 | 22.34      | 24.95            | 17                 |
| QUEENS BOULEVARD TENANTS CORP.       | Westchester    | NY    | 2,500,000        | 2,499,203.38    | 7.630         | 7.345             | 04/01/96                   | 03/01/06      | 480                                 | 120                        | 16                   | L/O                             | 61                              | 2% of Principal Balance                                 | 24.07      | 38.74            | 22                 |
| CHATHAM GREEN COOPERATIVE APTS. INC. | Queens         | NY    | 2,500,000        | 2,479,535.87    | 9.600         | 9.315             | 01/01/95                   | 12/01/04      | 360                                 | 120                        | 10                   | L/O                             | 74                              | 2% of Principal Balance                                 | 3.49       | 5.05             | 0                  |
| 69 WEST 9 OWNERS CORPORATION(4)      | Manhattan      | NY    | 2,450,000        | 2,448,090.24    | 8.470         | 8.185             | 06/01/94                   | 05/01/04      | 360                                 | 120                        | 10                   | L/O                             | 84                              | 2% of Principal Balance                                 | 14.62      | 25.12            | 0                  |
| 1111 MIDLAND AVE. TENANTS CORP.      | Manhattan      | NY    | 2,400,000        | 2,448,907.34    | 8.550         | 8.265             | 07/01/95                   | 06/01/05      | 720                                 | 120                        | 20                   | L/O                             | 84                              | 2% of Principal Balance                                 | 32.33      | 41.65            | 17                 |
| SHERWOOD VILLAGE COOPERATIVE D INC.  | Westchester    | NY    | 2,400,000        | 2,400,000.00    | 8.450         | 8.165             | 11/01/94                   | 10/01/09      | 300                                 | 120                        | 0                    | L/O                             | 61                              | 2% of Principal Balance                                 | 24.07      | 38.74            | 22                 |
| 215 EAST 79TH STREET, INC.           | Manhattan      | NY    | 2,250,000        | 2,361,767.92    | 9.450         | 9.165             | 11/01/94                   | 10/01/09      | 300                                 | 180                        | 18                   | L/O                             | 102                             | Greater of Yr. 9-2% Yr. 10-1% Yr. 8-3% Yr. 9-2% Penalty | 14.62      | 25.12            | 0                  |
| PARK SEVENTY-NINTH CORPORATION       | Manhattan      | NY    | 2,250,000        | 2,250,000.00    | 7.570         | 7.285             | 02/01/96                   | 01/01/06      | 360                                 | 120                        | 3                    | L/O                             | 84                              | 2% of Principal Balance                                 | 36.36      | 47.06            | 23                 |
| 666 PARK SEVENTY-NINTH CORPORATION   | Westchester    | NY    | 2,200,000        | 2,196,800.37    | 8.100         | 7.815             | 04/01/95                   | 03/01/05      | 360                                 | 120                        | 3                    | L/O                             | 84                              | 2% of Principal Balance                                 | 12.89      | 21.63            | 0                  |
| 118 8TH AVENUE HOUSING CORPORATION   | Manhattan      | NY    | 2,200,000        | 2,185,616.47    | 8.770         | 8.485             | 06/01/95                   | 06/01/05      | 360                                 | 120                        | 25                   | L/O                             | 95                              | 2% of Principal Balance                                 | 1.73       | 7.24             | 0                  |
| 150 WEST 55TH STREET APARTMENT CORP. | Brooklyn       | NY    | 2,200,000        | 2,132,000.00    | 7.480         | 7.195             | 05/01/94                   | 04/01/04      | 720                                 | 180                        | 19                   | L/O                             | 73                              | 2% of Principal Balance                                 | 25.12      | 48.79            | 18                 |
| CHELSEA WARREN CORP.                 | Manhattan      | NY    | 2,132,000        | 2,126,270.19    | 7.480         | 7.195             | 05/01/94                   | 04/01/04      | 300                                 | 120                        | 19                   | Y/M                             | 0                               | Yield Maintenance                                       | 23.25      | 43.24            | 19                 |
| 61 WEST 9 TENANTS CORP.              | Manhattan      | NY    | 2,000,000        | 2,095,150.91    | 7.000         | 6.715             | 05/01/96                   | 04/01/06      | 300                                 | 120                        | 0                    | L/O                             | 84                              | 2% of Principal Balance                                 | 14.12      | 15.45            | 14                 |
| 930 FIFTH CORPORATION                | Manhattan      | NY    | 2,000,000        | 2,000,000.00    | 7.480         | 7.195             | 05/01/96                   | 04/01/06      | 360                                 | 120                        | 0                    | L/O                             | 84                              | 2% of Principal Balance                                 | 13.86      | 26.64            | 0                  |
| EAST 84TH ST. APARTMENTS CORP.       | Manhattan      | NY    | 2,000,000        | 1,999,838.39    | 7.000         | 6.715             | 05/01/94                   | 04/01/04      | 720                                 | 120                        | 27                   | L/O                             | 60                              | 2% of Principal Balance                                 | 2.45       | 6.51             | 0                  |
| WESTMINSTER HALL APARTMENTS CORP.    | Manhattan      | NY    | 2,000,000        | 1,999,838.39    | 7.230         | 6.945             | 04/01/96                   | 03/01/06      | 720                                 | 120                        | 24                   | L/O                             | 57                              | 2% of Principal Balance                                 | 12.99      | 22.47            | 0                  |
| LAWN TERRACE OWNERS CORP.            | Nassau         | NY    | 1,900,000        | 1,899,379.27    | 7.710         | 7.425             | 12/01/95                   | 12/01/05      | 720                                 | 120                        | 1                    | L/O                             | 83                              |                                                         |            |                  |                    |

# FIXED RATE MORTGAGE LOANS

| Property Name                         | County/Borough | State | Original Balance | Issue Date Balance | Mortgage Rate | Net Mortgage Rate | First Monthly Payment Date | Maturity Date | Original Amortization Term (months) | Original Term (months) | Mortgage Loan Age (months) | Current Pre-Payment Status(1/6) | Remaining Pre-Payment Period (months)(1/6) | Prepayment Code(1/6)        | Issue Date Ratio | Issue Date Ratio | Sponsor Unit |
|---------------------------------------|----------------|-------|------------------|--------------------|---------------|-------------------|----------------------------|---------------|-------------------------------------|------------------------|----------------------------|---------------------------------|--------------------------------------------|-----------------------------|------------------|------------------|--------------|
| 522 APARTMENTS CORP.                  | Manhattan      | NY    | 1,550,000        | 1,546,554.16       | 7.180%        | 6.895%            | 04/01/94                   | 02/01/04      | 720                                 | 120                    | 25                         | L/O                             | 59                                         | 2% of Principal Balance     | 9.84%            | 17.33%           | 0%           |
| 88 ASSOCIATES, INC.                   | Manhattan      | NY    | 1,500,000        | 1,482,815.43       | 7.210         | 6.925             | 04/01/94                   | 03/01/06      | 720                                 | 120                    | 2                          | L/O                             | 82                                         | 2% of Principal Balance     | 2.53             | 9.89             | 0            |
| 1086 PARK CORPORATION                 | Manhattan      | NY    | 1,400,000        | 1,399,672.60       | 7.320         | 7.035             | 02/01/96                   | 01/01/06      | 720                                 | 120                    | 3                          | L/O                             | 81                                         | 2% of Principal Balance     | 5.88             | 9.12             | 0            |
| GLEN MANOR APARTMENTS CORP.           | Westchester    | NY    | 1,400,000        | 1,399,008.88       | 9.110         | 8.825             | 09/01/94                   | 08/01/09      | 720                                 | 180                    | 20                         | L/O                             | 100                                        | 2% of Principal Balance     | 23.32            | 32.31            | 0            |
| 17 EAST 96TH STREET OWNERS CORP.      | Manhattan      | NY    | 1,400,000        | 1,398,870.25       | 8.600         | 8.315             | 11/01/94                   | 10/01/04      | 720                                 | 120                    | 28                         | L/O                             | 66                                         | 2% of Principal Balance     | 7.34             | 10.65            | 5            |
| FIVE-ONE-FIVE OWNERS, INC.            | Manhattan      | NY    | 1,450,000        | 1,393,703.01       | 7.010         | 6.725             | 12/01/93                   | 11/01/03      | 360                                 | 120                    | 29                         | L/O                             | 55                                         | 3% yr 2% yr 9 1% yr 10      | 21.95            | 29.47            | 10           |
| 74 FIFTH AVENUE OWNERS CORPORATION    | Manhattan      | NY    | 1,400,000        | 1,389,033.16       | 9.480         | 9.195             | 02/01/95                   | 01/01/05      | 360                                 | 120                    | 29                         | L/O                             | 69                                         | 2% of Principal Balance     | 8.12             | 14.54            | 0            |
| QUEENS GARDENS OWNERS, INC.           | Queens         | NY    | 1,400,000        | 1,379,722.68       | 9.660         | 9.375             | 02/01/95                   | 01/07/04      | 360                                 | 120                    | 17                         | L/O                             | 105                                        | Yield Maintenance           | 15.86            | 15.86            | 40           |
| FOLEY COURT TENANTS, INC.             | Manhattan      | NY    | 1,350,000        | 1,349,539.54       | 9.910         | 9.685             | 08/01/94                   | 07/01/14      | 720                                 | 180                    | 21                         | L/O                             | 99                                         | 2% of Principal Balance     | 6.34             | 12.05            | 0            |
| BAY TERRACE COOPERATION SECTION II    | Manhattan      | NY    | 1,350,000        | 1,296,635.36       | 9.140         | 8.855             | 02/01/95                   | 01/01/05      | 720                                 | 120                    | 21                         | L/O                             | 72                                         | 2% of Principal Balance     | 25.98            | 44.54            | 23           |
| 321 WEST 78TH STREET CORP.            | Brooklyn       | NY    | 1,250,000        | 1,247,475.11       | 9.070         | 8.785             | 05/01/95                   | 04/01/05      | 720                                 | 120                    | 12                         | L/O                             | 65                                         | 2% of Principal Balance     | 6.38             | 12.44            | 0            |
| 925 UNION STREET TENANTS CORP.        | Manhattan      | NY    | 1,225,000        | 1,219,027.84       | 8.600         | 8.315             | 05/01/95                   | 04/01/05      | 480                                 | 120                    | 19                         | L/O                             | 84                                         | 2% of Principal Balance     | 13.76            | 23.07            | 0            |
| 27 WEST 77TH STUDIO CORP.             | Manhattan      | NY    | 1,200,000        | 1,199,535.23       | 7.340         | 7.055             | 05/01/96                   | 04/01/06      | 360                                 | 120                    | 14                         | L/O                             | 70                                         | 2% of Principal Balance     | 7.97             | 13.29            | 0            |
| 22 WEST 26TH ST. APTS. CORPORATION    | Manhattan      | NY    | 1,200,000        | 1,199,535.23       | 7.340         | 7.055             | 05/01/96                   | 04/01/06      | 360                                 | 120                    | 14                         | L/O                             | 70                                         | 2% of Principal Balance     | 7.97             | 13.29            | 0            |
| 433 SUTTON CORP.                      | Manhattan      | NY    | 1,100,000        | 1,073,238.92       | 7.540         | 7.255             | 05/01/96                   | 04/01/06      | 240                                 | 120                    | 14                         | L/O                             | 84                                         | 2% of Principal Balance     | 39.03            | 58.65            | 28           |
| 1710 OWNERS CORP.                     | Queens         | NY    | 1,080,000        | 1,073,154.61       | 10.210        | 9.925             | 03/01/95                   | 02/01/05      | 360                                 | 120                    | 30                         | L/O                             | 54                                         | 2% of Principal Balance     | 11.58            | 19.16            | 0            |
| WELLESLEY GARDENS OWNERS CORP.        | Manhattan      | NY    | 1,000,000        | 997,274.97         | 7.920         | 7.635             | 05/01/94                   | 04/01/04      | 720                                 | 120                    | 28                         | L/O                             | 56                                         | 2% of Principal Balance     | 23.91            | 34.97            | 11           |
| BEIGRAVE OWNERS, INC.                 | Nassau         | NY    | 1,000,000        | 991,251.90         | 9.660         | 9.375             | 01/01/95                   | 12/01/14      | 360                                 | 120                    | 15                         | L/O                             | 104                                        | Yield Maintenance           | 23.97            | 30.98            | 0            |
| 3 EAST 84TH STREET CORPORATION        | Manhattan      | NY    | 1,015,000        | 989,377.58         | 9.830         | 9.545             | 02/01/95                   | 01/01/05      | 360                                 | 120                    | 22                         | L/O                             | 98                                         | 2% of Principal Balance     | 35.33            | 40.38            | 38           |
| 58 GRACE AVENUE CORP.                 | Brooklyn       | NY    | 1,000,000        | 944,672.06         | 8.910         | 8.625             | 07/01/94                   | 06/01/04      | 240                                 | 120                    | 22                         | L/O                             | 98                                         | Yield Maintenance           | 4.51             | 8.07             | 0            |
| DARTMOUTH TENANTS LTD.(5)             | Westchester    | NY    | 950,000          | 944,672.06         | 8.910         | 8.625             | 07/01/94                   | 06/01/04      | 240                                 | 120                    | 22                         | L/O                             | 98                                         | Yield Maintenance           | 11.84            | 16.63            | 0            |
| DRAKE LANE OWNERS, INC.               | Queens         | NY    | 980,000          | 888,077.03         | 8.910         | 8.625             | 07/01/94                   | 06/01/04      | 360                                 | 180                    | 22                         | L/O                             | 98                                         | 2% of Principal Balance     | 19.29            | 34.56            | 25           |
| MUTUAL HOUSING ASSOCIATION, INC.      | Bronx          | NY    | 900,000          | 888,077.03         | 8.910         | 8.625             | 07/01/94                   | 06/01/04      | 360                                 | 180                    | 22                         | L/O                             | 98                                         | 2% of Principal Balance     | 12.91            | 18.71            | 0            |
| 424 EAST 57TH STREET TENANTS CORP.    | Manhattan      | NY    | 875,000          | 862,657.15         | 8.340         | 8.055             | 03/01/95                   | 02/01/05      | 480                                 | 120                    | 10                         | L/O                             | 74                                         | 2% of Principal Balance     | 7.89             | 13.36            | 0            |
| TION                                  | Manhattan      | NY    | 870,000          | 868,115.72         | 7.330         | 7.045             | 03/01/94                   | 02/01/04      | 720                                 | 120                    | 26                         | L/O                             | 83                                         | 2% of Principal Balance     | 22.75            | 25.47            | 0            |
| 15 TENANT STOCKHOLDERS, INC.          | Manhattan      | NY    | 850,000          | 849,367.92         | 7.490         | 7.205             | 04/01/96                   | 03/01/06      | 360                                 | 120                    | 21                         | L/O                             | 63                                         | 2% of Principal Balance     | 20.29            | 33.73            | 0            |
| 10 BLECKER STREET OWNERS CORPORATION  | Manhattan      | NY    | 800,000          | 789,595.98         | 8.750         | 8.465             | 08/01/94                   | 07/01/04      | 720                                 | 120                    | 21                         | L/O                             | 83                                         | 2% of Principal Balance     | 22.31            | 27.46            | 0            |
| 111 EAST 10TH STREET, INC.            | Westchester    | NY    | 790,000          | 779,363.57         | 8.950         | 8.665             | 04/01/96                   | 03/01/06      | 360                                 | 120                    | 1                          | L/O                             | 82                                         | 2% of Principal Balance     | 14.23            | 27.46            | 0            |
| VILLAGE GARDENS TENANTS CORP.         | Manhattan      | NY    | 775,000          | 774,145.10         | 7.890         | 7.605             | 03/01/96                   | 02/01/06      | 360                                 | 120                    | 19                         | L/O                             | 65                                         | 2% of Principal Balance     | 4.77             | 12.72            | 17           |
| 57-65 WEST 93 CORP.                   | Manhattan      | NY    | 715,000          | 713,845.10         | 8.090         | 7.805             | 03/01/96                   | 02/01/06      | 360                                 | 120                    | 30                         | L/O                             | 54                                         | 2% of Principal Balance     | 5.01             | 9.75             | 11           |
| BREWSTER-CARVER APARTMENTS INC.       | Westchester    | NY    | 700,000          | 699,442.10         | 7.950         | 7.665             | 11/01/93                   | 10/01/03      | 720                                 | 120                    | 3                          | L/O                             | 117                                        | 2% yr 14 1% yr 15           | 16.57            | 19.66            | 0            |
| 257 WEST 86TH STREET TENANTS CORP.    | Manhattan      | NY    | 700,000          | 697,777.12         | 8.000         | 7.715             | 02/01/96                   | 01/01/11      | 360                                 | 180                    | 3                          | L/O                             | 64                                         | 2% of Principal Balance     | 10.91            | 15.72            | 0            |
| 250-254 WEST 82ND STREET OWNERS, INC. | Brooklyn       | NY    | 700,000          | 697,777.12         | 8.000         | 7.715             | 02/01/96                   | 01/01/11      | 360                                 | 180                    | 3                          | L/O                             | 64                                         | 2% of Principal Balance     | 12.38            | 18.71            | 0            |
| BRIGHAM SHELLBANK COOPERATIVE, INC.   | Manhattan      | NY    | 700,000          | 697,777.12         | 8.000         | 7.715             | 02/01/96                   | 01/01/11      | 360                                 | 180                    | 3                          | L/O                             | 64                                         | 2% of Principal Balance     | 6.11             | 10.10            | 0            |
| PLEASANT HOMES, INC.                  | Manhattan      | NY    | 675,000          | 663,556.32         | 8.360         | 8.075             | 06/01/94                   | 05/01/04      | 480                                 | 120                    | 23                         | L/O                             | 64                                         | 2% of Principal Balance     | 29.12            | 41.78            | 25           |
| 11-69 OWNERS CORPORATION              | Manhattan      | NY    | 650,000          | 623,145.71         | 9.770         | 9.485             | 09/01/94                   | 08/01/04      | 360                                 | 120                    | 4                          | L/O                             | 80                                         | 2% of Principal Balance     | 11.67            | 18.88            | 27           |
| 37 HAMILTON PLACE OWNERS CORP.        | Westchester    | NY    | 625,000          | 623,145.71         | 7.550         | 7.265             | 09/01/96                   | 12/01/05      | 360                                 | 120                    | 21                         | L/O                             | 63                                         | 2% of Principal Balance     | 26.78            | 25.30            | 21           |
| 316 WEST 84TH ST. CORP.               | Manhattan      | NY    | 600,000          | 597,195.72         | 9.120         | 8.835             | 08/01/94                   | 07/01/04      | 480                                 | 120                    | 21                         | L/O                             | 57                                         | 2% of Principal Balance     | 17.01            | 30.10            | 17           |
| 172 MYRTLE BOULEVARD                  | Manhattan      | NY    | 600,000          | 596,898.18         | 7.480         | 7.195             | 02/01/94                   | 01/01/04      | 360                                 | 120                    | 27                         | L/O                             | 57                                         | 2% of Principal Balance     | 35.18            | 48.86            | 39           |
| APARTMENT CORPORATION                 | Manhattan      | NY    | 600,000          | 571,604.32         | 9.710         | 9.425             | 05/01/95                   | 04/01/05      | 360                                 | 120                    | 12                         | L/O                             | 119                                        | Greater of YM or 2% Penalty | 5.06             | 7.63             | 0            |
| 855 WEST END OWNERS CORP.             | Manhattan      | NY    | 575,000          | 549,036.86         | 7.750         | 7.465             | 04/01/96                   | 03/01/06      | 360                                 | 120                    | 240                        | L/O                             | 61                                         | 2% of Principal Balance     | 21.81            | 40.53            | 11           |
| 1409 ALBERMARLE ROAD, INC.            | Manhattan      | NY    | 550,000          | 549,036.86         | 9.400         | 9.115             | 06/01/94                   | 05/01/04      | 360                                 | 120                    | 23                         | L/O                             | 56                                         | 2% of Principal Balance     | 7.23             | 10.73            | 11           |
| 543 BROADWAY CORP.                    | Manhattan      | NY    | 550,000          | 536,305.14         | 6.990         | 6.705             | 03/01/94                   | 02/01/03      | 360                                 | 120                    | 28                         | L/O                             | 82                                         | 2% of Principal Balance     | 24.97            | 38.28            | 27           |
| 100 BANK STREET OWNERS CORP.          | Manhattan      | NY    | 525,000          | 524,384.86         | 8.680         | 8.395             | 03/01/96                   | 02/01/06      | 360                                 | 120                    | 2                          | L/O                             | 63                                         | 2% of Principal Balance     | 5.76             | 10.42            | 0            |
| 41 PERRY OWNERS CORP.                 | Manhattan      | NY    | 490,000          | 489,582.06         | 8.830         | 8.545             | 08/01/94                   | 07/01/04      | 720                                 | 120                    | 21                         | L/O                             | 84                                         | 2% of Principal Balance     | 11.11            | 11.84            | 0            |
| CHELSEA LOFTS CORPORATION             | Manhattan      | NY    | 450,000          | 450,000.00         | 8.090         | 7.805             | 05/01/96                   | 04/01/06      | 240                                 | 120                    | 0                          | L/O                             | 84                                         | 2% of Principal Balance     | 7.28             | 9.30             | 0            |
| SPENCER APARTMENTS INC.               | Manhattan      | NY    | 450,000          | 450,000.00         | 8.090         | 7.805             | 05/01/96                   | 04/01/06      | 240                                 | 120                    | 0                          | L/O                             | 84                                         | 2% of Principal Balance     | 36.71            | 37.59            | 0            |
| 75TH STREET TENANTS CORP.             | Manhattan      | NY    | 425,000          | 424,732.55         | 8.320         | 8.035             | 04/01/96                   | 03/01/06      | 360                                 | 120                    | 1                          | L/O                             | 101                                        | 2% of Principal Balance     | 19.38            | 29.88            | 8            |
| 278 WEST 86TH STREET, INC.            | Nassau         | NY    | 410,000          | 403,362.04         | 9.710         | 9.425             | 10/01/94                   | 09/01/04      | 360                                 | 180                    | 21                         | L/O                             | 63                                         | 2% of Principal Balance     | 9.99             | 25.78            | 0            |
| 1 ASCOT RIDGE CORP.                   | Manhattan      | NY    | 400,000          | 399,647.12         | 8.760         | 8.475             | 08/01/94                   | 07/01/04      | 720                                 | 120                    | 19                         | L/O                             | 65                                         | 2% of Principal Balance     | 6.19             | 13.48            | 0            |
| 49 WEST 9TH STREET CORP.              | Manhattan      | NY    | 390,000          | 385,753.50         | 9.100         | 8.815             | 10/01/94                   | 09/01/04      | 360                                 | 120                    | 14                         | L/O                             | 106                                        | 2% of Principal Balance     | 25.71            | 37.41            | 0            |
| THE LEROY OWNERS CORPORATION          | Brooklyn       | NY    | 380,000          | 375,000.00         | 9.920         | 9.635             | 03/01/95                   | 02/01/05      | 360                                 | 120                    | 4                          | L/O                             | 80                                         | 2% of Principal Balance     | 11.11            | 10.37            | 0            |
| CLARK STREET TENANTS INCORPORATED     | Manhattan      | NY    | 375,000          | 374,070.28         | 8.440         | 8.155             | 01/01/96                   | 12/01/05      | 360                                 | 120                    | 4                          | L/O                             | 80                                         | 2% of Principal Balance     | 16.68            | 30.91            | 0            |
| 661 TENTH AVENUE CORP.                | Manhattan      | NY    | 360,000          | 359,906.21         | 7.710         | 7.425             | 02/01/94                   | 01/01/04      | 360                                 | 120                    | 10                         | L/O                             | 74                                         | 2% of Principal Balance     | 7.60             | 13.03            | 0            |
| 23830 OWNERS CORP.                    | Manhattan      | NY    | 365,000          | 357,918.92         | 8.750         | 8.465             | 07/01/95                   | 06/01/05      | 360                                 | 120                    | 10                         | L/O                             | 74                                         | 2% of Principal Balance     | 7.89             | 12.25            | 0            |
| WEST 82ND TENANTS REALTY CORP.        | Manhattan      | NY    | 350,000          | 347,918.96         | 8.750         | 8.465             | 07/01/95                   | 06/01/05      | 360                                 | 120                    | 15                         | L/O                             | 68                                         | 2% of Principal Balance     | 26.38            | 31.05            | 19           |
| MADISON SQUARE APARTMENTS, INC.       | Manhattan      | NY    | 350,000          | 346,634.24         | 7.730         | 7.445             | 03/01/94                   | 02/01/04      | 360                                 | 120                    | 12                         | L/O                             | 72                                         | 2% of Principal Balance     | 12.02            | 18.47            | 0            |
| 93RD STREET OWNERS CORP.              | Manhattan      | NY    | 350,000          | 343,003.98         | 7.530         | 7.245             | 02/01/94                   | 01/01/04      | 360                                 | 120                    | 27                         | L/O                             | 57                                         | 2% of Principal Balance     | 8.61             | 22.42            | 0            |
| WEST 96TH STREET OWNERS CORP.         | Manhattan      | NY    | 350,000          | 343,003.98         | 7.530         | 7.245             | 02/01/94                   | 01/01/04      | 360                                 | 120                    | 27                         | L/O                             | 57                                         | 2% of Principal Balance     | 22.20            | 32.67            | 0            |
| 813-815 6TH AVENUE OWNERS CORP.       | Brooklyn       | NY    | 275,000          | 273,406.32         | 9.800         | 9.515             | 05/01/95                   | 04/01/05      | 360                                 | 120                    | 12                         | L/O                             | 72                                         | 2% of Principal Balance     | 15.63            | 31.14            | 0            |
| 130 FLOWER CORP.                      | Westchester    | NY    | 275,000          | 269,017.64         | 7.500         | 7.215             | 02/01/95                   | 01/01/05      | 360                                 | 120                    | 18                         | L/O                             | 66                                         | 2% of Principal Balance     | 25.35            | 36.33            | 0            |
| LANCE ARROLL CORP.                    | Manhattan      | NY    | 230,000          | 224,228.18         | 9.030         | 8.745             | 11/01/94                   | 10/01/04      | 480                                 | 120                    | 10                         | L/O                             | 74                                         | 2% of Principal Balance     | 29.65            | 36.04            | 13           |
| 421 EAST 84TH STREET APTS. INC.       | Manhattan      | NY    | 220,000          | 217,976.67         | 9.020         | 8.735             | 07/01/95                   | 06/01/05      | 300                                 | 120                    | 14                         | L/O                             | 70                                         | 2% of Principal Balance     | 11.24            | 16.39            | 0            |
| 247 STERLING HOUSING CORP.            | Brooklyn       | NY    | 220,000          | 209,020.31         | 10.310        | 10.025            | 03/01/95                   | 02/01/05      | 120                                 | 120                    | 20                         | L/O                             | 100                                        | 2% of Principal Balance     |                  |                  |              |
| FIFTH 169 OWNERS CORP.                | Brooklyn       | NY    | 125,000          | 117,999.26         | 9.170         | 8.885             | 09/01/94                   | 08/01/04      | 180                                 | 180                    | 20                         | L/O                             |                                            |                             |                  |                  |              |
| 66 FOURTH PLACE TENANTS CORP.         | Brooklyn       | NY    |                  |                    |               |                   |                            |               |                                     |                        |                            |                                 |                                            |                             |                  |                  |              |

\$295,957,000 \$294,054,298.78

# ARM LOANS

|                                   |             |    |               |                 |        |        |          |          |     |     |    |         |    |     |                                                           |    |       |      |          |       |        |
|-----------------------------------|-------------|----|---------------|-----------------|--------|--------|----------|----------|-----|-----|----|---------|----|-----|-----------------------------------------------------------|----|-------|------|----------|-------|--------|
| 321 APARTMENTS CORP.              | Manhattan   | NY | \$ 2,750,000  | \$ 2,718,853.29 | 9.690% | 9.405% | 07/01/94 | 06/01/04 | 360 | 120 | 22 | L/O     | 97 | n/a | 19.46%/36.74%                                             | 0  | 8.19% | None | 06/01/99 | 3.25% | 2,965% |
| 505 WE OWNERS CORPORATION         | Manhattan   | NY | 2,500,000     | 2,436,190.85    | 8.500  | 8.215  | 04/01/93 | 02/01/03 | 360 | 119 | 37 | L/O     | 82 | n/a | 18.67 35.05                                               | 33 | 7.00  | None | 02/01/98 | 3.00  | 2,715  |
| 321 WEST 90TH STR. OWNERS CORP.   | Manhattan   | NY | 1,850,000     | 1,814,496.39    | 7.710  | 7.425  | 04/01/94 | 03/01/04 | 360 | 120 | 25 | L/O     | 94 | n/a | 25.92 36.29                                               | 28 | 6.21  | None | 03/01/99 | 2.75  | 2,465  |
| 25 PLAZA TENANTS CORP.            | Brooklyn    | NY | 1,800,000     | 1,765,412.98    | 8.150  | 7.865  | 02/01/94 | 01/01/04 | 360 | 120 | 27 | L/O     | 92 | n/a | 25.96 47.46                                               | 26 | 6.65  | None | 01/01/99 | 3.25  | 2,965  |
| 50 PLAZA TENANTS CORP.            | Brooklyn    | NY | 1,500,000     | 1,795,713.93    | 9.940  | 9.655  | 03/01/95 | 02/01/05 | 480 | 120 | 14 | Penalty | 0  |     | 5% yr1/6<br>4% yr2/7<br>3% yr3/8<br>2% yr4/9<br>1% yr5/10 | 31 | 8.44  | None | 02/01/00 | 2.50  | 2,215  |
| 16 EAST 98TH OWNERS CORP.         | Manhattan   | NY | 1,750,000     | 1,718,577.53    | 8.500  | 8.215  | 02/01/94 | 01/01/04 | 360 | 120 | 27 | L/O     | 92 | n/a | 24.04 36.36                                               | 39 | 7.00  | None | 01/01/99 | 3.50  | 3,215  |
| 63-61 99TH STREET OWNERS CORP.    | Queens      | NY | 1,700,000     | 1,677,781.52    | 9.290  | 8.935  | 06/01/94 | 05/01/04 | 360 | 120 | 23 | L/O     | 96 | n/a | 28.73 41.94                                               | 37 | 7.72  | None | 05/01/99 | 3.00  | 2,715  |
| 320 WEST 76 CORP.                 | Manhattan   | NY | 1,600,000     | 1,583,181.56    | 7.500  | 7.215  | 02/01/94 | 01/01/04 | 360 | 120 | 27 | L/O     | 92 | n/a | 12.65 29.03                                               | 0  | 6.00  | None | 01/01/99 | 3.00  | 2,715  |
| 36 W. 15TH ST. OWNERS CORP.       | Manhattan   | NY | 800,000       | 785,095.30      | 7.870  | 7.585  | 04/01/94 | 03/01/04 | 360 | 120 | 25 | L/O     | 94 | n/a | 21.22 35.63                                               | 18 | 6.37  | None | 03/01/99 | 2.75  | 2,465  |
| 348 OWNERS CORP.                  | Manhattan   | NY | 700,000       | 689,038.14      | 8.540  | 8.255  | 05/01/94 | 04/01/04 | 360 | 120 | 24 | L/O     | 95 | n/a | 17.90 30.62                                               | 0  | 7.04  | None | 04/01/99 | 2.75  | 2,465  |
| 13-19 WHITE STREET CORP.          | Manhattan   | NY | 550,000       | 544,058.33      | 8.350  | 8.065  | 05/01/94 | 04/01/04 | 360 | 120 | 24 | L/O     | 95 | n/a | 8.08 14.33                                                | 0  | 6.85  | None | 04/01/99 | 2.75  | 2,465  |
| 345 WEST 70TH TENANTS CORP.       | Manhattan   | NY | 550,000       | 538,370.59      | 7.650  | 7.365  | 02/01/94 | 01/01/04 | 360 | 120 | 27 | L/O     | 92 | n/a | 14.67 17.37                                               | 22 | 6.15  | None | 01/01/99 | 2.75  | 2,465  |
| BRADFORD HALL APARTMENTS, INC.    | Westchester | NY | 425,000       | 417,270.23      | 8.000  | 7.715  | 04/01/94 | 03/01/04 | 360 | 120 | 25 | L/O     | 94 | n/a | 17.95 27.82                                               | 18 | 6.50  | None | 03/01/99 | 3.25  | 2,965  |
| 135 W. 17TH STREET TENANTS CORP.  | Manhattan   | NY | 400,000       | 393,186.34      | 8.110  | 7.825  | 05/01/94 | 04/01/04 | 360 | 120 | 24 | L/O     | 94 | n/a | 7.42 15.24                                                | 0  | 6.61  | None | 04/01/99 | 2.75  | 2,465  |
| 14 JAY ST. OWNERS CORP.           | Manhattan   | NY | 325,000       | 265,963.15      | 7.900  | 7.615  | 11/01/93 | 10/01/03 | 120 | 120 | 30 | L/O     | 89 | n/a | 10.72 20.46                                               | 0  | 6.40  | None | 10/01/98 | 3.00  | 2,715  |
| 315 THIRD STREET HOUSING CORP.    | Brooklyn    | NY | 275,000       | 243,261.53      | 7.580  | 7.295  | 01/01/94 | 12/01/03 | 156 | 120 | 28 | L/O     | 91 | n/a | 19.94 27.33                                               | 0  | 6.08  | None | 12/01/98 | 3.00  | 2,715  |
| 16 LINCOLN PLACE CORP.            | Brooklyn    | NY | 270,000       | 264,841.83      | 8.180  | 7.895  | 02/01/94 | 01/01/04 | 360 | 120 | 27 | L/O     | 92 | n/a | 17.89 29.10                                               | 0  | 6.68  | None | 01/01/99 | 3.25  | 2,965  |
| 92 REMSEN STREET HOUSING CORP.    | Brooklyn    | NY | 266,000       | 232,301.73      | 7.420  | 7.135  | 02/01/94 | 01/01/04 | 144 | 120 | 27 | L/O     | 92 | n/a | 14.65 27.99                                               | 0  | 5.92  | None | 01/01/99 | 2.50  | 2,215  |
| 509-15 COURT STREET HOUSING CORP. | Brooklyn    | NY | 250,000       | 245,946.27      | 8.590  | 8.305  | 04/01/94 | 03/01/04 | 360 | 120 | 25 | L/O     | 94 | n/a | 22.36 29.99                                               | 0  | 7.09  | None | 03/01/99 | 3.25  | 2,965  |
| 480 BROOME ST. APARTMENT CORP.    | Manhattan   | NY | 250,000       | 246,494.19      | 9.100  | 8.815  | 05/01/94 | 04/01/04 | 360 | 120 | 24 | L/O     | 95 | n/a | 29.00 16.54                                               | 0  | 7.60  | None | 04/01/99 | 3.50  | 3,215  |
| 329 WEST 89TH ST. HOUSING CORP.   | Manhattan   | NY | 250,000       | 245,929.87      | 9.000  | 8.715  | 02/01/94 | 01/01/04 | 360 | 120 | 27 | L/O     | 92 | n/a | 17.91 32.36                                               | 0  | 7.50  | None | 01/01/99 | 4.00  | 3,715  |
| 58 HOUSING CORPORATION            | Brooklyn    | NY | 225,000       | 220,562.51      | 7.800  | 7.515  | 03/01/94 | 02/01/04 | 360 | 120 | 26 | L/O     | 93 | n/a | 13.45 25.35                                               | 0  | 6.30  | None | 02/01/99 | 3.00  | 2,715  |
| 922 8TH AVENUE OWNERS CORP.       | Brooklyn    | NY | 210,000       | 205,678.02      | 8.000  | 7.715  | 01/01/94 | 12/01/03 | 360 | 120 | 28 | L/O     | 91 | n/a | 24.49 40.09                                               | 0  | 6.50  | None | 12/01/98 | 3.25  | 2,965  |
| 26 STRONG HOUSING CORPORATION     | Brooklyn    | NY | 140,000       | 136,777.08      | 8.000  | 7.715  | 10/01/93 | 09/01/03 | 360 | 120 | 31 | L/O     | 88 | n/a | 12.90 24.87                                               | 0  | 6.50  | None | 09/01/98 | 3.00  | 2,715  |
|                                   |             |    | \$ 21,636,000 | \$21,163,910.16 |        |        |          |          |     |     |    |         |    |     |                                                           |    |       |      |          |       |        |
|                                   |             |    | \$317,593,000 | \$ 315,218,208  |        |        |          |          |     |     |    |         |    |     |                                                           |    |       |      |          |       |        |

- (1) L/O: Lock out; 84 months remaining lock out period; 2% of Principal Balance; after the lock out period expires, the loan may be prepaid with a penalty of 2% of the principal balance.
- (2) Loans are prepayable for 45 days preceding the adjustment dates and maturity dates except that: (i) the Mortgage Loan relating to 135 W. 17th Street Tenants Corp. is prepayable for 45 days preceding the adjustment date and 60 days preceding the maturity date and (ii) the Mortgage Loan relating to 50 Plaza Tenants Corp. is prepayable at any time upon the payment of a Prepayment Premium and is prepayable 75 days preceding the adjustment date without payment of a Prepayment Premium.
- (3) These Mortgage Loans were originated in April 1996 while the Trust was being established, therefore the first month's payment of interest will be due in May 1996 and the first month's payment of principal and interest will be due in June 1996.
- (4) These Mortgage Properties consist of condominium units, owned by the cooperative, which generally comprise the residential portion of mixed residential and commercial buildings.
- (5) These Mortgage Loans bear interest on the basis of a 360-day year and actual days elapsed.
- (6) There is a period, ranging from 0 to 90 days immediately prior to the Maturity Date for the Fixed Rate Mortgage Loans during which a principal prepayment need not be accompanied by a Yield Maintenance Charge or Prepayment Premium.
- (7) This Mortgage Loan is secured by a first lien Mortgage and a Mortgage Pool Second Lien.
- (8) This Cooperative has the option to convert from a Cooperative Apartment Building to a condominium regime. Such a conversion would result in the non-residential Condominium Unit(s) being released from the lien of the Mortgage.

NOTE: The information with respect to the Mortgage Loans set forth on this Exhibit A has been collected and summarized by the related Mortgage Loan Sellers and provided to Fannie Mae. In evaluating the Mortgage Loans, Fannie Mae used a different methodology for calculating loan-to-value ratios than that described in the Prospectus Supplement under "Description of the Mortgage Pool—Additional Mortgage Loan Information" on page S-33. Application of such different methodology with respect to certain Mortgage Loans produced results which differ from those set forth on this Exhibit A.

**(This page intentionally left blank)**

# Federal National Mortgage Association



## Guaranteed Multifamily REMIC Pass-Through Certificates (Multifamily Mortgage Loans)

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

The Guaranteed Multifamily REMIC Pass-Through Certificates that will be offered pursuant to this Prospectus and the related Prospectus Supplement (collectively, the "Certificates") will be issued and guaranteed by the Federal National Mortgage Association ("Fannie Mae"), a corporation organized and existing under the laws of the United States, under the authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*). The Certificates will be issued in series (each, a "Series"), which Series may also include one or more classes of certificates that will not be offered by this Prospectus and the related Prospectus Supplement or guaranteed by Fannie Mae (collectively, the "Subordinate Classes"). The extent to which the rights of the holders of the Certificates will be senior to the rights of the holders of the Subordinate Classes to receive distributions thereon will be set forth in the related Prospectus Supplement. The Certificates of each Series will evidence a direct or indirect beneficial ownership interest in a trust (a "Series Trust"), the assets of which (the "Series Trust Assets") will consist of one of the following: (1) one or more pools (each, a "Mortgage Pool") of (a) mortgage loans (or participation interests therein) ("Mortgage Loans") secured by first or (if the related Prospectus Supplement so provides) second liens on fee or leasehold interests in multifamily projects consisting of five or more dwelling units, which bear fixed rates of interest and some of which may have balloon payments, deferred interest or other unique features and, in each case, the Trust Account (as hereinafter defined) and all cash and investments held therein (collectively, as to any Series of Certificates, the "Mortgage Loan Series Trust"); (2) one or more Fannie Mae Guaranteed Mortgage Pass-Through Certificates representing all or part of the beneficial ownership interests in a Mortgage Pool or Mortgage Pools ("MBS") and the Trust Account and all cash and investments held therein (collectively, as to any Series of Certificates, the "MBS Series Trust"); or (3) certificates, which will be issued by an issuer that is not affiliated with Fannie Mae and will evidence all or a part of the direct or indirect beneficial ownership interest in Mortgage Loans that will not have been owned by Fannie Mae ("Underlying Certificates") and the Trust Account and all cash and investments held therein (collectively, as to any Series of Certificates, the "Underlying Series Trust"), subject to the limits and the order of distribution described herein and in the related Prospectus Supplement. In the case of a Mortgage Loan Series Trust or Underlying Series Trust, the Certificates and any Subordinate Classes and, in the case of an MBS Series Trust, the Certificates, will evidence the entire direct or indirect beneficial ownership interest in such trust.

For (i) a Mortgage Loan Series Trust, certain information relating to the Mortgage Pool or Mortgage Pools included therein will be set forth in the related Prospectus Supplement; (ii) an MBS Series Trust, the general characteristics of the MBS included therein are described in the Prospectus for Fannie Mae Guaranteed Mortgage Pass-Through Certificates (the "MBS Prospectus") and the general characteristics of such MBS, and certain information relating to the Mortgage Pool or Mortgage Pools underlying such MBS, will be set forth in the related Prospectus Supplement; and (iii) an Underlying Series Trust, the general characteristics of the Underlying Certificates, and certain information relating to the Mortgage Loans underlying such Certificates, will be set forth in the related Prospectus Supplement. The Series Trust Assets will be held for the Holders (as hereinafter defined) of Certificates and, in the case of a Mortgage Loan Series Trust or Underlying Series Trust, the holders of any Subordinate Classes, by Fannie Mae in its capacity as Trustee of the related Series Trust.

Pursuant to the guaranty of the Certificates, Fannie Mae will be obligated to distribute on a timely basis to Holders of Certificates, whether backed by Mortgage Loans or MBS, required installments of principal and interest and to distribute the principal balance of each Class of Certificates in full no later than the applicable Final Distribution Date (as hereinafter defined), whether or not sufficient funds are available in the Trust Account. In addition, in the case of an MBS Series Trust, pursuant to the guaranty of the MBS, Fannie Mae will guaranty timely payment of principal of and interest on the underlying Mortgage Loans. The extent to which Fannie Mae's guaranty will cover the payment of interest on and principal of Certificates backed by Underlying Certificates will be set forth in the related Prospectus Supplement.

Each Series will include two or more Classes of Certificates, which may include one or more Accrual Classes (as hereinafter defined). Interest on each interest bearing Class of Certificates other than an Accrual Class will be distributable on each Distribution Date specified in the related Prospectus Supplement. Interest accrued on each Accrual Class will be distributable to the extent provided in the related Prospectus Supplement, the amount of any interest accrued and undistributed as of any Distribution Date being added to the principal balance of each Certificate of such Class. Any accrued interest so added will accrue interest from such Distribution Date or from such other date as may be specified in the related Prospectus Supplement. Unless otherwise provided in the Prospectus Supplement, principal distributions on each Class of Certificates of a Series will be made pro rata among all Certificates of such Class.

Scheduled payments of principal of and interest on the Mortgage Loans, or scheduled distributions on the MBS and, if the related Prospectus Supplement so specifies, scheduled distributions on the Underlying Certificates, in each case backing a Series will be sufficient to make timely distributions of principal and interest on the Certificates of such Series and to retire each such Class of Certificates not later than its Final Distribution Date without the necessity of any call on Fannie Mae under its guaranty of the Certificates. Because the rate of distribution of principal of each Class of Certificates will depend on the rate of payment (including prepayments) of the Mortgage Loans, MBS or Underlying Certificates backing the Certificates, the actual final distribution with respect to any Class of Certificates that is directly backed by Mortgage Loans or MBS, or, if so specified in the related Prospectus Supplement, that is directly backed by Underlying Certificates, could occur significantly earlier than its Final Distribution Date. In addition, there are certain other risks relative to the Certificates of a Series, as set forth herein under "Summary of Prospectus" (page 3); "Yield Considerations—Reinvestment Risk" (page 14); and "Maturity and Prepayment Considerations and Risks" (page 15), and in the related Prospectus Supplement.

One or more elections will be made to treat the Series Trust as one or more "real estate mortgage investment conduits" ("REMICs" and each referred to herein as a "Multifamily REMIC Trust") for federal income tax purposes. The Certificates of each Class and any Subordinate Classes will be designated as "regular interests" in a Multifamily REMIC Trust, except that a separate Class of Certificates will be designated as the "residual interest" with respect to each Multifamily REMIC Trust.

The date of this Prospectus is November 1, 1995.

Retain this Prospectus for future reference. This Prospectus may not be used to consummate sales of Certificates unless accompanied by a Prospectus Supplement.

No salesman, dealer, bank or other person has been authorized to give any information or to make any representation other than those contained in this Prospectus, any Prospectus Supplement or, in the case of a MBS Series Trust, the MBS Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized by Fannie Mae. This Prospectus, any Prospectus Supplement and, in the case of a MBS Series Trust, the MBS Prospectus, do not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Certificates offered hereby and by the related Prospectus Supplement nor an offer of the Certificates to any person in any state or other jurisdiction in which such offer would be unlawful.

## TABLE OF CONTENTS

| <u>Caption</u>                                         | <u>Page</u> |
|--------------------------------------------------------|-------------|
| Prospectus Supplement .....                            | 2           |
| Summary of Prospectus .....                            | 3           |
| The Series Trust .....                                 | 10          |
| Yield Considerations .....                             | 11          |
| Maturity and Prepayment Considerations and Risks ..... | 15          |
| Purchase Program .....                                 | 18          |
| Description of the Certificates .....                  | 19          |
| The Trust Agreement .....                              | 30          |
| Certain Federal Income Tax Consequences .....          | 35          |
| Legal Investment Considerations .....                  | 45          |
| Legal Opinion .....                                    | 45          |
| ERISA Considerations .....                             | 45          |
| Glossary .....                                         | 47          |

## PROSPECTUS SUPPLEMENT

The Prospectus Supplement relating to any Series of Certificates to be offered hereunder will, among other things, set forth with respect to such Series of Certificates the following (to the extent applicable): (i) the aggregate principal amount, the interest rate or method of determining the interest rate of each Class of such Series and whether any such Class constitutes an Accrual Class; (ii) certain characteristics of (A) the Mortgage Loans backing the Certificates of such Series, or (B) the MBS or the Underlying Certificates backing the Certificates of such Series, including the pass-through rates of such MBS or Underlying Certificates; (iii) the designation of each Class of the Certificates as either a "regular interest" or "residual interest"; (iv) the Final Distribution Date of each Class of such Series; (v) the method used to calculate the aggregate amount of principal required to be applied to the Certificates of such Series on each Distribution Date; (vi) the principal balance, expressed as a percentage, of each Class of such Series that would be outstanding on specified Distribution Dates if the Mortgage Loans backing the Certificates, or the MBS or the Underlying Certificates backing the Certificates, of such Series were prepaid at various assumed rates; and (vii) the Distribution Dates for such Series.

## SUMMARY OF PROSPECTUS

*The following summary of certain pertinent information is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus and the information contained in the Prospectus Supplement to be prepared and delivered in connection with the offering of each Series of Certificates and, in the case of a Series of Certificates backed by MBS, the general information in the related MBS Prospectus.*

**Title of Security** ..... Guaranteed Multifamily REMIC Pass-Through Certificates (the "Certificates").

**Issuer and Guarantor** ..... Federal National Mortgage Association ("Fannie Mae"), a corporation organized and existing under the laws of the United States.

**The Series Trust Assets** ..... The Certificates of each Series will be backed by one of the following: (1) (a) one or more pools (each, a "Mortgage Pool") of mortgage loans (or participation interests therein) ("Mortgage Loans") secured by first or (if the related Prospectus Supplement so provides) second liens on fee or leasehold interests in multifamily projects ("Mortgaged Properties") consisting of five or more dwelling units having the characteristics described under "The Series Trust—The Mortgage Pools" and "Purchase Program—Mortgage Loan Eligibility" and, as to the particular Series of Certificates, in the related Prospectus Supplement, and (b) the Trust Account (as hereinafter defined) and all cash and investments held therein (collectively, as to any Series of Certificates, the "Mortgage Loan Series Trust"); (2) (a) Fannie Mae Guaranteed Mortgage Pass-Through Certificates (Multifamily Mortgage Loans) representing all or part of the beneficial ownership interest in a Mortgage Pool or Mortgage Pools ("MBS") and having the characteristics described in the related MBS Prospectus under "Description of Certificates" and, as to a particular Series of Certificates, in the related Prospectus Supplement, and (b) the Trust Account and all cash and investments held therein (collectively, as to any Series of Certificates, the "MBS Series Trust"); or (3) (a) certificates, which will be issued by an issuer that is not affiliated with Fannie Mae and will evidence all or a part of the direct or indirect beneficial ownership interest in Mortgage Loans that will not have been owned by Fannie Mae ("Underlying Certificates") and will have the characteristics described in the related Prospectus Supplement and (b) the Trust Account and all cash and investments held therein (collectively, as to any Series of Certificates, the "Underlying Series Trust"), in each case subject to the limits and order of distribution described herein and in the related Prospectus Supplement.

**The Certificates** ..... The Certificates of each Series will be issued and guaranteed and each Series Trust will be maintained pursuant to the terms of a trust agreement and, if applicable, in the case of a Series directly backed by Mortgage Loans or MBS, an issue supplement for such Series, each executed by Fannie Mae in its corporate capacity and in its capacity as Trustee (in the case of a Series directly backed by Mortgage Loans or MBS, such trust agreement and any issue supplement collectively, the "Trust Agreement"; and, in the case of a Series directly backed by Underlying Certificates, such trust agreement individually, the "Trust Agreement"). The Certificates and any Subordinate Classes will represent the entire direct or indirect beneficial ownership interest in (1) a Mortgage Loan Series Trust or (2) an Underlying Series Trust and the Certificates will represent the entire direct or indirect beneficial ownership interest in an MBS Series Trust.

Unless otherwise specified in the related Prospectus Supplement, the Certificates representing "regular interests" in a Multifamily REMIC Trust and offered hereby and by the related Prospectus Supplement will

be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof, will be available in book-entry form only and will not be convertible to definitive form.

**Interest Distributions on**

**Certificates** ..... Each interest-bearing Class of Certificates will bear interest at the rate per annum set forth in (or determined in the manner set forth in) the related Prospectus Supplement. Unless otherwise specified in the related Prospectus Supplement, interest on all interest bearing Classes of Certificates, other than an Accrual Class, will be distributed on the 25th day (or, if such 25th day is not a business day, on the first business day next succeeding such 25th day) of each month specified in the related Prospectus Supplement (each, a "Distribution Date"), in amounts accrued for the periods (each, an "Interest Accrual Period") specified in the related Prospectus Supplement. Interest accrued on an Accrual Class will be distributable to the extent provided in the related Prospectus Supplement, the amount of any interest accrued and undistributed as of any Distribution Date being added to the principal balance of each Certificate of such Class. Any accrued interest so added will accrue interest from such Distribution Date or from such other date as may be specified in the related Prospectus Supplement. See "Description of the Certificates—Distributions of Interest."

**Principal Distributions on**

**Certificates** ..... Unless the related Prospectus Supplement provides otherwise, principal distributions on each Series of Certificates will be made on each Distribution Date in an aggregate amount equal to the sum of (i) the amount of interest, if any, accrued on the Accrual Classes of such Series during the preceding Interest Accrual Period but not then payable; and (ii) an amount equal to (A) all payments of principal on the Mortgage Loans backing such Series for the related Due Period, (B) all distributions of principal of the MBS for the related Deposit Period or (C) all distributions of principal of the Underlying Certificates for the related Due Period, as applicable, backing such Series. Unless the related Prospectus Supplement provides otherwise, the "Due Period" with respect to a Distribution Date is the period beginning on the second day of the month prior to the month containing such Distribution Date and ending on the first day of such month; the "Deposit Period" with respect to a Distribution Date is a period subsequent to the previous Distribution Date (or subsequent to the Certificate Issue Date in the case of the initial Distribution Date), such period to be specified in the related Prospectus Supplement; and the "Certificate Issue Date" with respect to a Series of Certificates is the first day of the month in which such Series is issued. The Prospectus Supplement for each Series of Certificates will specify the manner in which the amount of each such aggregate principal distribution will be determined and the allocation thereof among the respective Classes of such Series. Unless the related Prospectus Supplement provides otherwise, all distributions of principal of the Certificates of a particular Class will be applied pro rata among all Certificates of such Class. See "Description of the Certificates—Distributions of Principal."

**Final Distribution Date** ..... The "Final Distribution Date" for Certificates of a particular Class is the date by which the principal balance thereof is required to be fully paid and will be specified in the related Prospectus Supplement. The Final Distribution Dates of the respective Classes of Certificates of a Series will be determined so that (i) scheduled payments of principal of and interest on the underlying Mortgage Loans, (ii) scheduled distributions on the underlying MBS or (iii) if the related Prospectus Supple-

ment so specifies, scheduled distributions on the Underlying Certificates, will be sufficient to retire each such Class on or before its Final Distribution Date without the necessity of any call on Fannie Mae under its guaranty of the Certificates. The Final Distribution Date may be later than the latest maturing related Mortgage Loan in order to reflect the possibility that the maturity of a Mortgage Loan may be extended or to reflect an additional period for foreclosure or liquidation in respect of a Mortgage Loan, in each case as described in the related Prospectus Supplement. Because the rate of distribution of principal of each Class of Certificates will depend upon the rate of payment (including prepayments) of the Mortgage Loans, the MBS or the Underlying Certificates backing the Certificates, the actual final distribution with respect to any Class of Certificates that is directly backed by Mortgage Loans or the MBS or, if so specified in the related Prospectus Supplement, that is directly backed by Underlying Certificates, could occur significantly earlier than its Final Distribution Date. The rate of prepayments on the Mortgage Loans backing any Series of Certificates will depend on the characteristics of such Mortgage Loans, as well as on the prevailing level of interest rates and other economic factors, and the rate of prepayments on MBS or Underlying Certificates backing any Series of Certificates will depend on the characteristics of the MBS or Underlying Certificates and of the underlying Mortgage Loans, as well as on the prevailing level of interest rates and other economic factors, and no assurance can be given as to the actual prepayment experience of the Mortgage Loans, the MBS or Underlying Certificates in any Series Trust. See "Maturity and Prepayment Considerations and Risks."

**Fannie Mae Guaranty** ..... Pursuant to the guaranty of the Certificates, Fannie Mae will be obligated to distribute on a timely basis to Holders (as hereinafter defined) of Certificates, whether backed by Mortgage Loans or MBS, required installments of principal and interest and to distribute the principal balance of each Class of Certificates in full no later than the applicable Final Distribution Date, whether or not sufficient funds are available in the Trust Account. In addition, in the case of an MBS Series Trust, pursuant to the guaranty of the MBS, Fannie Mae will guaranty timely payment of principal of and interest on the underlying Mortgage Loans. If Fannie Mae were unable to perform these guaranty obligations, distributions to Certificateholders (as hereinafter defined) would consist solely of payments and other recoveries on the Series Trust Assets and, accordingly, delinquencies and defaults on the Mortgage Loans or MBS, as applicable, would affect distributions to Certificateholders. The guaranties of Fannie Mae are not backed by the full faith and credit of the United States. The extent to which Fannie Mae's guaranty will cover the payment of interest on and principal of Certificates backed by Underlying Certificates will be set forth in the related Prospectus Supplement. Fannie Mae will not guarantee the Underlying Certificates, but Fannie Mae will guarantee the interest on and principal of Mortgage Loans that back Underlying Certificates to the extent of the indirect beneficial ownership interest of the Certificates of a Series in such Mortgage Loans, unless the related Prospectus Supplement specifies otherwise. Fannie Mae will not guarantee the collection from any mortgagor or the Lender (as hereinafter defined) or other servicer of any yield maintenance charge ("Yield Maintenance Charge") or any other premium, penalty or other fee (collectively, "Prepayment Premiums") payable in connection with a principal prepayment on a Mortgage Loan, and in the event a Trust Agreement entitles Certificateholders to receive a distribution of such Prepayment Premium, such Certificateholders will receive such Yield Maintenance Charge or Prepayment

Premium only to the extent it is actually collected from the mortgagor and paid by the Lender or other servicer to the Trustee. See "Description of the Certificates—Fannie Mae's Guaranty."

**Servicing** ..... Fannie Mae may service the Mortgage Loans that are included in a Mortgage Loan Series Trust or may contract with mortgage lenders or other servicers to perform all or part of such servicing. Fannie Mae may service the Mortgage Loans that back MBS and will, in most cases, contract with mortgage lenders or other servicers to perform certain servicing functions. See "Description of the Certificates—Servicing Through Lenders—*Mortgage Loan Series Trust*."

The Mortgage Loans that back the Underlying Certificates included in an Underlying Series Trust will be serviced by the entity designated as the servicer (the "Underlying Servicer") in the relevant pooling and servicing agreement or similar agreement (the "Underlying Pooling and Servicing Agreement") and described in the related Prospectus Supplement.

**The Mortgage Pools** ..... Each fixed-rate Mortgage Pool (a "Fixed-Rate Mortgage Pool") will consist entirely of Mortgage Loans, secured by Mortgaged Property, that will bear fixed rates of interest ("Fixed-Rate Mortgage Loans"), some of which may have principal amortization periods that are longer than their terms to maturity and, therefore, balloon payments will be due at their respective maturity dates ("Balloon Mortgage Loans"), or may have other unique features, and each adjustable rate Mortgage Pool (an "ARM Mortgage Pool") will consist entirely of Mortgage Loans, secured by Mortgaged Property, that will bear adjustable rates of interest ("ARM Mortgage Loans"), some of which may be Balloon Mortgage Loans or have deferred interest or other unique features. The Mortgage Pool or Pools that directly back MBS may comprise variable rate or other types of Mortgage Loans, but each Mortgage Pool will consist of only one type of Mortgage Loans (e.g., Fixed-Rate Mortgage Loans or ARM Mortgage Loans). The Mortgage Pool or Pools that directly back Certificates or that back Underlying Certificates may consist of one or more types of Mortgage Loans.

Each Mortgage Loan that directly backs Certificates or that backs MBS, and, if the related Prospectus Supplement so specifies, that directly backs the Underlying Certificates, will meet the applicable standards set forth herein under "Purchase Program." In addition, unless the related Prospectus Supplement provides otherwise, all of such Mortgage Loans will be secured by a first or (if the related Prospectus Supplement so provides) second lien on the mortgagor's fee or leasehold interest in a Mortgaged Property.

Mortgage Pool information as to the type of Mortgage Loans (including whether such Mortgage Loans are Conventional Mortgage Loans (as hereinafter defined) or FHA Mortgage Loans (as hereinafter defined)), the aggregate principal balance of the Mortgage Loans as of the Certificate Issue Date, the Pass-Through Rate (as hereinafter defined) for MBS evidencing beneficial ownership interests in Fixed-Rate Mortgage Pools, the Pool Accrual Rate (as hereinafter defined) for MBS evidencing beneficial ownership interests in ARM Mortgage Pools and the latest maturity date of any Mortgage Loan will be contained in the related Prospectus Supplement. For an ARM Mortgage Pool or a Mortgage Pool containing Mortgage Loans with other types of varying interest rates, the related Prospectus Supplement will also contain information respecting the index or other basis upon which adjustments are based, the frequency of interest rate and payment adjustments and any maxi-

mum or minimum limitations thereon, and whether the underlying Mortgage Loans contain provisions for the deferral of interest. See "The Series Trust—The Mortgage Pools."

|                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Certificate Form</b> .....                | Unless otherwise specified in the related Prospectus Supplement, the Certificates, other than a Residual Certificate (as defined herein under "Description of the Certificates—Additional Characteristics of Residual Certificates"), will be issued, maintained and may be transferred by Holders only on the book-entry system of the Federal Reserve Banks. The Certificates may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Such entities whose names appear on the book-entry records of the Federal Reserve Banks as the entities for whose accounts Certificates have been deposited are herein referred to as "Holders" or "Certificateholders." A Holder is not necessarily the beneficial owner of a Certificate. Beneficial owners ordinarily will hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See "Description of the Certificates—Denominations, Certificate Form."                                                                                                                                                                                                                                                                                                                                           |
| <b>Trust Account</b> .....                   | All payments on the MBS and, unless otherwise specified in the related Prospectus Supplement, the Mortgage Loans and the Underlying Certificates, underlying a Series of Certificates of a Series Trust will be remitted directly to one or more accounts (collectively, the "Trust Account") to be maintained by Fannie Mae, as Trustee, and will be available for application to the distribution of principal of and interest on such Series of Certificates on the applicable Distribution Date. See "Description of the Certificates—Payments on Series Trust Assets; Deposits in the Trust Account."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Multifamily REMIC Trust Factors</b> ..... | As soon as practicable following the eleventh calendar day of each month, Fannie Mae will publish or otherwise make available for each Class of Certificates, the factor (carried to eight decimal places) which, when multiplied by the aggregate original principal balance of each Certificate of such Class, will equal the amount of principal remaining to be distributed with respect to such Certificate after giving effect to the distribution of principal to be made on the following Distribution Date (and the accretion of principal of any Accrual Classes).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Termination</b> .....                     | Each Series Trust will terminate upon the distribution to Certificateholders of all required installments of the principal of and interest on the related Series of Certificates and, in the case of a Mortgage Loan Series Trust or Underlying Series Trust, the retirement of any Subordinate Classes. The Prospectus Supplement also will describe the terms and conditions of the right of Fannie Mae or any other person, if any, to terminate the Series Trust by purchasing the Mortgage Loans, whether directly backing a Series of Certificates or MBS, included in a Mortgage Loan Series Trust or MBS Series Trust, respectively, or the Underlying Certificates included in an Underlying Series Trust. Fannie Mae has agreed not to effect (i) directly an early termination of any Mortgage Loan Series Trust through the exercise of its right to repurchase the Mortgage Loans included in such a Trust, unless the principal balance of such Mortgage Pool at the time of repurchase is less than a specified percentage (one percent, unless the related Prospectus Supplement specifies otherwise) of the original principal balance thereof, (ii) directly an early termination of any MBS Series Trust through the exercise of its right to repurchase the MBS in such MBS Series Trust, or indirectly an early termination of any MBS Series Trust through the |

exercise of its right, as described in "Description of Certificates—Termination" in the MBS Prospectus, to repurchase the Mortgage Loans underlying any MBS in the MBS Series Trust, in each case unless the principal balance of such Mortgage Pool at the time of repurchase is less than a specified percentage (one percent, unless the related Prospectus Supplement specifies otherwise) of the original principal balance thereof. In addition, the related Prospectus Supplement will contain a description of the rights, if any, of the Underlying Servicer or any other person under the relevant Underlying Pooling and Servicing Agreement to purchase the Mortgage Loans backing the Underlying Certificates. See "The Trust Agreement—Termination."

#### **Tax Status of the**

##### **Certificates**

One or more elections will be made to treat the Series Trust as one or more "real estate mortgage investment conduits" ("REMICs") for federal income tax purposes. Each of these REMICs will be referred to herein as a "Multifamily REMIC Trust." The Certificates of each Class and any Subordinate Classes will be designated as the "regular interests" in a Multifamily REMIC Trust, except that a separate Class of Certificates will be designated as the "residual interest" with respect to each Multifamily REMIC Trust. See "Certain Federal Income Tax Consequences—REMIC Election."

As a consequence of the qualification of the Series Trust as one or more REMICs, the Certificates generally will be treated as "qualifying real property loans" for mutual savings banks and domestic building and loan associations, "regular or residual interests in a REMIC," as the case may be, for domestic building and loan associations, "real estate assets" for real estate investment trusts, and, except for any Class of Certificates designated as a residual interest, as "qualified mortgages" for other REMICs. See "Certain Federal Income Tax Consequences—Special Tax Attributes."

**Special tax considerations apply to Residual Certificates.** The taxation of a Residual Certificate can produce a significantly less favorable after-tax return than if (i) the Residual Certificate were taxable as a debt instrument or (ii) no portion of the taxable income on the Residual Certificate were treated as "excess inclusions." In certain periods, taxable income and the resulting tax liability on a Residual Certificate may exceed payments received on such Certificate. In addition, a substantial tax may be imposed on certain transferors of Residual Certificates and certain beneficial owners of Residual Certificates that are "pass-through entities." See "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners Residual Certificates." Investors should not purchase Residual Certificates before consulting their tax advisors.

##### **Legality of Investment**

Under the Secondary Mortgage Market Enhancement Act of 1984, the Certificates, like Fannie Mae's Guaranteed Mortgage Pass-Through Certificates, will be considered to be "securities issued or guaranteed by . . . the Federal National Mortgage Association." Accordingly, subject to applicable limitations governing investment practices, investors whose investments are governed by state law may purchase, hold or invest in the Certificates to the same extent that they are authorized to invest in obligations issued by or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. In addition, many entities whose investments are governed by federal law (including national banks, federal savings and loan associations, federal

savings banks and federal credit unions) are specifically authorized, except in certain circumstances, to purchase, hold and invest in Fannie Mae's Guaranteed Mortgage Pass-Through Certificates. Subject to general considerations governing investment practices, the Certificates will be treated identically for such purposes for such entities.

#### **Legal Investment**

**Considerations** ..... Institutions whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investment in certain Classes of the Certificates of a Series. Investors should consult their own legal advisors in determining whether and to what extent the Certificates of a Series constitute legal investments or are subject to restrictions on investment. See "Legal Investment Considerations."

#### **Marginability; Repurchase**

**Agreements** ..... The Certificates are "exempted securities" for purposes of the margin rules of the Board of Governors of the Federal Reserve System and the New York Stock Exchange and transactions in the Certificates, including repurchase agreements, are treated under such rules in the same manner as transactions in Fannie Mae's Guaranteed Mortgage Pass-Through Certificates. Such rules do not, however, specify the collateral value which participants in particular transactions will accord the Certificates of any Class.

#### **Securities Law**

**Exemption** ..... The Certificates are exempt from the registration requirements of the Securities Act of 1933, as amended, and are "exempted securities" within the meaning of the Securities Exchange Act of 1934, as amended.

## THE SERIES TRUST

The ownership of the Series Trust Assets of each Series Trust may be evidenced by two or more Classes of Certificates and, in the case of a Mortgage Loan Series Trust or Underlying Series Trust, one or more Subordinate Classes, as will be specified in the Prospectus Supplement for each Series Trust. Each Certificate will evidence a beneficial ownership interest in one of the following: (i) one or more pools (each, a "Mortgage Pool") of mortgage loans (or participation interests therein) ("Mortgage Loans") secured by first or (if the related Prospectus Supplement so provides) second liens on fee or leasehold interests in multifamily projects ("Mortgaged Properties") consisting of five or more dwelling units and all proceeds thereof and the Trust Account and all cash and investments held therein; (ii) one or more Fannie Mae Guaranteed Pass-Through Certificates (Multifamily Mortgage Loans) ("MBS"), each representing all or part of the beneficial ownership interest in a Mortgage Pool or Mortgage Pools, and all proceeds thereof and the Trust Account and all cash and investments held therein; or (iii) certificates, each series of which will be issued by an issuer not affiliated with Fannie Mae and will evidence all or a part of the direct or indirect beneficial ownership interest in Mortgage Loans that have not been owned by Fannie Mae ("Underlying Certificates"), and all proceeds thereof and the Trust Account and all cash and investments held therein.

Each Certificate, whether backed by Mortgage Loans or MBS, will have the benefit of a guaranty from Fannie Mae to distribute on a timely basis the required installments of principal of and interest on such Certificate as described in the related Prospectus Supplement. The extent to which Fannie Mae's guaranty will cover the payment of interest on and principal of Certificates backed by Underlying Certificates will be set forth in the related Prospectus Supplement. See "Description of the Certificates—Fannie Mae's Guaranty."

### The Mortgage Pools

The Mortgage Pools, whether constituting assets of a Series Trust or underlying the MBS that constitute assets of a Series Trust, will contain Mortgage Loans that will bear (i) fixed rates of interest (a "Fixed-Rate Mortgage Pool" and "Fixed-Rate Mortgage Loans," respectively) and may have principal amortization periods that are longer than their terms to maturity, and, therefore, balloon payments will be due at their respective maturity dates ("Balloon Mortgage Loans"), or may have other unique features, (ii) adjustable rates of interest (an "ARM Mortgage Pool" and "ARM Mortgage Loans," respectively) and may be Balloon Mortgage Loans or have deferred interest or other unique features or (iii) variable rate or other types of Mortgage Loans, as will be set forth in the related Prospectus Supplement. The Mortgage Loans may be either conventional Mortgage Loans (i.e., not insured or guaranteed by any United States government agency) ("Conventional Mortgage Loans") or Mortgage Loans that are insured by the Federal Housing Administration ("FHA") under the National Housing Act, as amended, and the United States Housing Act of 1937, as amended ("FHA Mortgage Loans"). The Mortgage Loans purchased by Fannie Mae for Mortgage Pools that will back a Series of Certificates, or that will underlie MBS that will back a Series of Certificates, will be sold to Fannie Mae by eligible institutions that meet certain requirements set forth under "Purchase Program" and are referred to as "Lenders."

The general characteristics of the Mortgage Loans that will directly back a Series of Certificates are described herein under "Purchase Program—Mortgage Loan Eligibility," and certain detailed information for such Mortgage Loans will be contained in the related Prospectus Supplement.

Fannie Mae will acquire the Mortgage Loans that it has purchased expressly for inclusion in Mortgage Pools directly backing Certificates under various agreements, including a Sale and Servicing Agreement or similar agreement (each, a "Sale and Servicing Agreement") or directly backing MBS under a Special Pool Purchase Contract. By entering into such contracts, Fannie Mae will obligate itself to issue Certificates (or MBS) to, or to the order of, the Lenders named in the contracts, upon delivery to Fannie Mae of the required Mortgage Loans conforming to Fannie Mae's standards. Fannie Mae will not insure or guarantee the performance by any Lender of its obligation to deliver Mortgage Loans and, correspondingly, does not insure or guarantee the performance by any person of any obligation to deliver Certificates or MBS.

Fannie Mae's obligations with respect to the Mortgage Loans that directly back (i) a Series of Certificates will be limited to its responsibilities with respect to servicing, if any, as set forth in the Trust Agreement and any relevant Sale and Servicing Agreement or (ii) MBS will be limited to its responsibilities with respect to servicing, as set forth in the MBS Trust Indenture and, in either case, in the event of any delinquency in payment or loss on any such Mortgage Loan, its obligation to make supplemental payments in amounts described herein under "Description of the Certificates—Fannie Mae's Guaranty."

## **The MBS**

The general characteristics of (i) the MBS that will back the Certificates of a MBS Series Trust and (ii) the Mortgage Loans underlying the MBS are described in the MBS Prospectus and, in the case of such Mortgage Loans, herein under "Purchase Program—Mortgage Loan Eligibility." Certain detailed information for such MBS (and for such Mortgage Loans) will be contained in the related Prospectus Supplement.

## **Underlying Certificates**

Unless the related Prospectus Supplement otherwise specifies, the general characteristics of the Mortgage Loans that will back Underlying Certificates will generally conform to the description herein under "Purchase Program—Mortgage Loan Eligibility." Certain detailed information with respect to the Underlying Certificates that will back the Certificates of an Underlying Series Trust, the Mortgage Loans that will underlie such Underlying Certificates, and the related pooling and servicing arrangements, will be contained in the related Prospectus Supplement. The Prospectus Supplement will identify the entity or entities forming the related Mortgage Pool and the issuer of the Underlying Certificates, and will include information with respect to the aggregate outstanding balance and interest rate borne by each of the Underlying Certificates and other information with respect to such Certificates.

## **YIELD CONSIDERATIONS**

### **General**

Unless otherwise set forth herein, the following description of Yield Considerations relates to Certificates directly backed by Mortgage Loans or MBS. For certain additional information with respect to yield considerations relating to Certificates directly backed by Mortgage Loans, see "Yield Considerations" in the MBS Prospectus. For a more detailed description of the yield considerations relating to Certificates directly backed by Mortgage Loans, MBS or Underlying Certificates see "Description of the Certificates—Yield Considerations" in the related Prospectus Supplement.

The effective yield to Holders of the Certificates will depend upon, among other factors, the price at which their Certificates are purchased and the amount and rate at which distributions of principal and interest are made. The rate of distributions in respect of the principal balance of the Certificates will be related to the rate of payments and prepayments of principal and to the rate of delinquencies and defaults on the Mortgage Loans. For this purpose, the term "prepayment" includes prepayments and liquidations due to, among other things, defaults or other dispositions of the Mortgage Loans or the Mortgaged Properties, including application of insurance proceeds or condemnation awards, or the purchase of the Mortgage Loans under the circumstances described under "The Trust Agreement—Termination" herein or in the related Prospectus Supplement.

Generally, prepayments of the Mortgage Loans will increase the yield to maturity on Certificates purchased at a discount and will decrease the yield to maturity on Certificates purchased at a premium. The effect on an investor's yield of principal prepayments of the Mortgage Loans occurring at a rate that is faster (or slower) than the rate anticipated by the investor in the period immediately following the issuance of the Certificates will not be entirely offset by a subsequent like reduction (or increase) in the rate of principal payments.

### **Effect of Delay**

The effective yield to Certificateholders in all Mortgage Pools will be reduced slightly below the yield otherwise produced by the applicable Pass-Through Rate, Pool Accrual Rate or Weighted Average Pass-Through Rate because the distribution of interest that accrues from the first (or such later day specified in the Prospectus Supplement) day of each month will not be made until the 25th day of the month following the month of accrual.

### **Fixed-Rate Mortgage Pools**

Each Fixed-Rate Mortgage Pool will consist of Mortgage Loans that provide for monthly payments and bear interest at annual rates ("Mortgage Interest Rates") that are fixed. Such a Fixed-Rate Mortgage Pool may include Mortgage Loans that bear different Mortgage Interest Rates. The Pass-Through Rate of interest payable to Certificateholders of each Mortgage Loan Series Trust will be equal to the lowest Mortgage Interest Rate borne by any Mortgage Loan in the related Mortgage Pool, less a specified minimum annual percentage representing the servicing fee and the Fannie Mae fees, including its guaranty fee. Because the Pass-Through Rate payable with

respect to each Mortgage Loan in a Mortgage Pool will be the same, any disproportionate principal prepayments among Mortgage Loans bearing different Mortgage Interest Rates will not affect the return to Certificateholders.

Unless the related Prospectus Supplement otherwise specifies, when a Mortgage Loan is prepaid or otherwise liquidated, the proceeds of such prepayment or liquidation will be passed through to Certificateholders in the month following the month of such prepayment or other liquidation, except as provided in "Description of the Certificates—Payments on Series Trust Assets; Deposits in the Trust Account." Because Fannie Mae agrees to distribute on each Distribution Date to each Certificateholder an amount as to interest representing one month's interest on the principal balance of the Certificates of such Holder, any prepayment or other liquidation of a Mortgage Loan and the timing of the distribution of the proceeds thereof will have no effect, for the month in which such prepayment is made, on the interest return to Certificateholders.

Assuming performance by Fannie Mae of its obligations under its guaranty, the net effect of each distribution respecting interest will be the pass-through to each Certificateholder of an amount that is equal to one month's interest on the principal balance of such Holder's Certificates.

## **ARM Mortgage Pools**

### *General Characteristics*

An ARM Mortgage Pool will contain ARM Mortgage Loans that bear interest at rates that will vary in response to a single specified index and will adjust periodically at certain intervals specified in the related Prospectus Supplement. The actual Mortgage Interest Rate at any time borne by an ARM Mortgage Loan after any initial fixed-rate period of such loan will, subject to any applicable adjustment caps, be equal to the sum of a specified percentage, or "Mortgage Margin," and the index value then applicable thereto, which sum then may be rounded (as provided in the related Mortgage Note (as hereinafter defined)) to the nearest, next lowest or next highest one-eighth or one-quarter of 1% or as otherwise specified in the Prospectus Supplement. ARM Mortgage Loans may or may not contain provisions limiting the amount by which rates may be adjusted upward or downward and may or may not limit the amount by which monthly payments may be increased or decreased to accommodate upward or downward adjustments in the Mortgage Interest Rate. Certain ARM Mortgage Loans may provide for periodic adjustments of scheduled payments in order to fully amortize the ARM Mortgage Loan by its stated maturity while other ARM Mortgage Loans may permit substantial balloon payments at maturity or permit that maturity to be extended or shortened in accordance with the portion of each payment that is applied to interest in accordance with the periodic interest rate adjustments. Unless a Prospectus Supplement otherwise specifies, each ARM Mortgage Loan in the related ARM Mortgage Pool will provide for payment adjustments in the month following any interest rate change, each such adjusted payment being in the amount necessary to pay interest at the Mortgage Interest Rate in effect during the month immediately prior to the month in which the first payment in the new amount is due and to fully amortize the outstanding principal balance of the ARM Mortgage Loan on a level debt service basis over the remainder of its term.

The Mortgage Interest Rate for each ARM Mortgage Loan with provisions limiting the amount by which rates may be adjusted, when adjusted on each interest rate change date, typically may not be more than a specified percentage amount greater or less than the initial Mortgage Interest Rate, in the case of the first change date, and, in the case of any subsequent change date, the Mortgage Interest Rate that was in effect immediately preceding such change date. Any such periodic adjustment caps will be specified in the related Prospectus Supplement. In addition, the Mortgage Interest Rate for an ARM Mortgage Loan is generally also subject to lifetime maximum and minimum caps, as specified in the related Mortgage Note or as otherwise established by the Lender. Whenever an ARM Mortgage Loan is limited by a maximum interest rate cap, the Mortgage Interest Rate will be less than the sum of the applicable index value and the Mortgage Margin; whenever an ARM Mortgage Loan is limited by a minimum interest rate cap, the Mortgage Interest Rate will be greater than the sum of the applicable index value and the Mortgage Margin.

If an ARM Mortgage Loan provides for limitations on the amount by which monthly payments may be increased or if changes to the Mortgage Interest Rate of the ARM Mortgage Loan are made more frequently than payment changes, it is possible that interest due on scheduled payment dates at an increased rate of interest will not be covered by the amount of the scheduled payment. In that case, the uncollected portion of interest will be deferred and added to the principal balance of the ARM Mortgage Loan.

Fannie Mae's guaranty of Certificates and MBS evidencing direct beneficial ownership interests in ARM Mortgage Pools will cover the principal of each underlying ARM Mortgage Loan, in the case of Certificates, to the extent distributable to Holders thereof, including any portion thereof representing deferred interest. Its guaranty

of interest will cover all interest due and payable by the mortgagor (net of the servicing fee and the Fannie Mae fees, including its guaranty fee). Fannie Mae also will add to the amount of interest accompanying the prepayment of an underlying ARM Mortgage Loan any amount by which such interest is less than one month's interest at the rate that accrues to Holders of Certificates and holders of MBS on the ARM Mortgage Loan on the prepaid principal balance thereof. As a consequence, the timing of the prepayment of an ARM Mortgage Loan will have no effect, for the month in which such prepayment is made, on the interest return to Holders of Certificates and holders of MBS.

#### *Pool Accrual Rate*

Because the interest rates borne by ARM Mortgage Loans in an ARM Mortgage Pool will, following an initial fixed-rate period, adjust from time to time, and because a portion of the interest accrued thereon may be deferred and payable at a future time, Certificates evidencing interests in such a Pool will not provide for the distribution of interest at a fixed Pass-Through Rate. Rather, interest on each ARM Mortgage Loan in an ARM Mortgage Pool will accrue to Certificateholders during any period at a monthly rate (the "Accrual Rate") that is always equal to the corresponding Mortgage Interest Rate at which interest accrued on such ARM Mortgage Loan during such period net of the servicing fee and the Fannie Mae fees, including its guaranty fee. This percentage servicing and guaranty fee may either (i) vary among the ARM Mortgage Loans in an ARM Mortgage Pool for which the Mortgage Margins vary in order to produce a uniform margin (the "Margin") specified in the related Prospectus Supplement that will be used to determine the rate over the applicable index value at which interest accrues to Certificateholders (a "Uniform Margin Pool") or (ii) be uniform as to all ARM Mortgage Loans in an ARM Mortgage Pool (a "Uniform Fee Pool"), resulting, if the Mortgage Margins vary, in varying Margins among such ARM Mortgage Loans. For example, if the Margin is fixed at 1.75% among the ARM Mortgage Loans in a Uniform Margin Pool, an ARM Mortgage Loan in that Pool that has a Mortgage Margin of 275 basis points would be assigned a servicing and guaranty fee of 100 basis points and another ARM Mortgage Loan in that Pool having a Mortgage Margin of 250 basis points would be assigned a servicing and guaranty fee of 75 basis points. Conversely, if the servicing and guaranty fee is fixed at 1.00% for all ARM Mortgage Loans in a Uniform Fee Pool, an ARM Mortgage Loan in that ARM Mortgage Pool that has a Mortgage Margin of 275 basis points would be assigned a Margin of 1.75%, and another ARM Mortgage Loan in that ARM Pool having a Mortgage Margin of 250 basis points would have a Margin of 1.50%. To the extent no interest rate cap is applicable and the Mortgage Interest Rate of an ARM Mortgage Loan is freely floating, the Accrual Rate of that ARM Mortgage Loan will always be equal, before giving effect to any rounding, to the sum of the applicable index value and the Margin.

At any time, interest for any month will accrue to Certificateholders at a rate that equals the weighted average of the individual Accrual Rates of the ARM Mortgage Loans (the "Pool Accrual Rate"). If the Mortgage Interest Rates for all ARM Mortgage Loans in an ARM Mortgage Pool are freely floating and not affected by an interest rate cap, the Pool Accrual Rate will at any such time be equal, before giving effect to any rounding, to the sum of the then applicable index value (or the weighted average of the applicable index values if the ARM Mortgage Loans in such Pool have different rate change dates as described under *Maturity, Interest Rate Change Dates* below) and, in the case of a Uniform Margin Pool, the uniform Margin, or, in the case of a Uniform Fee Pool, the weighted average of the individual Margins. The Pool Accrual Rate for an ARM Mortgage Pool cannot, however, be determined solely on the basis of applicable index values and Margins if the Mortgage Interest Rate of any ARM Mortgage Loan in that ARM Mortgage Pool is in its initial fixed-rate period or is restricted by a periodic or lifetime adjustment cap. In any case, the Pool Accrual Rate for an ARM Mortgage Pool will always be equal to the weighted average of the Mortgage Interest Rates of the ARM Mortgage Loans in the ARM Mortgage Pool net of, in the case of a Uniform Fee Pool, the uniform fixed servicing and guaranty fee or, in the case of a Uniform Margin Pool, net of the weighted average of the individual fixed servicing and guaranty fees.

Information with respect to the Mortgage Margins for the ARM Mortgage Loans in the ARM Mortgage Pools will be set forth in the related Prospectus Supplement. The related Prospectus Supplement for a Uniform Margin Pool will also set forth the fixed Margin for that Mortgage Pool. For Uniform Fee Pools, the initial weighted average Margin at the Certificate Issue Date will be specified in the related Prospectus Supplement. Because differences in the amortization or prepayment of ARM Mortgage Loans with differing Mortgage Margins will cause any such initial weighted average Margin to change, Fannie Mae will publish each month for each Uniform Fee Pool an updated weighted average Margin in the Fannie Mae *Monthly ARMs Report* supplement to the Fannie Mae *Monthly Factor Report* published by The Bond Buyer (the "*Monthly ARMs Report*") or in such other publication as determined by Fannie Mae that will be applicable to the distribution to be made in the month of the publication of such *Monthly ARMs Report* (which distribution, unless otherwise specified in the related Prospectus Supplement, reflects the Accrual Rates of the ARM Mortgage Loans in the month preceding the

month of publication), subject to any deferral of interest. Although changes in the weighted average of the Mortgage Margins of ARM Mortgage Loans in a Uniform Margin Pool will affect the weighted average of the fixed servicing and guaranty fees applicable to the ARM Mortgage Loans included therein (with a corresponding effect on the Pool Accrual Rate during any initial fixed-rate period or whenever Mortgage Interest Rate caps may be applicable), no such updated information will be published for Mortgage Pools of this type.

Information as to the appropriate maximum and minimum (if applicable) Pool Accrual Rates of Mortgage Pools (i.e., the weighted averages of the maximum and minimum Accrual Rates of the ARM Mortgage Loans in such Pools) will be included in the related Prospectus Supplement. These rates will be computed using the maximum and minimum Accrual Rates of the ARM Mortgage Loans in Mortgage Pools weighted on the basis of their principal balances as of the Certificate Issue Date. Differences in the amortization, prepayment, or maturity dates of ARM Mortgage Loans with differing maximum and minimum Mortgage Interest Rates, and, in the case of Uniform Margin Pools, the fixed servicing fee and the fixed Fannie Mae fees, including its guaranty fee, are likely to cause the initial maximum and minimum Pool Accrual Rates for ARM Mortgage Pools to change over the life of such Mortgage Pools. In addition, if a related Prospectus Supplement discloses that any assumption of an ARM Mortgage Loan in the related ARM Mortgage Pool by a new mortgagor may result in a change in the maximum and/or minimum Mortgage Interest Rates applicable thereto, any such assumption may also affect the maximum and minimum Pool Accrual Rates.

#### *Maturity, Interest Rate Change Dates*

Information with respect to the weighted average remaining term to maturity of the ARM Mortgage Loans in the ARM Mortgage Pools will be set forth in the related Prospectus Supplement. The Prospectus Supplement also will specify whether or not the ARM Mortgage Loans in an ARM Mortgage Pool all have the same interest rate change dates on and after the Certificate Issue Date. If the interest rate change dates for ARM Mortgage Loans in an ARM Mortgage Pool are uniform, the Accrual Rates for all ARM Mortgage Loans in an ARM Mortgage Pool will, subsequent to the first interest rate change date on or after the Certificate Issue Date of the ARM Mortgage Pool, be based on Mortgage Interest Rates that have been calculated using the same index value. If the related Prospectus Supplement indicates that the ARM Mortgage Loans in an ARM Mortgage Pool have varying interest rate change dates, the Pool Accrual Rate for any month will be calculated based on Mortgage Interest Rates that, after the initial fixed-rate period of each of the ARM Mortgage Loans, have been determined based on varying index values. For instance, with respect to an ARM Mortgage Pool that contains ARM Mortgage Loans with both March 1 and August 1 annual interest rate change dates and a 45-day "look-back" period, interest will accrue to Certificateholders during the month of August with respect to the March 1 interest rate change date for ARM Mortgage Loans on the basis of the index value most recently available 45 days prior to March 1, and with respect to the August 1 interest rate change date for ARM Mortgage Loans on the basis of the index value most recently available 45 days prior to August 1. This results in the likelihood of a Pool Accrual Rate that, even in the case of a Uniform Margin Pool, represents a weighted average of the different Accrual Rates of the ARM Mortgage Loans included therein. The uniform or varying interest rate change dates of the ARM Mortgage Loans in an ARM Mortgage Pool will be specified in the related Prospectus Supplement. In addition, the Prospectus Supplement will specify a "Weighted Average Months to Roll" that represents the weighted average amount of time from the Certificate Issue Date of the Certificates backed by such ARM Mortgage Pool to the next interest rate change dates of all ARM Mortgage Loans in such Pool. The index for each ARM Mortgage Pool will be identified in the related Prospectus Supplement.

#### **Reinvestment Risk**

The Mortgage Loans underlying the Certificates may permit prepayment at any time or may have provisions that prevent prepayment for a number of years or during certain periods or require the payment of a Prepayment Premium or Yield Maintenance Charge, as shall be described in the related Prospectus Supplement. Accordingly, it is not possible to predict the rate at which distributions of principal of the Certificates of any Series will be received. In addition, since prevailing interest rates are subject to fluctuation, there can be no assurance that investors in the Certificates will be able to reinvest the distributions thereon at yields equaling or exceeding the yields on such Certificates. It is possible that yields on such reinvestments will be lower, and may be significantly lower, than the yields on such Certificates. Prospective investors in the Certificates should carefully consider the related reinvestment risks in light of other investments that may be available to such investors.

## MATURITY AND PREPAYMENT CONSIDERATIONS AND RISKS

### Multifamily Lending Generally

Multifamily lending is generally viewed as exposing the lender to a greater risk of loss than one- to four-family residential lending. Multifamily lending typically involves larger loans to single borrowers or groups of related borrowers than does lending on one- to four-family residences. Further, the repayment of loans secured by income producing properties is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed), the borrower's ability to repay the loan may be impaired. Multifamily real estate can be affected significantly by the supply and demand in the market for the type of property securing the loan and, therefore, may be subject to adverse economic conditions. Market values may vary as a result of economic events or governmental regulations outside the control of the borrower or lender, such as rent control laws, which impact the future cash flow of the property.

### Balloon Payment at Maturity and Extension of Maturity

The Mortgage Loans may have principal amortization periods that are longer than their terms to maturity, and, therefore, a balloon payment will be due at their respective maturity dates. The ability of a mortgagor to pay such amount will normally depend on its ability to obtain refinancing on the Mortgage Loan or sell the related Mortgaged Property, which will depend on a number of factors prevailing at the time refinancing or sale is required, including, without limitation, the strength of the residential real estate market, tax laws, the financial situation and the operating history of the underlying property, interest rates and general economic conditions.

The related Prospectus Supplement will summarize the extent, if any, to which (i) the Sale and Servicing Agreement for a Mortgage Loan Series Trust will permit the servicer and/or any special servicer thereunder and/or other person (including, if applicable, Fannie Mae) to extend the maturity of a defaulted Mortgage Loan or (ii) the pooling and servicing agreement or similar agreement for an Underlying Series Trust (the "Underlying Pooling and Servicing Agreement") will permit the Underlying Servicer or any other person (including, if applicable, Fannie Mae) to extend the maturity of a defaulted Mortgage Loan. Such an extension might cause the weighted average life of the Certificates to be longer than if such Loan had been paid pursuant to its original terms. In addition, as described under "Description of the Certificates—Collection and Other Servicing Procedures—*Mortgage Loan Series Trust*," certain of the Mortgage Loans directly backing Certificates or MBS may be assumable under certain circumstances. This characteristic may cause the weighted average life of the Certificates to be longer than otherwise expected.

### Early Repayment of Mortgage Loans

Certain Mortgage Loans may permit voluntary principal prepayments at any time, although other Mortgage Loans may be subject to a Prepayment Premium or Yield Maintenance Charge, as more fully described in the related Prospectus Supplement. In addition, the condemnation of, or the occurrence of a casualty loss on, the Mortgaged Property securing any Mortgage Loan or the acceleration of payments due under a Mortgage Loan by reason of default may result in an unscheduled principal prepayment at any time.

Certain state laws limit the amounts that a lender may collect from a borrower as an additional charge in connection with the prepayment of a mortgage loan. Furthermore, the enforceability, under the laws of a number of states, of provisions providing for Prepayment Premiums or Yield Maintenance Charges upon an involuntary prepayment is unclear. No assurance can be given that, at the time a Prepayment Premium or Yield Maintenance Charge is required to be made on a Mortgage Loan in connection with an involuntary prepayment, the obligation to pay such premium will be enforceable under applicable state law.

To the extent applicable, the related Prospectus Supplement will describe whether Mortgage Loans may have provisions that prohibit or restrict prepayment for a number of years or during certain periods or provide for payments of interest only during a certain period followed by amortization of principal on the basis of a schedule extending beyond the maturity of the related Mortgage Loan. Prepayments of Mortgage Loans may be affected by these and other factors, including changes in interest rates and the relative tax benefits associated with ownership of Mortgaged Property.

## Other Considerations

The rate of payments of principal of the Mortgage Loans, which may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations resulting from default, casualty or condemnation and payments made pursuant to repurchase by a Lender or other responsible person or any guaranty of payment by, or option to repurchase of, Fannie Mae), affects directly (i) the distributions on Certificates of a Mortgage Loan Series Trust that includes such Mortgage Loans and (ii) the distributions on MBS or Underlying Certificates, in each case backed by such Mortgage Loans, and, correspondingly, the Certificates of the related MBS Series Trust or Underlying Series Trust, respectively. In general, when the level of prevailing interest rates declines sufficiently relative to the interest rates on fixed-rate mortgage loans, the rate of prepayment is likely to increase, although the prepayment rate is influenced by a number of other factors, including general economic, geographic, social and other conditions. See "Maturity and Prepayment Assumptions" in the MBS Prospectus with respect to prepayments of MBS and "Description of the Certificates—Weighted Average Lives of the Certificates" in the related Prospectus Supplement.

Acceleration of mortgage payments as a result of transfers of the mortgaged property is another factor affecting prepayment rates. The Mortgage Loans directly underlying Certificates and MBS and, if the related Prospectus Supplement so specifies, Underlying Certificates, will generally provide by their terms that, in the event of the transfer or prospective transfer of title to the underlying mortgaged property, the full unpaid principal balance of the Mortgage Loan is due and payable at the option of the holder. As set forth under "Description of the Certificates—Collection and Other Servicing Procedures—*Mortgage Loan Series Trust*" and "*MBS Series Trust*" below, Fannie Mae will not exercise its right to accelerate the maturity of Mortgage Loans containing enforceable "due-on-sale" provisions upon certain transfers of the related Mortgaged Property. The extent to which (i) the servicer and/or any special servicer of a Mortgage Loan Series Trust or (ii) the Underlying Servicer will be required to exercise or be permitted to waive its right to accelerate the maturity of Mortgage Loans containing enforceable "due-on-sale" provisions upon certain transfers of the related Mortgaged Property will be set forth in the related Prospectus Supplement.

In an environment of declining interest rates, lenders servicing mortgage loans often are asked by mortgagors to refinance the mortgage loans through issuance of new loans secured by mortgages on the same properties. The resultant prepayments, if they involve Mortgage Loans in Mortgage Pools, result in the distribution to Certificateholders of an MBS Series Trust of the principal balances of the prepaid Mortgage Loans and the distribution to Certificateholders of a Mortgage Loan Series Trust or an Underlying Series Trust of the principal balances of the prepaid Mortgage Loans allocable thereto, as set forth in the related Prospectus Supplement, and, in each case, the removal of such Mortgage Loans from the Mortgage Pools. Under Fannie Mae's current policy, Lenders servicing Mortgage Loans are permitted to advertise in a general manner their availability to handle refinancings, although they may not specifically target mortgagors whose Mortgage Loans are in Mortgage Pools. Fannie Mae does not, however, permit Lenders or servicers to remove Mortgage Loans from Mortgage Pools for the purpose of modifications of such Loans.

In general, when the level of interest rates declines significantly below the interest rates on mortgage loans, the rate of prepayment is likely to increase, although the prepayment rate is influenced by a number of other factors, including general economic, geographic, social and other conditions. In addition, certain Mortgage Loans may have provisions restricting the owner's ability to prepay or containing prepayment penalties in varying amounts, which may or may not influence prepayment rates. Accordingly, Fannie Mae cannot estimate what the prepayment experience of Mortgage Loans in Mortgage Pools will be.

Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. Unless otherwise specified in the related Prospectus Supplement, the model ("CPR") that will be used to measure prepayments will assume a constant rate of prepayment each month, expressed as an annual rate, relative to the then outstanding principal balance of a pool of mortgage loans for the life of such mortgage loans. *CPR does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans backing the Certificates of any Series Trust or underlying the MBS or Underlying Certificates backing the Certificates of such Series Trust.*

## Weighted Average Life and Final Distribution Dates

The weighted average life of a security refers to the average length of time, weighted by principal, that will elapse from the date of issuance to the date each dollar of principal is repaid to the investor. The weighted

average life of a Certificate is determined by (a) multiplying the amount of the reduction, if any, of the principal balance of such Certificate from one Distribution Date to the next Distribution Date by the number of years from the date of issuance to the second such Distribution Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the reductions in principal balance of such Certificate referred to in clause (a). The weighted average life of the Certificates will be influenced by, among other factors, the rate at which principal payments (including scheduled payments, principal prepayments, liquidations due to default, casualty and condemnation and payments made pursuant to any guaranty of payment by, or option to repurchase of, Fannie Mae) are made on the underlying Mortgage Loans. Prepayments of principal of the Mortgage Loans underlying the Certificates of a Mortgage Loan Series Trust or underlying MBS or, to the extent set forth in the related Prospectus Supplement, Underlying Certificates, will be applied to principal distributions on the Certificates.

The Final Distribution Date for Certificates of a particular Class is the date by which the principal balance is required to be fully paid and will be specified in the related Prospectus Supplement. The Final Distribution Dates of the respective Classes of Certificates of a Series will be determined so that scheduled payments on Mortgage Loans directly underlying such Certificates or scheduled distributions on the underlying MBS and, if the Prospectus Supplement so specifies, on the Underlying Certificates will be sufficient to retire each such Class of the related Series Trust on or before its Final Distribution Date without the necessity of any call on Fannie Mae under its guaranty of the Certificates.

The Prospectus Supplement for each Series of Certificates will contain a table setting forth the weighted average life of each Class of Certificates of such Series, and, for any Class of Certificates that has an original principal balance, the percentage of original principal amount of each Class of Certificates of such Series that would be outstanding on specified Distribution Dates for such Series, on the assumption that prepayments on the Mortgage Loans, whether constituting assets of a Series Trust or underlying the MBS or Underlying Certificates therein, are made at such rates and on such other assumptions as may be specified in such Prospectus Supplement. The actual final distribution on each Class of Certificates that is directly backed by Mortgage Loans or MBS or, if so specified in the related Prospectus Supplement, that is directly backed by Underlying Certificates, may occur earlier, and could occur significantly earlier, than its Final Distribution Date because (i) the rate of distribution on the Certificates will be affected by the actual rate of payment (including prepayments) of principal on the Mortgage Loans and (ii) some Mortgage Loans may have stated maturities prior to the dates assumed and may have interest rates lower than that assumed. However, there can be no assurance that the final distribution of principal of any Class of Certificates will be earlier than the Final Distribution Date specified for such Class in the related Prospectus Supplement.

In general, when the level of prevailing interest rates declines sufficiently relative to the interest rates on fixed-rate mortgage loans, the rate of prepayments is likely to increase, although the prepayment rate is influenced by a number of other factors, including the existence in any mortgage loan of provisions that prevent prepayment for a number of years or during certain periods, any obligation to pay a premium, penalty or other fee in connection with a prepayment and general economic, geographic, social and other conditions. See "—Other Considerations" herein and "Description of the Certificates—Weighted Average Lives of the Certificates" in the related Prospectus Supplement. Accordingly, Fannie Mae cannot estimate what the prepayment experience of the Mortgage Loans underlying, directly or indirectly, any Series of Certificates will be.

Fannie Mae has agreed not to effect (i) directly an early termination of any Mortgage Loan Series Trust through the exercise of its right to repurchase the Mortgage Loans in such a Trust unless the principal balance of such Mortgage Pool or Mortgage Pools at the time of repurchase is less than a specified percentage (one percent, unless the Prospectus Supplement specifies otherwise) of the original principal balance thereof or (ii) directly an early termination of any MBS Series Trust through the exercise of its right to repurchase the MBS in such MBS Series Trust, or indirectly an early termination of any MBS Series Trust through the exercise of its right, as described in "Description of Certificates—Termination" in the MBS Prospectus, to repurchase the Mortgage Loans underlying any MBS in such Series Trust, in each case unless the principal balance of such Mortgage Pool at the time of repurchase is less than a specified percentage (one percent, unless the Prospectus Supplement specifies otherwise) of the original principal balance of such Mortgage Pool. See "The Trust Agreement—Termination." Unless a Prospectus Supplement provides otherwise, Fannie Mae will not have a right to purchase any Mortgage Loans underlying Underlying Certificates included in a Underlying Series Trust. The rights, if any, of Fannie Mae to purchase any Underlying Certificates backing an Underlying Series Trust will be described in the related Prospectus Supplement. In addition, the related Prospectus Supplement will contain a description of the rights, if any, of the servicer or special servicer or any other person to purchase Mortgage Loans in a Mortgage Loan Series Trust under the Sale and Servicing Agreement or otherwise or the Underlying Servicer or any other

person under the Underlying Pooling and Servicing Agreement to purchase the Mortgage Loans in an Underlying Series Trust.

Acceleration of mortgage payments as a result of transfers of the mortgaged property is another factor affecting prepayment rates. Conventional Mortgage Loans generally provide by their terms that in the event of the transfer or prospective transfer of title to the underlying mortgaged property the full unpaid principal balance of the Mortgage Loan is due and payable at the option of the holder. FHA Mortgage Loans contain no such "due-on-sale" provisions. As set forth under "Description of the Certificates—Collection and Other Servicing Procedures—*Mortgage Loan Series Trust*" and "*MBS Series Trust*" below, Fannie Mae will not exercise its right to accelerate the maturity of Conventional Mortgage Loans containing enforceable "due-on-sale" provisions upon certain transfers of the related Mortgaged Property. The extent to which a servicer, special servicer or other person will be required under the related Sale and Servicing Agreement, or the Underlying Servicer will be required, to exercise its right to accelerate the maturity of Conventional Mortgage Loans backing Certificates or Underlying Certificates, respectively, will be set forth in the related Prospectus Supplement. Consequently, transfers of the underlying Mortgaged Property may not affect prepayments on FHA Mortgage Loans to the same extent as on Conventional Mortgage Loans with comparable interest rates.

### **PURCHASE PROGRAM**

Set forth below is a description of certain aspects of Fannie Mae's purchase program for Mortgage Loans eligible for inclusion in a Mortgage Pool, whether directly backing Certificates or backing MBS (the "Multifamily Program"). The related Prospectus Supplement to be prepared with respect to each Series of Certificates will contain information on the Mortgage Loans in the Mortgage Pool or Mortgage Pools, including information as to the type of Mortgage Loans, the aggregate principal balance of the Mortgage Loans as of the Certificate Issue Date, the MBS Pass-Through Rate for each MBS backed by Fixed-Rate Mortgage Pools, the initial Pool Accrual Rate for each MBS backed by an ARM Mortgage Pool and the latest maturity date of any Mortgage Loan.

Unless the related Prospectus Supplement otherwise specifies, the Mortgage Loans backing the Underlying Certificates included in an Underlying Trust will generally conform to the Multifamily Program.

#### **Lender Eligibility**

Fannie Mae will purchase Mortgage Loans from eligible federally and state-chartered savings and loans associations, mutual savings banks, commercial banks, credit unions, and similar financial institutions, the deposits or accounts of which are insured by a fund administered by the Federal Deposit Insurance Corporation ("FDIC") or the National Credit Union Administration ("NCUA"), from certain other state-insured financial institutions, and from certain institutions, principally mortgage bankers or sponsors of mortgage conduits, that are mortgage sellers approved by Fannie Mae. Fannie Mae, on an individual institution basis, will determine whether such institutions will be approved as Lenders for the Multifamily Program by applying certain criteria, which may include depth of mortgage origination experience, servicing experience, and financial capacity. Approved Lenders will be party with Fannie Mae to a Mortgage Selling and Servicing Contract and, generally, a Sale and Servicing Agreement (in the case of a Mortgage Loan Series Trust) or a Special Pool Purchase Contract (in the case of an MBS Series Trust).

#### **Mortgage Loan Eligibility**

Each Mortgage Loan purchased for inclusion in a Mortgage Pool will be subject to and must comply with the terms of the current Multifamily Guide and the Negotiated Multifamily MBS Announcement for Swap Transactions, in each case as amended, supplemented or replaced from time-to-time (the "Guide"), but Fannie Mae may grant an exception with respect to certain requirements pursuant to any applicable Sale and Servicing Agreement (in the case of a Mortgage Loan Series Trust) or Special Pool Purchase Contract or otherwise.

All Mortgage Loans will be evidenced by promissory notes ("Mortgage Notes") secured by first or (if the Prospectus Supplement so provides) second mortgages, deeds of trust or other similar security instruments creating a first or (if the Prospectus Supplement so provides) second lien, as applicable, on the fee or leasehold interests of the related mortgagors in Mortgaged Property (such instruments and any other documents that secure a Mortgage Loan, together with the related Mortgage Note, the "Mortgage"). A Mortgage Pool directly backing MBS will consist entirely of Fixed-Rate Mortgage Loans or ARM Mortgage Loans. Unless the related Prospectus Supplement otherwise specifies, an ARM Mortgage Pool may include ARM Mortgage Loans with

Mortgage Interest Rate adjusted periodically (with corresponding adjustments in the amount of monthly payments) to equal the sum (which may be rounded) of a fixed margin and an index described in such Prospectus Supplement, subject to any applicable restrictions on such adjustments. A Mortgage Pool directly backing Certificates or backing Underlying Certificates may consist of both Fixed-Rate Mortgage Loans and ARM Mortgage Loans and, to the extent set forth in the related Prospectus Supplement, may also include other types of Mortgage Loans.

The original principal balance of each Mortgage Loan is restricted by Fannie Mae's Charter Act to no greater than 125 percent of the dollar amounts set forth in Section 207(c)(3) of the National Housing Act, except that in high cost areas designated by the U.S. Department of Housing and Urban Development, the per unit limitations are 240 percent of the Section 207(c)(3) dollar amounts. The limits in any high cost area are:

| <u>Number of<br/>Bedrooms</u> | <u>Non-<br/>Elevator<br/>Structure</u> | <u>Elevator<br/>Structure</u> |
|-------------------------------|----------------------------------------|-------------------------------|
| 0                             | \$ 73,008                              | \$ 84,240                     |
| 1                             | 80,870                                 | 94,349                        |
| 2                             | 96,595                                 | 115,690                       |
| 3                             | 119,059                                | 144,893                       |
| 4                             | 141,984                                | 163,829                       |

For example, if a Mortgaged Property contains 100 two-bedroom units in an elevator structure within a high cost area, the maximum original Mortgage Loan would be \$11,569,000. If the Mortgaged Property is not in a high cost area, the maximum original Mortgage Loan would equal the Section 207(c)(3) loan limitation times 125 percent times the number of units. However, to a limited extent, amounts attributable to nonresidential components of the Mortgaged Properties may be deducted from the per unit amount of the Mortgage Loan.

A Mortgage Pool may include FHA Mortgage Loans. FHA Mortgage Loans will be insured under various FHA programs, including the FHA 221 and 223 programs to finance certain multifamily residential rental properties. FHA Mortgage Loans generally require a minimum down payment of approximately 5% of the original principal amount of the FHA Mortgage Loan. No FHA Mortgage Loan may have an interest rate or original principal amount exceeding the applicable FHA limits at the time of origination of such FHA Mortgage Loan.

## DESCRIPTION OF THE CERTIFICATES

### General

The Guaranteed Multifamily REMIC Pass-Through Certificates ("Certificates") are issued and guaranteed by the Federal National Mortgage Association ("Fannie Mae"), a corporation organized and existing under the laws of the United States, under the authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*). The Certificates of each Series will be issued and guaranteed and each Series Trust will be maintained pursuant to the terms of a trust agreement which, in the case of a Series directly backed by Mortgage Loans or MBS, may include an issue supplement for such Series (the "Series Supplement"), each executed by Fannie Mae in its corporate capacity and in its capacity as Trustee (in the case of a Series directly backed by Mortgage Loans or MBS, such trust agreement and any Series Supplement collectively, the "Trust Agreement"; and, in the case of a Series directly backed by Underlying Certificates, such trust agreement individually, the "Trust Agreement"). The Trust Agreement as supplemented by any Series Supplement will set forth the specific terms of the Series of Certificates, such as the Pass-Through Rate applicable thereto in the case of a Fixed-Rate Mortgage Pool, the Certificate Issue Date and, with respect to an Underlying Series Trust, a description of the extent to which the Fannie Mae guaranty will cover the payment of interest on and principal of the Certificates. The Series Supplement will also contain any variation from the basic Trust Agreement applicable to the particular Series of Certificates, any such material variation also to be described in the related Prospectus Supplement.

The Certificates together, in the case of a Mortgage Loan Series Trust or Underlying Series Trust, with any Subordinate Classes, of each Series will represent the entire beneficial ownership interest in the Series Trust created pursuant to the Trust Agreement related to such Series, subject to the limits and the order of distribution described herein and in the related Prospectus Supplement. Each Series Trust will consist of one of the following:

(i) a Mortgage Pool of Mortgage Loans and the Trust Account and all cash and investments held therein, (ii) MBS, held directly or indirectly therein, representing all or part of the beneficial ownership interests in one or more Mortgage Pools and the Trust Account and all cash and investments held therein or (iii) Underlying Certificates, held directly or indirectly therein, representing all or part of the beneficial ownership interests in one or more Mortgage Pools and the Trust Account and all cash and investments held therein.

Each Series of Certificates will include two or more Classes, which may include one or more Classes upon which for any Distribution Date all or a portion of the interest then due may accrue but be undistributed (each, an "Accrual Class"). Interest accrued on each Accrual Class of Certificates will be distributable to the extent provided in the related Prospectus Supplement, the amount of any interest accrued and undistributed as of any Distribution Date being added to the principal balance of each Certificate of such Class. Any accrued interest so added will accrue interest from such Distribution Date or from such other date as may be specified in the related Prospectus Supplement.

The following summaries describe certain provisions common to each Series of Certificates. The summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the Prospectus Supplement and the provisions of the Trust Agreement relating to each Series of Certificates and, in the case of an Underlying Series Trust, the related Underlying Pooling and Servicing Agreement. When particular provisions or terms used in the Trust Agreement are referred to, the actual provisions (including definitions of terms) are incorporated by reference as part of such summaries.

#### **Denominations, Certificate Form**

Unless otherwise specified in the related Prospectus Supplement, the Certificates, other than any Residual Certificate, offered hereby and by the related Prospectus Supplement will be issued in minimum denominations of \$1,000 and integral multiples of \$1 in excess thereof. The book-entry Certificates will be maintained on the book-entry system of the Federal Reserve Banks in a manner that permits separate trading and ownership. Each Class of Certificates will be assigned a CUSIP number and will be tradeable separately under such CUSIP number.

Fannie Mae's fiscal agent for the book-entry Certificates is the Federal Reserve Bank of New York. The Federal Reserve Banks will issue such Certificates in book-entry form and will maintain book-entry accounts with respect to such Certificates and make distributions on such Certificates on behalf of Fannie Mae on the applicable Distribution Dates by crediting Holders' accounts at the Federal Reserve Banks.

Book-entry Certificates may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Such entities whose names appear on the book-entry records of the Federal Reserve Banks as the entities for whose accounts the Certificates have been deposited are herein referred to as "Holders" or "Certificateholders." A Holder is not necessarily the beneficial owner of a book-entry Certificate. Beneficial owners will ordinarily hold book-entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of a Certificate, and each other financial intermediary in the chain to the beneficial owner, will have the responsibility of establishing and maintaining accounts for their respective customers. The rights of the beneficial owner of a book-entry Certificate with respect to Fannie Mae and the Federal Reserve Banks may be exercised only through the Holder of such Certificate. Fannie Mae and the Federal Reserve Banks will have no direct obligation to a beneficial owner of a book-entry Certificate that is not also the Holder of the Certificate. The Federal Reserve Banks will act only upon the instructions of the Holder in recording transfers of a book-entry Certificate.

A Fiscal Agency Agreement between Fannie Mae and the Federal Reserve Bank of New York makes generally applicable to the book-entry Certificates (i) regulations governing Fannie Mae's use of the book-entry system, contained in 24 C.F.R. Part 81, Subpart E, and (ii) such procedures, insofar as applicable, as may from time to time be established by regulations of the United States Department of the Treasury governing United States securities, as now set forth in Treasury Department Circular Number 300, 31 C.F.R. Part 306 (other than Subpart O). The book-entry Certificates are also governed by applicable operating circulars and letters of the Federal Reserve Bank.

The Residual Certificates offered hereby and by the related Prospectus Supplement will not be issued in book-entry form but will be issued in fully registered, certificated form. As to a Residual Certificate, "Holder" or "Certificateholder" refers to the registered owner thereof. The Residual Certificates will be transferable and exchangeable at the corporate trust office of the Transfer Agent as specified in the related Prospectus Supplement. A service charge may be imposed for any exchange or registration of transfer of a Residual Certificate and Fannie Mae may require payment of a sum sufficient to cover any tax or other governmental

charge. Distributions on the Residual Certificates of any Series will be made in the manner set forth in the related Prospectus Supplement.

### **The MBS and Underlying Certificates**

Unless the related Prospectus Supplement provides otherwise, each MBS will be backed by one or more Mortgage Pools that may consist of Conventional Mortgage Loans or FHA Mortgage Loans. The general characteristics of the MBS are described in the MBS Prospectus, and specific information regarding the MBS, including the Pass-Through Rate for MBS backed by Fixed-Rate Mortgage Loans (the "MBS Pass-Through Rate") and the Pool Accrual Rate for MBS backed by ARM Mortgage Loans (the "MBS Pool Accrual Rate") and the WACs and WAMs of the Mortgage Loans underlying the MBS included in a MBS Series Trust will be contained in the related Prospectus Supplement.

The Underlying Certificates will be backed by one or more Mortgage Pools that may consist of Conventional Mortgage Loans, FHA Mortgage Loans, Fixed-Rate Mortgage Loans, ARM Mortgage Loans or other types of Mortgage Loans or any combination thereof, as will be described in the related Prospectus Supplement. The other characteristics of the Underlying Certificates constituting assets of an Underlying Series Trust, including the interest rates borne by such Certificates, and specific information about the Mortgage Loans backing such Certificates will be contained in the related Prospectus Supplement.

### **Class Definitions and Abbreviations**

Classes of Certificates fall into different categories. The following chart identifies and generally defines most categories. The first column of the chart shows Fannie Mae's abbreviation for each category. The cover page of each Prospectus Supplement will identify the categories of Classes of the related Series of Certificates by means of one or more of these abbreviations.

| <u>Abbreviation</u>    | <u>Category of Class</u> | <u>Definition</u>                                                                                                                                                                                                                                                                                                                                                               |
|------------------------|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>PRINCIPAL TYPES</b> |                          |                                                                                                                                                                                                                                                                                                                                                                                 |
| AD                     | Accretion Directed       | A Class that receives principal payments from the accreted interest from specified Accrual Classes. An Accretion Directed Class also may receive principal payments from principal paid on the underlying MBS, Underlying Certificates or other assets of the related Series Trust.                                                                                             |
| AFC                    | Available Funds          | A Class that receives as principal specified principal payments on the underlying assets of the related Series Trust and that may receive as principal the interest paid on such assets to the extent such interest exceeds certain required interest distributions on such Class as set forth in the related Prospectus Supplement.                                            |
| CPT                    | Component                | A Class consisting of "Components." The Components of a Component Class may have different principal and/or interest payment characteristics but together constitute a single Class. Each Component of a Component Class may be identified as falling into one or more of the categories in this chart.                                                                         |
| NPR                    | No Payment Residual      | A Residual Class that receives no payments of principal.                                                                                                                                                                                                                                                                                                                        |
| NSJ                    | Non-Sticky Jump          | A Class whose principal payment priorities change temporarily upon the occurrence of one or more "trigger events." A Non-Sticky Jump Class "jumps" to its new priority on each Distribution Date when the trigger condition is met and reverts to its original priority (does not "stick" to the new priority) on each Distribution Date when the trigger condition is not met. |
| NTL                    | Notional                 | A Class having no principal balance and bearing interest on the related notional principal balance. The notional principal balance is used for purposes of the determination of interest distributions on an Interest Only Class that is not entitled to principal.                                                                                                             |

| Abbreviation | Category of Class                 | Definition                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PAC          | PAC (or Planned Principal Class)  | A Class that is designed to receive principal payments using a predetermined principal balance schedule derived by assuming two <i>constant</i> prepayment rates for the underlying Mortgage Loans. These two rates are the endpoints for the "structuring range" for the PAC Classes. The PAC Classes in any Series of Certificates may be subdivided into different categories (e.g., <i>Type I PAC Classes</i> , <i>Type II PAC Classes</i> and so forth (standard abbreviations: <i>PAC I</i> , <i>PAC II</i> and so forth)) having different effective structuring ranges and different principal payment priorities. The structuring range for the PAC II Class of a Series of Certificates is narrower than that for the PAC I Class of such Series. |
| PT           | Pass-Through                      | A Class that is designed to receive principal payments based on actual or scheduled payments on the underlying Mortgage Loans, or actual or scheduled distributions on the underlying MBS or Underlying Certificates.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| SCH          | Scheduled                         | A Class that is designed to receive principal payments using a predetermined principal balance schedule but is not designated as a PAC or TAC Class. In many cases, the schedule is derived by assuming two <i>constant</i> prepayment rates for the underlying Mortgage Loans. These two rates are the endpoints for the "structuring range" for the Scheduled Class.                                                                                                                                                                                                                                                                                                                                                                                      |
| SEQ          | Sequential Pay                    | Classes that receive principal payments in a prescribed sequence, that do not have predetermined schedules and that under all circumstances receive payments of principal continuously from the first Distribution Date on which they receive principal until they are retired. A single Class that receives principal payments before or after all other Classes in the same Series of Certificates may be identified as a Sequential Pay Class.                                                                                                                                                                                                                                                                                                           |
| SJ           | Sticky Jump                       | A Class whose principal payment priorities change permanently upon the occurrence of one or more "trigger events." A Sticky Jump Class "jumps" to its new priority on the first Distribution Date when the trigger condition is met and retains ("sticks" to) that priority until retired.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| STP          | Strip                             | A Class that receives a constant proportion, or "strip," of the principal payments on the underlying MBS, Underlying Certificates or other assets of the Series Trust.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| SUP          | Support (or Companion)            | A Class that receives principal payments on any Distribution Date only if scheduled payments have been made on specified PAC, TAC and/or Scheduled Classes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| TAC          | TAC (or Targeted Principal Class) | A Class that is designed to receive principal payments using a pre-determined principal balance schedule derived by assuming a single <i>constant</i> prepayment rate for the underlying Mortgage Loans.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| XAC          | Index Allocation Class            | A Class whose principal payment allocation is based on the value of an index.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

#### INTEREST TYPES

|     |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AFC | Available Funds | A Class that receives as interest certain payments on the underlying assets of the related Series Trust, which payments may be insufficient on any Distribution Date to cover fully the accrued and unpaid interest thereon at the specified interest rate for the related Interest Accrual Period. In the event of any such insufficiency, the unpaid interest amount may be carried over to subsequent Distribution Dates (and such unpaid interest amount may itself accrue interest) until payments, as specified in the related Prospectus Supplement, are sufficient to cover all such unpaid interest amounts. It is possible that such insufficiencies will remain unpaid and, in such case, such insufficiencies will not be covered by Fannie Mae's guaranty. |
|-----|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| <u>Abbreviation</u> | <u>Category of Class</u> | <u>Definition</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CPT                 | Component                | A Class that consists of two or more segments or "components." The components of a Component Class may have different interest payment characteristics but together constitute a single Class. Each component of a Component Class may be identified as falling into one or more categories in this chart.                                                                                                                                                                                                                                                                                                      |
| EXE                 | Excess                   | A Residual Class that receives any principal and interest paid on the underlying MBS, Underlying Certificates or other assets of a Series Trust in excess of the amount of the prescribed principal and interest required to be paid on all Classes of Certificates in the Series. Excess Classes sometimes have specified principal balances but no specified interest rate.                                                                                                                                                                                                                                   |
| FIX                 | Fixed Rate               | A Class whose interest rate is fixed throughout the life of the Class.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| FLT                 | Floating Rate            | A Class with an interest rate that resets periodically based upon a designated index and that varies directly with changes in such index.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| IDC                 | Index Differential       | A Class that bears a floating interest rate computed in part on the basis of the difference between two designated indices (e.g., LIBOR and the Ten-Year Treasury Index).                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| INV                 | Inverse Floating Rate    | A Class with an interest rate that resets periodically based upon a designated index and that varies inversely with changes in such index.                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| IO                  | Interest Only            | A Class that receives some or all of the interest payments made on the underlying MBS, Underlying Certificates or other assets of the Series Trust and little or no principal. Interest Only Classes have either a nominal or a notional principal balance. A nominal principal balance represents actual principal that will be paid on the Class. It is referred to as nominal since it is extremely small compared to other Classes. A notional principal balance is the amount used as a reference to calculate the amount of interest due on an Interest Only Class that is not entitled to any principal. |
| NPR                 | No Payment Residual      | A Residual Class that receives no payments of interest.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| PO                  | Principal Only           | A Class that does not bear interest and is entitled to receive only payments of principal.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| PZ                  | Partial Accrual          | A Class that accretes a portion of the amount of accrued interest thereon, which amount will be added to the principal balance of such Class on each applicable Distribution Date, with the remainder of such accrued interest to be distributed currently as interest on such Class. Such accretion may continue until a specified event has occurred or until such Partial Accrual Class is retired.                                                                                                                                                                                                          |
| WAC                 | Weighted Average Coupon  | A Class whose Class coupon represents blended interest rates that may change from period to period. A WAC Class may consist of Components, some of which have different interest rates.                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Z                   | Accrual                  | A Class that accretes the amount of accrued interest otherwise distributable on such Class, which amount will be added as principal to the principal balance of such Class on each applicable Distribution Date. Such accretion may continue until some specified event has occurred or until such Accrual Class is retired.                                                                                                                                                                                                                                                                                    |

#### OTHER TYPES

|     |              |                                                                                                                                                                                                                                                                                        |
|-----|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LIQ | Liquid Asset | A Class that is intended to qualify as "liquid assets" for purposes of the liquidity requirements applicable to certain depository institutions. Any Class designated as a Liquid Asset Class will have a Final Distribution Date not later than five years from its date of issuance. |
|-----|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| <u>Abbreviation</u> | <u>Category of Class</u> | <u>Definition</u>                                                                                                                                                                                                                                                                                                                                            |
|---------------------|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RTL                 | Retail                   | A Class that is designated for sale to retail investors. Retail Classes frequently are sold in small "units" or other increments and issued in book-entry form through the facilities of the Depository Trust Company. Retail Classes may be entitled to receive distributions of principal in accordance with special priorities and allocation procedures. |

### **Distributions of Interest**

The Certificates of each interest-bearing Class will bear interest on their unpaid principal or notional principal balances from the date and at the rate per annum specified in (or determined as specified in) the related Prospectus Supplement (calculated, unless otherwise specified in the related Prospectus Supplement, on the basis of a 360-day year of twelve 30-day months) until the principal amount of the Certificates of such Class is paid in full. Interest accrued on the interest-bearing Classes other than an Accrual Class during any Interest Accrual Period will be distributable on the Distribution Dates and at the applicable interest rates specified in the related Prospectus Supplement. Interest accrued on each Accrual Class will be distributable to the extent provided in the related Prospectus Supplement, the amount of any interest accrued and undistributed as of any Distribution Date being added to the principal balance of each Certificate of such Class. Any accrued interest so added will accrue interest from such Distribution Date or from such other date as may be specified in the related Prospectus Supplement.

### **Distributions of Principal**

On each Distribution Date for a Series of Certificates, Fannie Mae will be obligated to make principal distributions in the manner described in the related Prospectus Supplement to the Holders of the Certificates of such Series as to which principal is then due, and each such Class of Certificates will be fully paid no later than the Final Distribution Date for such Class specified in such Prospectus Supplement.

Unless the related Prospectus Supplement provides otherwise, the total amount of each principal distribution required to be made on the Certificates of a Series on a Distribution Date will be equal to the sum of (i) the interest, if any, that has accrued on the Accrual Classes of such Series during the preceding Interest Accrual Period but is not yet payable; and (ii) an amount equal to (A) all payments of principal on the Mortgage Loans for the related Due Period (in the case of a Mortgage Loan Series Trust) or (B) all distributions of principal of the MBS for the related Deposit Period or all distributions of principal of the Underlying Certificates for the related Due Period (in the case of a MBS Series Trust or an Underlying Series Trust, respectively). The Prospectus Supplement for each Series of Certificates will specify the manner in which the amount of such aggregate principal distribution will otherwise be determined. Unless otherwise specified in the related Prospectus Supplement, the timing for the distributions of prepayments in respect of a Mortgage Loan backing a Mortgage Loan Series Trust or an MBS is subject to the receipt of information about such prepayment from the servicer of such Mortgage Loan in sufficient time to allow the monthly factors published in the Fannie Mae Monthly Factor Report in the Bond Buyer or elsewhere to reflect such prepayment. In the event that timely information is not available, Fannie Mae will distribute such prepayment on the Distribution Date in the next month. Fannie Mae does not currently receive information concerning partial prepayments of Mortgage Loans in Mortgage Pools consisting of Mortgage Loans from Fannie Mae's portfolio in sufficient time for their inclusion in next month's distribution. For purposes of distributions, a Mortgage Loan will be considered to have been paid in full if, in the reasonable judgment of Fannie Mae or any servicer or special servicer engaged thereby, the full amount finally recoverable on account of such Mortgage Loan has been received, whether or not such full amount is equal to the Stated Principal Balance (as hereinafter defined) of the Mortgage Loan. The timing for the distributions of prepayments in respect of a Mortgage Loan backing Underlying Certificates in an Underlying Series Trust will be as described in the related Prospectus Supplement.

Distributions on any Distribution Date will be made to Certificateholders of record on the prior Record Date (the close of business on the last day of the immediately preceding month).

### **Fannie Mae's Guaranty**

Pursuant to the guaranty of the Certificates, Fannie Mae will be obligated to distribute on a timely basis to Holders of Certificates, whether backed by Mortgage Loans or MBS, required installments of principal and interest to the extent set forth in the related Prospectus Supplement and to distribute the principal balance of

each Class of Certificates in full no later than the applicable Final Distribution Date, whether or not sufficient funds are available in the Trust Account. In addition, in the case of the MBS Series Trust, pursuant to the guaranty of the MBS, Fannie Mae will guaranty the timely payment of scheduled installments of principal of and interest on the underlying Mortgage Loans, together with the full principal balance of any foreclosed Mortgage Loan, whether or not such balance is actually recovered.

Fannie Mae's guaranty of Certificates and MBS evidencing direct beneficial ownership interests in ARM Mortgage Pools will cover the principal of each underlying ARM Mortgage Loan, including any portion thereof representing deferred interest. Its guaranty of interest will cover all interest due and payable by the mortgagor (net of the servicing fee and the Fannie Mae fees, including its guaranty fee). Fannie Mae also will add to the amount of interest accompanying the prepayment of an underlying ARM Mortgage Loan any amount by which such interest that is distributable to Holders of Certificates and holders of MBS is less than one month's interest at the rate that accrues to Holders of Certificates and holders of MBS, respectively, on the ARM Mortgage Loan on the prepaid principal balance thereof. As a consequence, the timing of the prepayment of an ARM Mortgage Loan will have no effect, for the month in which such prepayment is made, on the interest return to Holders of Certificates and holders of MBS.

If Fannie Mae were unable to perform the foregoing guaranty obligations, distributions to Certificateholders would consist solely of payments and other recoveries on the underlying Series Trust Assets and, accordingly, delinquencies and defaults on the Mortgage Loans or MBS, as applicable, would affect distributions to Certificateholders.

The extent to which Fannie Mae's guaranty will cover the payment of interest on and principal of Certificates backed by Underlying Certificates will be set forth in the related Prospectus Supplement. Fannie Mae will not guarantee any such Underlying Certificates, but Fannie Mae will guarantee the interest on and principal of Mortgage Loans that back Underlying Certificates to the extent of the indirect beneficial ownership interest of the Certificates of a Series in such Mortgage Loans, unless the related Prospectus Supplement specifies otherwise.

The obligations of Fannie Mae under its guaranties are obligations solely of Fannie Mae and are not backed by, nor entitled to, the full faith and credit of the United States.

Fannie Mae will not guarantee the collection from any mortgagor or the Lender or other servicer of any Yield Maintenance Charge or Prepayment Premium payable in connection with a principal prepayment on a Mortgage Loan, and in the event a Trust Agreement entitles Certificateholders to receive a distribution of such Yield Maintenance Charge Prepayment Premium, such Certificateholders will receive such Yield Maintenance Charge Prepayment Premium only to the extent it is actually collected from the mortgagor and paid by the Lender or other servicer to the Trustee.

#### **Payments on Series Trust Assets; Deposits in the Trust Account**

##### *Mortgage Loan Series Trust*

Unless the Prospectus Supplement otherwise specifies, on each Distribution Date, Fannie Mae will deposit or credit to one or more accounts (collectively, the "Trust Account") an amount equal to (i) the principal due on the Mortgage Loans in the related Mortgage Pool during the related Due Period, to the extent distributable to Holders of Certificates, (ii) the Stated Principal Balance<sup>(1)</sup> of any such Mortgage Loan that was prepaid in full during the month preceding the month of such deposit (including as prepaid for this purpose any Mortgage Loan repurchased by Fannie Mae as described herein because of Fannie Mae's election to repurchase the Mortgage Loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest), (iii) (A) the Stated Principal Balance of any Mortgage Loan that Fannie Mae has elected to repurchase (or the principal component of the purchase price payable by Fannie Mae in connection with any such election) under the circumstances described in "Collection and Other Servicing Procedures—*Mortgage Loan Series Trust*" below or (B) the principal component of the purchase price any other person with such right which elected to purchase, as shall be described in the related Prospectus Supplement, (iv) the amount of any partial prepayment of any Mortgage Loan received during the month preceding the month of such distribution, and (v) one month's interest at the Pass-Through Rate on the principal balance of the Certificates, in the case of a Fixed-Rate Mortgage Pool, or the amount of interest due on the ARM Mortgage Loans during the applicable Due

(1) Unless otherwise provided in the related Prospectus Supplement, all references herein to the Stated Principal Balance of a Mortgage Loan or to the aggregate Stated Principal Balance of all Mortgage Loans in a Mortgage Pool are to the principal balance or aggregate principal balance, as the case may be, utilized by Fannie Mae in calculating the then-outstanding principal balances of Certificates. Such Stated Principal Balances may differ from actual principal balances for a number of reasons, including supplemental payments by Fannie Mae on delinquent Mortgage Loans pursuant to its guaranty obligations and delays in the distribution of certain Mortgage Loan receipts.

Period (net of the servicing fee and the Fannie Mae fees, including its guaranty fee or other expenses payable therefrom), to the extent distributable to Holders of Certificates. Amounts credited to the Trust Account on a Distribution Date will be available to be distributed to Holders of Certificates on such date. See "—Distributions of Principal" for a description of the timing of distributions of prepayments in respect of a Mortgage Loan backing a Mortgage Loan Series Trust or an MBS.

Certain amounts remaining in the Trust Account on such Distribution Date following the required distribution of principal of and interest on the Certificates may be used to pay administrative expenses of the Mortgage Loan Series Trust.

#### *MBS Series Trust*

On each Distribution Date, Fannie Mae will deposit or credit to the Trust Account an amount equal to the sum of the distributions of the principal of and interest on the MBS in the related Series Trust. See "Description of Certificates—Payments on Mortgage Loans; Distributions on Certificates" in the MBS Prospectus. Amounts credited to the Trust Account on a Distribution Date will be available to be distributed to Holders on such date.

Certain amounts remaining in the Trust Account on each Distribution Date following the required distribution of principal of and interest on the Certificates may be used to pay administrative expenses of the MBS Series Trust.

#### *Underlying Series Trust*

Unless the Prospectus Supplement otherwise specifies, on each Distribution Date, distributions will be required to be made of the principal of and interest on the Underlying Certificates. The amount of distributions on the Underlying Certificates, the deposit or credit by Fannie Mae of amounts into the related Trust Account, whether representing distributions on the Underlying Certificates or payments under the Fannie Mae guaranty, and application of such deposits to make distributions on related Certificates and to make any other payments, will be set forth in the related Underlying Pooling and Servicing Agreement and Trust Agreement and described in the related Prospectus Supplement.

#### **Retention by Fannie Mae of Trust Account**

The Trust Agreement permits Fannie Mae as Trustee to maintain the Trust Account (i) as a trust account with an eligible depository institution (which account may contain other funds held by Fannie Mae in a trust capacity), (ii) as part of Fannie Mae's general assets, with appropriate entries being made on its books and records designating the funds and investments credited to the applicable Series Trust or (iii) any combination of accounts or book entries described in clauses (i) and (ii) above.

As noted above, Fannie Mae, as Trustee, has the option to maintain the Trust Account as part of its general assets, by making appropriate entries on its books and records designating the funds and investments credited to a Series Trust. Although Fannie Mae is required to hold all such funds (and, upon deposit in such Account, the investment of such funds) for the account of Certificateholders in the related Series Trust, the law applicable to a liquidation, reorganization or similar proceeding involving the assets of Fannie Mae is unclear and as a result no opinion can be rendered as to the status of Certificateholders' interest in such funds and investments in the event of any such proceeding.

#### **Reports to Certificateholders**

##### *Mortgage Loan Series Trust*

As soon as practicable following the eleventh calendar day of each month, Fannie Mae will publish or otherwise make available to Holders of Certificates directly backed by Mortgage Loans the REMIC Trust Factor (carried to eight decimal places) for each Class of such Certificates after giving effect to the distribution of principal to be made on the following Distribution Date (and the accretion of principal of any Accrual Classes). The principal balance of a Certificate of any Class after giving effect to such principal distribution (and accretion) will be the product of the applicable REMIC Trust Factor and the applicable denomination or initial principal balance of such Certificate. With respect to each distribution on Certificates of each Class, Fannie Mae will cause to be forwarded to each Holder thereof a statement setting forth the total principal and/or interest distributions on such Distribution Date with respect to the Certificates in each Class held by such Holder. Fannie Mae also will furnish to each person who was a Certificateholder at any time during a calendar year such

statements and information as shall be required to be furnished pursuant to the Internal Revenue Code of 1986, as amended (the "Code").

In addition, Fannie Mae will make available, in an electronic or other format, information with respect to the Certificates, the Subordinate Classes, and/or the Mortgage Loans.

Calculations with respect to amounts due to Certificateholders will be made by Fannie Mae or on its behalf by another entity retained specifically for that purpose.

#### *MBS Series Trust*

The reports to be provided to Holders of Certificates backed by MBS are set forth in the first paragraph under "*Mortgage Loan Series Trust*" above.

Calculations with respect to amounts due to Certificateholders will be made by Fannie Mae or on its behalf by another entity retained specifically for that purpose.

#### *Underlying Series Trust*

Unless otherwise specified in the Prospectus Supplement, the reports to be provided to Holders of Certificates backed by Underlying Certificates will be identical to those described under "*MBS Series Trust*" above.

### **Servicing Through Lenders**

#### *Mortgage Loan Series Trust*

Pursuant to the Trust Agreement, Fannie Mae is responsible for servicing and administering the Mortgage Loans in a Mortgage Loan Series Trust, or, in its discretion, is permitted to contract with the Lender or another eligible servicer, to perform all or part of such servicing, as will be more fully described in the related Prospectus Supplement. Any servicing contract or arrangement by Fannie Mae with a Lender or other servicer for the direct servicing of Mortgage Loans is a contract solely between Fannie Mae and that Lender or other servicer, and neither the Certificateholders nor any holders of Subordinate Classes are deemed to be parties thereto and, except as otherwise provided in the applicable Trust Agreement and described in the related Prospectus Supplement, have no claims, rights, obligations, duties, or liabilities with respect to such servicer.

Servicers will be obligated to perform diligently all services and duties customary to the servicing of mortgages, as well as those specifically prescribed by the Guide, as amended by any applicable Sale and Servicing Agreement. Fannie Mae will monitor the servicer's performance and has the right to remove any servicer for cause at any time it considers such removal to be in the best interest of Certificateholders and the holders of any Subordinate Classes. The duties performed by servicers include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts, collection of insurance claims, and, if necessary, modifications to, and realization on, defaulted Mortgage Loans (including by foreclosure) and management of any Mortgaged Property that becomes owned by the Trust.

#### *MBS Series Trust*

Pursuant to the MBS Trust Indenture, the servicing responsibilities of Fannie Mae, including with respect to its supervision of Lenders or other servicing institutions designated by Fannie Mae to service Mortgage Loans that back MBS, are identical to those described under "Description of Certificates—Servicing Through Lenders" in the MBS Prospectus.

#### *Underlying Series Trust*

The servicing responsibilities of the Underlying Servicer with respect to Mortgage Loans that back Underlying Certificates will be set forth in the relevant Underlying Pooling and Servicing Agreement and summarized in the related Prospectus Supplement.

## Collection and Other Servicing Procedures

### *Mortgage Loan Series Trust*

Fannie Mae will service the Mortgage Loans in each Mortgage Loan Series Trust or may, as set forth above, contract with Lenders or other servicers. In connection with its servicing of, or contracting with, Lenders or other servicers to service, Mortgage Loans, Fannie Mae has full power and authority to do or cause to be done (or to cause or permit Lenders or other servicers to do or cause to be done) any and all things as Fannie Mae (or, to the extent permitted by Fannie Mae, such persons) may deem necessary or appropriate in its (or, to the extent permitted by Fannie Mae, their) sole discretion, including the foreclosure or comparable conversion of defaulted Mortgage Loans. In lieu of undertaking any such foreclosure, Fannie Mae may, in its discretion and without obligation, repurchase (or permit a Lender or other servicer to purchase) from the Mortgage Loan Series Trust any Mortgage Loan that is delinquent. The purchase price will be equal to the Stated Principal Balance of the delinquent Mortgage Loan together with accrued interest at the Pass-Through Rate in the case of a Fixed-Rate Mortgage Loan (or the Accrual Rate in the case of an ARM Mortgage Loan) or such other purchase price that shall be set forth in the related Prospectus Supplement and, except as otherwise provided in the related Prospectus Supplement, will be distributed to Certificateholders in the same manner as full prepayments of Mortgage Loans. See "Payments on Series Trust Assets; Deposits in Trust Account—*Mortgage Loan Series Trust*." Notwithstanding the foregoing and the following paragraphs, the power, authority and discretion of Fannie Mae (or Lender or other servicers) to service the Mortgage Loans and make decisions with respect to the Mortgage Loans (including, without limitation, any of the foregoing described herein) shall be subject to the limitations on such power, authority and discretion set forth in the Trust Agreement for the Mortgage Loan Series Trust, as shall be described in general in the related Prospectus Supplement.

With respect to each Mortgage Loan in a Mortgage Pool, the Lender makes certain warranties to Fannie Mae concerning such matters as the recordation of the original Mortgage, the validity of the Mortgage Loan as a first (or, if applicable, second) lien on the Mortgaged Property, and compliance by such Mortgage Loan with applicable state and federal laws. Unless otherwise specified in the Prospectus Supplement, in the event of a material breach of any such warranty or a material defect in the Mortgage Loan documentation, Fannie Mae may withdraw, or cause the withdrawal of, such Mortgage Loan from the Mortgage Loan Series Trust at a price equal to its Stated Principal Balance together with interest thereon at the Pass-Through Rate in the case of a Fixed-Rate Mortgage Loan (or the Accrual Rate in the case of an ARM Mortgage Loan).

Subject to the following paragraphs and to the extent consistent with then-current policies of Fannie Mae respecting mortgage loans held in its own portfolio, Fannie Mae may enforce or waive enforcement of any of the terms of any Mortgage Loan or enter into an agreement for the modification of any of the terms of any Mortgage Loan, or take any action or refrain from taking any action in servicing any Mortgage Loan. Unless otherwise provided in the related Prospectus Supplement, in such connection, Fannie Mae may waive any Yield Maintenance Charge, Prepayment Premium, assumption fee, or late payment charge, or may exercise or refrain from exercising any "call option rider"; provided, however, that any decision to exercise or refrain from exercising any "call option rider" must be consistent with then-current policies or practices employed by Fannie Mae respecting comparable mortgage loans held in its own portfolio and must be without consideration of the ownership status of the related Mortgage Loan.

Unless the related Prospectus Supplement otherwise provides, in connection with the sale or transfer, or prospective sale or transfer, of all or any interest in a Mortgaged Property, Fannie Mae will not enforce (or permit any Lender or other servicer to enforce) any "due-on-sale" clause in the related Mortgage Loan documents but will allow the prospective transferee to assume the remainder of the Mortgage Loan, provided the transferee is approved by Fannie Mae (or the Lender or other servicer) using the then-published multifamily underwriting guidelines of Fannie Mae as they relate to creditworthiness and other eligibility criteria of the transferee. Unless the related Prospectus Supplement otherwise specifies, such assumption of the remainder of the Mortgage Loan will be on the original terms thereof. If the foregoing conditions for assumption of the Mortgage Loan are not satisfied, Fannie Mae (or the Lender or other servicer) will accelerate the maturity of the Mortgage Loan pursuant to any "due-on-sale" clause or withdraw such Mortgage Loan, but Fannie Mae (or the Lender or other servicer) will not be required to do either if it is restricted by law from accelerating such Mortgage Loan, for any reason whatever. See "Maturity and Prepayment Considerations and Risks."

In the event that, for any reason, Fannie Mae (or a Lender or other servicer) is not obligated to accelerate the maturity of a Conventional Mortgage Loan upon the transfer, or prospective transfer, of title to the underlying Mortgaged Property, Fannie Mae (or a Lender or other servicer) may enter into a transaction by which the obligor is released from liability on the related Mortgage Loan and the transferee assumes such liability;

provided, however, that no such transaction shall provide for reduction of the Mortgage Interest Rate or, in the case of any ARM Mortgage Loan, provide for any change in any interest rate adjustment provision or provision governing the calculation of scheduled payments if any such change would be adverse to the interest of Certificateholders.

The Trust Agreement provides that Fannie Mae may repurchase from the related Mortgage Pool, at a price equal to the Stated Principal Balance thereof plus accrued interest thereon at the applicable Pass-Through Rate in the case of a Fixed-Rate Mortgage Loan (or the applicable Accrual Rate in the case of an ARM Mortgage Loan) or at a price that shall be set forth in the related Prospectus Supplement, any Mortgage Loan respecting which the underlying Mortgaged Property is transferred, or proposed to be transferred, under circumstances permitting Fannie Mae to accelerate the maturity of such Mortgage Loan pursuant to the terms of any "due-on-sale" clause contained therein.

#### *MBS Series Trust*

The collection and other servicing procedures in the MBS Trust Indenture for the Mortgage Loans backing MBS are described under "Description of Certificates—Collection and Other Servicing Procedures" in the MBS Prospectus.

#### *Underlying Series Trust*

The collection and other servicing procedures of the Underlying Servicer for Mortgage Loans that back Underlying Certificates will be set forth in the relevant Underlying Pooling and Servicing Agreement and certain of such procedures will be summarized in the related Prospectus Supplement. The related Prospectus Supplement also will contain a summary of the repurchase obligations of the Underlying Depositor (or other responsible person) with respect to Mortgage Loans backing the Underlying Certificates in the event of a breach of the representations and warranties made in the Underlying Pooling and Servicing Agreement. In addition, any formalized collection and servicing procedures of Fannie Mae with respect to the Underlying Certificates that back any Series of Certificates will be set forth in the related Trust Agreement and summarized in the related Prospectus Supplement.

#### **Additional Characteristics of Residual Certificates**

A Certificate of any Class that is designated in the Prospectus Supplement as a residual interest in a Multifamily REMIC Trust (a "Residual Certificate") may not be transferred to a "disqualified organization" or any person who would hold a Residual Certificate on behalf of a disqualified organization. For purposes of the preceding sentence, a transfer includes any transfer of record or beneficial ownership, whether pursuant to a purchase, a default under a secured lending agreement or otherwise. The term "disqualified organization" includes the United States, any State or political subdivision thereof, any foreign government, any international organization, or any agency or instrumentality of the foregoing (other than certain taxable instrumentalities), any cooperative organization furnishing electric energy or providing telephone service to persons in rural areas, or any organization (other than a farmers' cooperative) that is exempt from federal income tax, unless such organization is subject to the tax on unrelated business income. Each transferee of a Residual Certificate will be required to execute an affidavit, in a form acceptable to Fannie Mae, that: (i) it is not a disqualified organization, (ii) it is not acquiring the Residual Certificate for the account of a disqualified organization, (iii) it consents to any amendment of the Trust Agreement that shall be deemed necessary by Fannie Mae (upon advice of counsel) to constitute a reasonable arrangement to ensure that the Residual Certificates will not be owned directly or indirectly by a disqualified organization, (iv) no purpose of the acquisition of the Residual Certificate is to avoid or impede the assessment or collection of tax, (v) it understands that it may incur tax liabilities in excess of any cash flows generated by the Residual Certificate, (vi) it intends to pay taxes associated with holding the Residual Certificate as they become due, and (vii) it will not transfer such Residual Certificate unless (a) it has received from the transferee an affidavit containing these same seven representations and (b) as of the time of the transfer, it does not have actual knowledge that such affidavit is false. See "Certain Federal Income Tax Consequences—Sales of Certificates—Residual Certificates Transferred to or Held by Disqualified Organizations" below. Such transferee also must deliver a properly executed Internal Revenue Service ("IRS") Form W-9 on which such transferee provides its taxpayer identification number. In addition, a pass-through entity (including a nominee) that holds a Residual Certificate may be subject to additional taxes if a disqualified organization is a record holder therein.

In addition, no transfer of record or beneficial ownership in a Residual Certificate (whether pursuant to a purchase, a default under a secured lending agreement or otherwise) will be allowed to any person that is not a "U.S. Person" without the written consent of Fannie Mae. The term "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, or an estate or trust that is subject to U.S. federal income tax regardless of the source of its income.

Under regulations issued by the Treasury Department on December 23, 1992 (the "Regulations"), a transfer of a "noneconomic residual interest" to a U.S. Person will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. A Residual Certificate would be treated as constituting a noneconomic residual interest unless, at the time of the transfer, (i) the present value of the expected future distributions on the Residual Certificate is no less than the product of the present value of the "anticipated excess inclusions" with respect to such Certificate and the highest corporate rate of tax for the year in which the transfer occurs, and (ii) the transferor reasonably expects that the transferee will receive distributions from the applicable Multifamily REMIC Trust, in an amount sufficient to satisfy the liability for income tax on any "excess inclusions" at or after the time when such liability accrues. Anticipated excess inclusions are the excess inclusions that are anticipated to be allocated to each calendar quarter (or portion thereof) following the transfer of a Residual Certificate, determined as of the date such Certificate is transferred and based on events that have occurred as of that date and on the Prepayment Assumption. See "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—Original Issue Discount" and "—Taxation of Beneficial Owners of Residual Certificates—Excess Inclusions."

The Regulations provide that a significant purpose to impede the assessment or collection of tax exists if, at the time of the transfer, a transferor of a Residual Certificate has "improper knowledge" (i.e., either knew, or should have known, that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the Multifamily REMIC Trust). A transferor is presumed not to have improper knowledge if (i) the transferor conducts, at the time of a transfer, a reasonable investigation of the financial condition of the transferee and, as a result of the investigation, the transferor finds that the transferee has historically paid its debts as they come due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future; and (ii) the transferee makes certain representations to the transferor in the affidavit relating to disqualified organizations discussed above. Transferors of a Residual Certificate should consult with their own tax advisors for further information regarding such transfers.

Fannie Mae will provide to Holders of Residual Certificates of each Series of Certificates (i) such information as is necessary to enable them to prepare their federal income tax returns and (ii) any reports regarding the Certificates of such Series that may be required under the Code.

## THE TRUST AGREEMENT

The following summaries describe certain provisions of the Trust Agreement for a Series Trust not otherwise summarized in this Prospectus. Certain capitalized terms in these summaries are used as defined in the Trust Agreement. These summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the more complete provisions of the Trust Agreement.

### Transfer of Mortgage Loans to Mortgage Pools

#### *Mortgage Loan Series Trust*

Each Mortgage Loan transferred to a Mortgage Pool that directly backs a Series of Certificates will be identified in a Mortgage Loan Schedule appearing as an exhibit to the Trust Agreement for such Series of Certificates. In addition, in the case of whole Mortgage Loans, Fannie Mae, as Trustee of the Mortgage Loan Series Trust, will hold on behalf of Certificateholders the original Mortgage Note, endorsed in blank, and an assignment to Fannie Mae of the mortgage instrument. Usually assignments are in a form suitable for recording but they may not be recorded. However, a blanket assignment may be used for the transfer of a large number of Mortgage Loans, even if the related Mortgaged Properties are not located in the same recording jurisdiction, depending on the Lender's servicing experience and its financial condition. At its option, Fannie Mae may choose to maintain such documents with a custodian institution (the Lender or another institution) supervised and regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the FDIC or the NCUA. Fannie Mae will review the Mortgage Loan Schedule prior to the

issuance of the Certificates and will conduct random spot checks to confirm the sufficiency of the documents after issuance of the Certificates.

Although the above procedures are intended to protect the interests of the Holders of Certificates in the Mortgage Loan Series Trust with respect to the related Mortgage Pool, the law applicable to a liquidation, reorganization, or similar proceeding involving the assets of a Lender or of Fannie Mae is unclear and as a result no opinion can be rendered as to the status of Certificateholders' interests in the event of any such proceeding. Fannie Mae's guaranty would, however, by its terms be available in the event of any such proceeding involving the assets of a Lender.

#### *MBS Series Trust*

Pursuant to the applicable MBS Trust Indenture, the transfer of Mortgage Loans to Mortgage Pools that back MBS is identical to that for a Mortgage Loan Series Trust and is described under "*Mortgage Loan Series Trust*" above.

#### *Underlying Series Trust*

The transfer of Mortgage Loans to Mortgage Pools that back Underlying Certificates will be as provided in the relevant Underlying Pooling and Servicing Agreement and as will be summarized in the related Prospectus Supplement.

#### **Transfer of MBS and Underlying Certificates to a Series Trust**

##### *MBS*

The MBS transferred to a MBS Series Trust will be identified in a Fannie Mae Security Schedule appearing as an exhibit to the Trust Agreement for such Series Trust. The MBS will be registered in Fannie Mae's name on the books of the Federal Reserve Bank of New York and held for the Holders of Certificates by Fannie Mae in its capacity as Trustee of such Series Trust.

##### *Underlying Certificates*

The Underlying Certificates that will comprise Series Trust Assets will be transferred to Fannie Mae pursuant to an agreement between Fannie Mae and the issuer of such Underlying Certificates, except as otherwise provided in the related Prospectus Supplement. Such Underlying Certificates will be identified in an Underlying Certificate Schedule appearing as an exhibit to the Trust Agreement for the related Series Trust. The Underlying Certificates will be registered in Fannie Mae's name, whether on the books of the relevant book-entry system or otherwise, and held for the Holders of Certificates by Fannie Mae in its capacity as Trustee of the related Series Trust and, to the extent described in the related Prospectus Supplement, subject to the reservation by Fannie Mae, in its corporate capacity, of certain rights of the Underlying Certificates.

#### **Servicing Compensation and Payment of Certain Expenses by Fannie Mae**

##### *Mortgage Loan Series Trust*

As compensation for its activities and obligations under the Trust Agreement for a Mortgage Loan Series Trust, Fannie Mae will be entitled to retain amounts applicable to interest that are not required to be distributed to Certificateholders and holders of any Subordinate Classes. Unless otherwise provided in the related Prospectus Supplement, Fannie Mae is also entitled to retain Yield Maintenance Charges, Prepayment Premiums, late charges, assumption fees, and similar charges to the extent they are collected from borrowers. Fannie Mae will compensate Lenders or other servicers in an amount up to, but never exceeding, the amount of interest retention described above, less a prescribed minimum amount to be retained by Fannie Mae for itself in consideration of its guaranty obligations and other responsibilities.

In addition, Fannie Mae is entitled to retain any amounts by which the proceeds of the liquidation of a Mortgage Loan exceed (i) the Stated Principal Balance of the Mortgage Loan and (ii) interest thereon at the Pass-Through Rate in the case of Fixed-Rate Mortgage Loans or the Accrual Rate in the case of ARM Mortgage Loans, unless the Prospectus Supplement otherwise provides. Fannie Mae will pay all servicing fees incurred by it in connection with its servicing activities, including, without limitation, the servicing fees payable to Lenders or other servicers, and, unless the related Prospectus Supplement otherwise provides, is not entitled to reimbursement therefor out of the Series Trust Assets.

### *MBS Series Trust*

The servicing compensation payable to Fannie Mae in connection with its activities and obligations under an MBS Trust Indenture (as hereinafter defined) is identical to that for a Mortgage Loan Series Trust and is described under "*Mortgage Loan Series Trust*" above.

### *Underlying Series Trust*

The principal servicing compensation payable to the Underlying Servicer, and the application, and the use of certain proceeds of the Mortgage Loans backing the related Underlying Certificates to pay such compensation and other expenses of the Underlying Trust Fund (as hereinafter defined), will be set forth in the Underlying Pooling and Servicing Agreement and summarized in the related Prospectus Supplement.

### **Certain Matters Regarding Fannie Mae**

The Trust Agreement provides that Fannie Mae may not resign from its obligations and duties thereunder, except upon determination that those duties are no longer permissible under applicable law. No such resignation will become effective until a successor has assumed Fannie Mae's obligations and duties under the Trust Agreement; provided, however, that no successor will succeed to Fannie Mae's guaranty obligations described above. Fannie Mae will continue to be responsible under its guaranty notwithstanding any termination of its other duties and responsibilities under the Trust Agreement. See "Rights Upon Event of Default" below.

The Trust Agreement also provides that neither Fannie Mae nor any director, officer, employee, or agent of Fannie Mae will be under any liability to the Series Trust or to Certificateholders for any action taken, or for refraining from the taking of any action, in good faith pursuant to the Trust Agreement or for errors in judgment; provided, however, that neither Fannie Mae nor any such person will be protected against any liability that would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of willful disregard of obligations and duties.

In addition, the Trust Agreement provides that Fannie Mae is not under any obligation to appear in, prosecute, or defend any legal action that is not essential to its responsibilities under the Trust Agreement and that in its opinion may involve it in any expense or liability. Fannie Mae may, however, in its discretion undertake any such legal action that it may deem necessary or desirable in the interests of the Certificateholders. In such event, the legal expenses and costs of such action will be expenses and costs of Fannie Mae.

Any corporation into which Fannie Mae may be merged or consolidated, or any corporation resulting from any merger, conversion, or consolidation to which Fannie Mae is a party, or any corporation succeeding to the business of Fannie Mae, will be the successor of Fannie Mae under the terms of the Trust Agreement.

### **Voting Under any MBS Trust Indenture**

Each issue of MBS (each, an "MBS Issue") will be issued pursuant to a Trust Indenture (each, an "MBS Trust Indenture"). The applicable MBS Trust Indenture will, as to each MBS Issue, be supplemented by an issue supplement (each, an "MBS Issue Supplement"), which will be prepared at the time of the creation of such MBS Issue. The MBS Issue Supplement will set forth the specific terms of the MBS Issue, such as the Pass-Through Rate applicable thereto in the case of Fixed-Rate Mortgage Pools and the issue date. The MBS Issue Supplement will also contain any variation from the basic MBS Trust Indenture applicable to a particular MBS Issue, any such variation also to be described in the MBS Prospectus. A trust created under a MBS Trust Indenture is herein called an "MBS Trust Fund."

Unless the related Prospectus Supplement otherwise specifies, the Holders of MBS evidencing Fractional Undivided Interests aggregating not less than 25 percent of the related MBS Trust Fund may terminate certain obligations and duties of Fannie Mae with respect thereto if an Event of Default under the MBS Trust Indenture has occurred and is continuing. The Trust Agreement provides that Holders of Certificates may, upon the occurrence of an Event of Default with respect to a MBS in the related MBS Series Trust, take, or join in, any such action to the extent of the product of the Fractional Undivided Interest represented by such MBS and the percentage obtained by dividing the aggregate of the principal balances of all Certificates of the related Series the Holders of which have taken or joined in such action by the aggregate of the principal balances of all Certificates of such Series.

Unless the related Prospectus Supplement otherwise specifies, the Holders of MBS evidencing Fractional Undivided Interests aggregating not less than 66 percent of the related MBS Trust Fund may consent to certain amendments to the related MBS Trust Indenture or waivers thereunder. The Trust Agreement provides that the Trustee may not vote any MBS held in a MBS Series Trust in favor of such an amendment or modification except upon the direction of the Holders of Certificates of the related Series having principal balances aggregating not less than 66 percent of the aggregate of the principal balances of all Certificates of such Series.

#### **Voting Under any Underlying Pooling and Servicing Agreement**

The extent to which holders of Underlying Certificates will have the right to vote under the Underlying Pooling and Servicing Agreement pursuant to which such Certificates are issued, whether to terminate the Underlying Servicer of the trust fund (the "Underlying Trust Fund") created thereby or with respect to any other material matter, will be summarized in the related Prospectus Supplement. In addition, the related Prospectus Supplement will summarize the extent to which the Trust Agreement will permit Fannie Mae, whether in its corporate capacity or as Trustee, or the Holders of Certificates, to exercise a voting right upon the occurrence of an event of default or other matter, or to take, or join in, any action to effect such termination or any other matter.

The extent to which holders of Underlying Certificates will be required to consent to certain amendments to the related Underlying Pooling and Servicing Agreement or waivers or certain other decisions thereunder and, if so, the percentages of such holders required therefor, will be summarized in the related Prospectus Supplement. Certain of the rights, if any, of Fannie Mae, whether in its corporate capacity or as Trustee, or of the Holders of Certificates, to vote the Underlying Certificates under the Underlying Pooling and Servicing Agreement will be set forth in the related Trust Agreement and summarized in the related Prospectus Supplement. In addition, to the extent that such Holders are entitled to such vote, the required percentage of such Holders to approve any such matter will be as described in the related Prospectus Supplement.

#### **Events of Default**

Events of Default under the Trust Agreement will consist of (i) any failure by Fannie Mae to distribute to Holders of Certificates of any Class any required distribution that continues unremedied for 15 days after the giving of written notice of such failure to Fannie Mae by the Holders of Certificates (other than Residual Certificates) representing principal balances (or notional principal balances) aggregating not less than five percent of the aggregate principal balances (or notional principal balances) of all of the Certificates of such Class or if no Certificates (other than Residual Certificates) shall be outstanding, not less than five percent of the aggregate principal balances of all of the certificates of any Subordinate Class; (ii) any failure by Fannie Mae duly to observe or perform in any material respect any other of its covenants or agreements in the Trust Agreement, which failure continues unremedied for 60 days after the giving of written notice of such failure to Fannie Mae by the Holders of Certificates (other than Residual Certificates) of any Class representing principal balances (or notional principal balances) aggregating not less than 25 percent of the aggregate principal balances (or notional principal balances) of all of the Certificates of such Class or if no Certificates (other than the Residual Certificates) shall not be outstanding, not less than 25 percent of the aggregate principal balances of all of the certificates of any Subordinate Class; and (iii) certain events of insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings and certain actions by or against Fannie Mae indicating its insolvency, reorganization or inability to pay its obligations.

#### **Rights Upon Event of Default**

As long as an Event of Default under the Trust Agreement for any Series Trust remains unremedied, the Holders of Certificates of any Class (other than Residual Certificates) representing principal balances (or notional principal balances) aggregating not less than 25 percent of the aggregate of the principal balances (or notional principal balances) of all Certificates of such Class or, if no Certificates (other than Residual Certificates) are outstanding, not less than 25 percent of the aggregate principal balances of all of the certificates of any Subordinate Class may, in writing, terminate all of the obligations and duties of Fannie Mae as Trustee and in its corporate capacity under the Trust Agreement in respect of such Series Trust (other than its guaranty obligations described above, which continue notwithstanding any such termination) and name and appoint, in writing, a successor to succeed to all such responsibilities, duties and obligations of Fannie Mae thereunder (other than Fannie Mae's guaranty obligations) and to the legal title to the Mortgage Loans, the MBS or the Underlying Certificates and the other assets held in the Series Trust.

## Amendment

The Trust Agreement as it relates to any Multifamily REMIC Trust may be amended by Fannie Mae and the Trustee without the consent of or notice to any of the Certificateholders or the holders of any Subordinate Classes, for one or more of the following purposes: (i) to add to the covenants of Fannie Mae; (ii) to evidence the succession of another party or parties to Fannie Mae and the assumption by such successor or successors of the obligations of Fannie Mae thereunder in its corporate capacity or in its capacity as Trustee or in both such capacities; (iii) to eliminate any right reserved to or conferred upon Fannie Mae in its corporate capacity; (iv) to make provisions for the purpose of curing any ambiguity or correcting or supplementing any provision in the Trust Agreement, provided such provisions do not adversely affect the interest of any Certificateholder; or (v) to modify the Trust Agreement to maintain the qualification of each Multifamily REMIC Trust as a REMIC.

The Trust Agreement as it relates to a Multifamily REMIC Trust also may be amended by Fannie Mae with the consent of the Holders of Certificates of each Class representing principal balances (and notional principal balances) aggregating not less than 66 percent of the aggregate principal balances (and notional principal balances) of all Certificates of such Class (or, if no Certificates, other than Residual Certificates, are outstanding, the holders of certificates of each Subordinate Class aggregating not less than 66 percent of the aggregate principal balances of all certificates of such Subordinate Class) so as to waive compliance by Fannie Mae with any terms of the Trust Agreement, or to allow Fannie Mae to eliminate, change, add to or modify the terms of the Trust Agreement. However, no such waiver or amendment may, without the consent of all Certificateholders, terminate or modify the guaranty obligations of Fannie Mae or, without the consent of all Certificateholders and all holders of certificates of Subordinate Classes, reduce the percentages of the Certificates the Holders of which, or certificates of Subordinate Classes the holders of which, are required to consent to any waiver or amendments. In addition, no waiver or amendment shall, without the consent of each Certificateholder or holder of any certificate of any Subordinate Class affected thereby, reduce in any manner the amount of, or delay the timing of, any distributions that are required to be made on any Certificate or certificate of any Subordinate Class, respectively, or, without the consent of all Holders of any residual interest in a Multifamily REMIC Trust, adversely affect the rights of the Holders of such residual interest. The voting rights, if any, of any holders of any Subordinate Classes of a Mortgage Loan Series Trust or Underlying Series Trust, with respect to the amendment of the Trust Agreement and/or any related Sale and Servicing Agreement or Pooling and Servicing Agreement, respectively, will be described in the related Prospectus Supplement.

## Termination

Each Series Trust will terminate upon the distribution to Certificateholders of all required distributions of the principal of and interest on the Certificates and the distribution of all required principal of and interest on, or other retirement of, any Subordinate Classes. In addition, the related Prospectus Supplement will describe the terms and conditions of the right of Fannie Mae, any Lender or other servicer or other person, if any, to terminate any Mortgage Loan Series Trust by purchasing the Mortgage Loans, whether included therein or the right of Fannie Mae, if any, to terminate any other Series Trust by purchasing the Mortgage Loans backing MBS included therein, or Underlying Certificates included therein. Fannie Mae has agreed not to effect (i) directly an early termination of any Mortgage Loan Series Trust through its right to repurchase the Mortgage Loans therein, unless the principal balance of such Mortgage Pool or Mortgage Pools at the time of repurchase is less than a specified percentage (one percent; unless the related Prospectus Supplement specifies otherwise) of the original principal balance thereof or (ii) directly an early termination of any MBS Series Trust through the exercise of its right to repurchase the MBS in such MBS Series Trust, or indirectly an early termination of any MBS Series Trust through the exercise of its right, as described in "Description of Certificates—Termination" in the MBS Prospectus, to repurchase the Mortgage Loans underlying any MBS in the MBS Series Trust, in each case unless the principal balance of such Mortgage Pool at the time of repurchase is less than a specified percentage (one percent; unless the related Prospectus Supplement specifies otherwise) of the original principal balance thereof.

Unless a Prospectus Supplement provides otherwise, Fannie Mae will not have a right to purchase any Mortgage Loans underlying Underlying Certificates included in a Series Trust. The rights, if any, of Fannie Mae to purchase any Underlying Certificates in a Series Trust will be summarized in the related Prospectus Supplement. In addition, the related Prospectus Supplement will contain a summary of the rights, if any, of the Underlying Servicer or any other person under the Underlying Pooling and Servicing Agreement to purchase the Mortgage Loans backing the Underlying Certificates.

## CERTAIN FEDERAL INCOME TAX CONSEQUENCES

### General

The following is a general discussion of the material anticipated federal income tax consequences to beneficial owners of the purchase, ownership and disposition of the Certificates offered hereby. The discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. The discussion below does not purport to deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the Certificates.

The Regulations provide some guidance regarding the federal income tax consequences associated with the purchase, ownership and disposition of the Certificates. Generally, the Regulations apply to any REMIC the "settlement date" of which is on or after November 12, 1991. While certain material provisions of the Regulations are discussed below, investors should consult their own tax advisors regarding the possible application of the Regulations in their specific circumstances.

### REMIC Election

An election will be made to treat the Series Trust as one or more REMICs under the Code. Qualification as a REMIC requires ongoing compliance with certain conditions. With respect to each Series of Certificates, Dewey Ballantine, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that (unless otherwise limited in the related Prospectus Supplement), assuming compliance with the Trust Agreement, each Multifamily REMIC Trust will be treated as a REMIC for federal income tax purposes. The Certificates of each Class and any Subordinate Classes will be designated as "regular interests" in a Multifamily REMIC Trust, except that a separate Class will be designated as the "residual interest" in each Multifamily REMIC Trust. The Prospectus Supplement for each Series of Certificates will state whether Certificates of each Class will constitute a regular interest (a "Regular Certificate") or a residual interest (a "Residual Certificate").

A Multifamily REMIC Trust will not be subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below. See "Taxes on a Multifamily REMIC Trust" below. Generally, the total income of a Mortgage Pool, MBS, or Underlying Certificate (collectively the "Underlying Collateral") in a Series Trust will be taxable to the beneficial owners of the Certificates of that Series, as described below.

### Taxation of Beneficial Owners of Regular Certificates

Except as indicated below in this federal income tax discussion, the Regular Certificates will be treated for federal income tax purposes as debt instruments issued by a REMIC on the date such Certificates are first sold to the public (the "Settlement Date") and not as ownership interests in a REMIC or its assets. Beneficial owners of Regular Certificates ("Regular Owners") that otherwise report income under a cash method of accounting will be required to report income with respect to such Certificates under an accrual method.

#### *Original Issue Discount*

All the Accrual Classes, Notional Classes and Principal Only Classes will be, and certain other Regular Certificates may be, issued with "original issue discount" within the meaning of section 1273(a) of the Code. Regular Owners should be aware that for federal income tax purposes they must include in gross income original issue discount as it accrues under a method that takes account of the compounding of interest, generally in advance of receipt of the cash attributable to such income. Fannie Mae will supply, at the time and in the manner required by the Internal Revenue Service (the "IRS"), to Holders of Regular Certificates, brokers and middlemen information with respect to the original issue discount accruing on the Regular Certificates.

In general, a Regular Certificate will be considered to be issued with original issue discount equal to the excess, if any, of its "stated redemption price at maturity" over its "issue price." The issue price of a Regular Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Regular Certificates was sold. The issue price also includes any accrued interest attributable to the period between the beginning of the first Interest Accrual Period and the Settlement Date. The stated redemption price at maturity of a Regular Certificate that is a Notional or Principal Only Certificate or that is or may be an Accrual Certificate is equal to the sum of all distributions to be made under such Regular Certificate.

The stated redemption price at maturity of any other Regular Certificate is its stated principal amount, plus an amount equal to the excess (if any) of the interest payable on the first Distribution Date over the interest that accrues for the period from the Settlement Date to the first Distribution Date.

Notwithstanding the general definition, original issue discount will be treated as zero in the case of a Regular Certificate if such discount is less than 0.25 percent of the stated redemption price at maturity of such Certificate multiplied by its weighted average life. The weighted average life of a Regular Certificate is apparently computed for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the Certificate, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the Settlement Date until the date on which each such distribution is expected to be made under the assumption that the Mortgage Loans supporting the Underlying Collateral prepay at the rate specified in the related Prospectus Supplement (the "Prepayment Assumption") by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the Regular Certificate's stated redemption price at maturity. If original issue discount is treated as zero under this rule, the actual amount of original issue discount must be allocated to the principal distributions on the Regular Certificate and, when each such distribution is received, gain equal to the discount allocated to such distribution will be recognized.

Section 1272(a)(6) of the Code contains special original issue discount rules applicable to the Regular Certificates. Under these rules, (i) it is anticipated that the amount and rate of accrual of original issue discount on each Series of Regular Certificates will be based on (x) the Prepayment Assumption, and (y) in the case of a Regular Certificate calling for a variable rate of interest, an assumption that the value of the index upon which such variable rate is based remains the same over the entire life of such Certificate, and (ii) adjustments will be made in the amount of discount accruing in each taxable year in which the actual prepayment rate differs from the Prepayment Assumption.

Section 1272(a)(6)(B)(iii) of the Code requires that the prepayment assumption used to calculate original issue discount be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. The legislative history of this Code provision indicates that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. Fannie Mae anticipates that the Prepayment Assumption for each Series of Regular Certificates will be consistent with this standard. Fannie Mae makes no representation, however, that the Mortgage Loans supporting the Underlying Collateral for a given Series will prepay at the rate reflected in the Prepayment Assumption for that Series or at any other rate. Each investor must make its own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the Certificates.

Each Regular Owner must include in gross income the sum of the "daily portions" of original issue discount on its Regular Certificate for each day during its taxable year on which it held such Certificate. For this purpose, in the case of an original Regular Owner, the daily portions of original issue discount will be determined as follows. A calculation will first be made of the portion of the original issue discount that accrued during each "accrual period." Final regulations issued by the Treasury Department relating to the tax treatment of debt instruments with original issue discount (the "OID Regulations") provide that for purposes of measuring the accrual of original issue discount on a debt instrument, each Regular Owner may use an accrual period of any length, up to one year, as long as each Distribution Date falls on either the final day or the first day of an accrual period. Unless otherwise disclosed in the related Prospectus Supplement, Fannie Mae will report original issue discount based on accrual periods of one month, beginning on a Distribution Date and ending on the day before the next Distribution Date.

The portion of original issue discount treated as accruing for any accrual period will equal the excess, if any, of (i) the sum of (A) the present values of all the distributions remaining to be made on the Regular Certificate, if any, as of the end of the accrual period and (B) the distribution made on such Certificate during the accrual period of amounts included in the stated redemption price at maturity, over (ii) the adjusted issue price of such Certificate at the beginning of the accrual period. The present value of the remaining distributions referred to in the preceding sentence will be calculated based on (i) the yield to maturity of the Regular Certificate, calculated as of the Settlement Date, giving effect to the Prepayment Assumption, (ii) events (including actual prepayments) that have occurred prior to the end of the accrual period, (iii) the Prepayment Assumption, and (iv) in the case of a Regular Certificate calling for a variable rate of interest, an assumption that the value of the index upon which such variable rate is based remains the same as its value on the Settlement Date over the entire life of such Certificate. The adjusted issue price of a Regular Certificate at any time will equal the issue price of such Certificate, increased by the aggregate amount of previously accrued original issue discount with respect to such Certificate, and reduced by the amount of any distributions made on such Certificate as of that time of amounts

included in the stated redemption price at maturity. The original issue discount accruing during any accrual period will then be allocated ratably to each day during the period to determine the daily portion of original issue discount.

If the method of computing OID would result in a negative accrual of income in a particular period, the amount of income accrued in such period will be treated as zero, and the net negative adjustment will be carried forward to offset positive income accruals in later periods. Net negative adjustments not offset against subsequent positive income accruals should give rise to a loss no later than the disposition or retirement of the Regular Certificate giving rise to them. Any such loss might be treated as a capital loss.

A subsequent purchaser of a Regular Certificate that purchases such Certificate at a cost less than its remaining stated redemption price at maturity also will be required to include in gross income for each day on which it holds such Certificate, the daily portion of original issue discount with respect to such Certificate (but reduced, if the cost of such Certificate to such purchaser exceeds its adjusted issue price, by an amount equal to the product of (i) such daily portion and (ii) a constant fraction, the numerator of which is such excess and the denominator of which is the sum of the daily portions of original issue discount on such Certificate for all days on or after the day of purchase).

Under the OID Regulations, if all the regular interests of a Multifamily REMIC Trust are issued to another Multifamily REMIC Trust, such regular interests will be treated as a single debt instrument because they were issued to a single holder in a single transaction. Consequently, Fannie Mae will calculate the taxable income (or net loss) of each Multifamily REMIC Trust (and report to Holders of Residual Certificates) by treating all such regular interests as a single debt instrument.

#### *Floating Rate and Inverse Floating Rate Classes*

The OID Regulations define and provide special rules applicable to variable rate debt instruments ("VRDIs"). Most Floating Rate and Inverse Floating Rate Classes will be VRDIs under the OID Regulations. To be a VRDI, a Regular Certificate generally must satisfy three requirements. First, the issue price (including accrued interest) must not exceed the total noncontingent principal payments by more than (i) 1.5 percent of the product of the total noncontingent principal payments and the weighted average life, or (ii) 15 percent of the total noncontingent principal payments, whichever is smaller. Second, the Regular Certificate must bear interest at a "qualified floating rate" or an "objective rate," or certain combinations of such rates and possibly a fixed rate. Third, under the terms of the Regular Certificate, the qualified floating rate or objective rate must be based on a current value of the applicable interest index. An interest index or an interest index plus or minus a fixed rate generally is a qualified floating rate. A floating or inverse floating rate equal to a positive or negative multiple of an interest index plus or minus a fixed rate is an objective rate and may be a qualified floating rate.

Regular Certificates that do not meet all three requirements may be considered to be contingent debt instruments rather than VRDIs. The OID Regulations do not contain rules for the tax treatment of contingent debt instruments and no other definitive guidance has been issued regarding the treatment of such instruments. Proposed regulations governing contingent debt instruments were published in the Federal Register on December 16, 1994 (the "Proposed Contingent Payment Regulations"). The Proposed Contingent Payment Regulations, however, provide that they do not apply to REMIC regular interests, are not binding on either taxpayers or the IRS and are subject to change before publication in final form. In the absence of further guidance and unless otherwise stated in the applicable Prospectus Supplement, Fannie Mae will compute accruals of interest and original issue discount on all Floating Rate and Inverse Floating Rate Classes by applying the principles of the OID Regulations applicable to VRDIs.

The OID Regulations contain specific rules for debt instruments bearing interest initially at a fixed rate and subsequently at a variable rate. If the fixed rate is in effect for less than one year and is intended to approximate the value of the variable rate that follows it, then the fixed rate and variable rate together will constitute a single qualified floating rate or objective rate. If the values of the fixed rate and the variable rate are within 25 basis points on the Settlement Date, it is conclusively presumed that the two rates constitute a single qualified floating rate or objective rate.

If a VRDI bears interest at a fixed rate for a year or more, the OID Regulations treat all payments of interest on such VRDI as "qualified stated interest" provided that the fair market value of the VRDI is approximately the same as it would be if the variable rate were in effect during all Interest Accrual Periods. Although this rule would not be literally applicable to certain Regular Certificates that bear interest initially at a fixed rate followed by interest at an objective rate, in the absence of further guidance, Fannie Mae intends to apply the principles of this

rule to all Floating Rate and Inverse Floating Rate Classes that bear interest at a fixed rate for an initial period of one year or more or that bear interest at a fixed rate for a period of less than one year but for which there is a difference of more than 25 basis points between the values of the fixed and variable rates on the Settlement Date. Investors are urged to consult their own tax advisors regarding the possible tax treatment of such Classes.

#### *Certificates Purchased at a Premium*

A purchaser of a Regular Certificate that purchases such Certificate at a cost greater than its remaining stated redemption price at maturity will be considered to have purchased such Certificate (a "Premium Certificate") at a premium. Such a purchaser need not include in income any remaining original issue discount and may elect, under section 171(c)(2) of the Code, to treat such premium as "amortizable bond premium." If a Regular Owner makes such an election, the amount of any interest payment that must be included in such Regular Owner's income for each period ending on a Distribution Date will be reduced by the portion of the premium allocable to such period based on the Premium Certificate's yield to maturity. The legislative history of the Tax Reform Act of 1986 states that such premium amortization should be made under principles analogous to those governing the accrual of market discount (as discussed below under "*Market Discount*"). If such election is made by the Regular Owner, the election will also apply to all bonds (as well as all REMIC regular interests) the interest on which is not excludible from gross income ("fully taxable bonds") held by the Regular Owner at the beginning of the first taxable year to which the election applies and to all such fully taxable bonds thereafter acquired by it, and is irrevocable without the consent of the IRS. If such an election is not made, (i) such a Regular Owner must include the full amount of each interest payment in income as it accrues, and (ii) the premium must be allocated to the principal distributions on the Premium Certificate and, when each such distribution is received, a loss equal to the premium allocated to such distribution will be recognized. Any tax benefit from the premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the Premium Certificate.

Some Regular Certificates may provide for only nominal distributions of principal in comparison to the distributions of interest thereon. It is possible that the IRS or the Treasury Department may issue guidance excluding such Certificates from the rules generally applicable to debt instruments issued at a premium. In particular, it is possible that such a REMIC interest will be treated as having original issue discount equal to the excess of the total payments to be received thereon over its issue price. In such event, section 1272(a)(6) of the Code would govern the accrual of such original issue discount, but a Regular Owner would recognize substantially the same income in any given period as would be recognized if an election were made under section 171(c)(2) of the Code. Unless and until the Treasury Department or the IRS publishes specific guidance relating to the tax treatment of such Certificates, Fannie Mae intends to furnish tax information to Holders of such Certificates in accordance with the rules described in the preceding paragraph.

#### *Market Discount*

A Regular Owner that purchases a Regular Certificate at a market discount, that is, at a purchase price less than the remaining stated redemption price at maturity of such Certificate, or in the case of a Regular Certificate issued with original issue discount, less than the adjusted issue price of such Certificate, will be required to allocate each principal distribution first to accrued market discount on the Regular Certificate, and recognize ordinary income to the extent such distribution does not exceed the aggregate amount of accrued market discount on such Certificate that was not previously included in income. With respect to Regular Certificates that have unaccrued original issue discount, such market discount must be included in income in addition to original issue discount includible under the rules described above under "*Original Issue Discount*." A Regular Owner that incurs or continues indebtedness to acquire a Regular Certificate at a market discount may also be required to defer the deduction of all or a portion of the interest on such indebtedness until the corresponding amount of market discount is included in income. In general terms, market discount on a Regular Certificate may be treated as accruing either (i) under a constant yield method, taking into account the Prepayment Assumption, or (ii) in proportion to remaining accruals of original issue discount, if any, or if none, in proportion to remaining distributions of interest on the Regular Certificate. Fannie Mae will make available, as required by the IRS, to Holders of Regular Certificates information necessary to compute the accrual of market discount.

Notwithstanding the above rules, market discount on a Regular Certificate will be considered to be zero if such discount is less than 0.25 percent of the remaining stated redemption price at maturity of such Certificate multiplied by its weighted average remaining life. Weighted average remaining life presumably would be calculated in a manner similar to weighted average life, taking into account payments (including prepayments)

prior to the date of acquisition of the Regular Certificate by the subsequent purchaser. If market discount on a Regular Certificate is treated as zero under this rule, the actual amount of market discount must be allocated to the remaining principal distributions on the Regular Certificate and, when each such distribution is received, gain equal to the discount allocated to such distribution will be recognized.

#### *Special Election*

For any Regular Certificate acquired on or after April 4, 1994, the OID Regulations permit a Regular Owner to elect to include in gross income all "interest" that accrues on the Regular Certificate by using a constant yield method. For purposes of the election, the term "interest" includes stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. A Regular Owner should consult its own tax advisor regarding the time and manner of making and the scope of the election and the implementation of the constant yield method.

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

#### *Daily Portions*

Except as indicated below, a beneficial owner of a Residual Certificate ("Residual Owner") for a given Multifamily REMIC Trust generally will be required to report its daily portion of the taxable income or net loss of the Multifamily REMIC Trust for each day during a calendar quarter that the Residual Owner owned such Residual Certificate. For this purpose, the daily portion shall be determined by allocating to each day in the calendar quarter its ratable portion of the taxable income or net loss of the Multifamily REMIC Trust for such quarter and by allocating the amount so allocated among the Residual Owners (on such day) in accordance with their percentage interests on such day. Any amount included in the gross income or allowed as a loss of any Residual Owner by virtue of this paragraph will be treated as ordinary income or loss.

The requirement that each Residual Owner report its daily portion of the taxable income or net loss of the Multifamily REMIC Trust will continue until there are no Certificates of any Class outstanding, even though the Residual Owner may have received full payment of the stated interest and principal on its Residual Certificate.

#### *Taxable Income or Net Loss of a Multifamily REMIC Trust*

The taxable income or net loss of a Multifamily REMIC Trust will be the income from the "qualified mortgages" it holds and any reinvestment earnings less deductions allowed to the Multifamily REMIC Trust. Such taxable income or net loss for a given calendar quarter will be determined in the same manner as for an individual having the calendar year as the taxable year and using the accrual method of accounting, with certain modifications. The first modification is that a deduction will be allowed for accruals of interest (including any original issue discount, but without regard to the investment interest limitation in section 163(d) of the Code) on the Regular Certificates (but not the Residual Certificates), even though Regular Certificates are for non-tax purposes certificates of beneficial ownership rather than indebtedness of a Multifamily REMIC Trust. Second, market discount or premium equal to the difference between the total Stated Principal Balances of the qualified mortgages and the basis to the Multifamily REMIC Trust therein generally will be included in income (in the case of discount) or deductible (in the case of premium) by the Multifamily REMIC Trust as it accrues under a constant yield method, taking into account the Prepayment Assumption. The basis to a Multifamily REMIC Trust in qualified mortgages is the aggregate of the issue prices of all the Regular and Residual Certificates in the Multifamily REMIC Trust on the Settlement Date. If, however, a substantial amount of a Class of Regular or Residual Certificates has not been sold to the public, then the fair market value of all the Regular or Residual Certificates in that Class as of the date of the Prospectus Supplement should be substituted for the issue price. Third, no item of income, gain, loss or deduction allocable to a prohibited transaction (see "Taxes on a Multifamily REMIC Trust—*Prohibited Transactions*" below) will be taken into account. Fourth, a Multifamily REMIC Trust generally may not deduct any item that would not be allowed in calculating the taxable income of a partnership by virtue of section 703(a)(2) of the Code. Finally, the limitation on miscellaneous itemized deductions imposed on individuals by section 67 of the Code will not be applied at the Multifamily REMIC Trust level to Fannie Mae's servicing and guaranty fees. (See, however, "*Treatment of Servicing and Guaranty Fees by Certain Investors*" below.) In addition, under the Regulations, any expenses that are incurred in connection with the formation of a Multifamily REMIC Trust and the issuance of the Regular and Residual Certificates are not treated as expenses of the Multifamily REMIC Trust for which a deduction is allowed. If the deductions allowed to a Multifamily REMIC Trust exceed its gross income for a calendar quarter, such excess will be a net

loss for the Multifamily REMIC Trust for that calendar quarter. The Regulations also provide that any gain or loss to a Multifamily REMIC Trust from the disposition of any asset, including a qualified mortgage or "permitted investment" (as defined in section 860G(a)(5) of the Code) will be treated as ordinary gain or loss.

A Residual Owner may be required to recognize taxable income without being entitled to receive a corresponding amount of cash. This could occur, for example, if the qualified mortgages are considered to be purchased by the Multifamily REMIC Trust at a discount, some or all of the Regular Certificates are issued at a discount, and the discount included as a result of a prepayment on a Mortgage Loan that is used to pay principal on the Regular Certificates exceeds the Multifamily REMIC Trust's deduction for unaccrued original issue discount relating to such Regular Certificates. Taxable income may also be greater in earlier years because interest expense deductions, expressed as a percentage of the outstanding principal amount of the Regular Certificates, may increase over time as the earlier Classes of Regular Certificates are paid, whereas interest income with respect to any given Mortgage Loan supporting the Underlying Collateral, expressed as a percentage of the outstanding principal amount of that Mortgage Loan, will remain constant over time.

If the settlement date of a Multifamily REMIC Trust is on or after April 4, 1994, and the qualified mortgages of such Multifamily REMIC Trust include Regular Certificates from two or more different Multifamily REMIC Trusts, an election will be made to have such REMIC Trust include in gross income all interest that accrues on such Regular Certificates by using a constant yield method. See "Taxation of Beneficial Owners of Regular Certificates—*Special Election*" above.

#### *Basis Rules and Distributions*

A Residual Owner has an initial basis in its Residual Certificate equal to the amount paid for such Residual Certificate. Such basis is increased by amounts included in the income of the Residual Owner and decreased by distributions and by any net loss taken into account with respect to such Residual Certificate. A distribution on a Residual Certificate to a Residual Owner is not included in gross income to the extent it does not exceed such Residual Owner's basis in the Residual Certificate (adjusted as described above) and, to the extent it exceeds the adjusted basis of the Residual Certificate, shall be treated as gain from the sale of the Residual Certificate.

A Residual Owner is not allowed to take into account any net loss for any calendar quarter to the extent such net loss exceeds such Residual Owner's adjusted basis in its Residual Certificate as of the close of such calendar quarter (determined without regard to such net loss). Any loss disallowed by reason of this limitation may be carried forward indefinitely to future calendar quarters and, subject to the same limitation, may be used only to offset income from the Residual Certificate.

#### *Excess Inclusions*

Any excess inclusions with respect to a Residual Certificate are subject to certain special tax rules. With respect to a Residual Owner, the excess inclusion for any calendar quarter is defined as the excess (if any) of the daily portions of taxable income over the sum of the "daily accruals" for each day during such quarter that such Residual Certificate was held by such Residual Owner. The daily accruals are determined by allocating to each day during a calendar quarter its ratable portion of the product of the "adjusted issue price" of the Residual Certificate at the beginning of the calendar quarter and 120 percent of the "Federal long-term rate" in effect on the Settlement Date, based on quarterly compounding, and properly adjusted for the length of such quarter. For this purpose, the adjusted issue price of a Residual Certificate as of the beginning of any calendar quarter is equal to the issue price of the Residual Certificate, increased by the amount of daily accruals for all prior quarters and decreased by any distributions made with respect to such Residual Certificate before the beginning of such quarter. The issue price of a Residual Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Residual Certificates was sold. The Federal long-term rate is a blend of current yields on Treasury securities having a maturity of more than nine years, computed and published monthly by the IRS. With respect to each Series of Certificates, if the Federal long-term rate based on quarterly compounding that will be in effect on the Settlement Date is available as of the date of the related Prospectus Supplement, 120 percent of such rate will be set forth therein.

For Residual Owners that are thrift institutions described in section 593 of the Code, income from a Residual Certificate generally may be offset by losses from other activities. Under the Regulations, such an organization is treated as having applied its allowable deductions for the year first to offset income that is not an excess inclusion and then to offset that portion of its income that is an excess inclusion. For other Residual Owners, any excess inclusions cannot be offset by losses from other activities. For Residual Owners that are subject to tax only on

unrelated business taxable income (as defined in section 511 of the Code), an excess inclusion of such Residual Owner is treated as unrelated business taxable income. With respect to variable contracts (within the meaning of section 817 of the Code), a life insurance company cannot adjust its reserve to the extent of any excess inclusion, except as provided in regulations. The Regulations indicate that if a Residual Owner is a member of an affiliated group filing a consolidated income tax return, the taxable income of the affiliated group cannot be less than the sum of the excess inclusions attributable to all residual interests in REMICs held by members of the affiliated group. For a discussion of the effect of excess inclusions on certain foreign investors that own Residual Certificates, see "Foreign Investors—Residual Certificates" below.

The Regulations provide that an organization to which section 593 of the Code applies and which is the beneficial owner of a Residual Certificate may not use its allowable deductions to offset any excess inclusions with respect to such Certificate if such Certificate does not have "significant value." For this purpose, a Residual Certificate has significant value under the Regulations if (i) its issue price is at least 2% of the aggregate of the issue prices of all the Regular and Residual Certificates in that Multifamily REMIC Trust and (ii) its "anticipated weighted average life" is at least 20% of the "anticipated weighted average life" of such Multifamily REMIC Trust.

In determining whether a Residual Certificate has significant value, the anticipated weighted average life of such Certificate is based on the Prepayment Assumption and is determined as described in "Maturity and Prepayment Considerations and Risks—Weighted Average Life and Final Distribution Dates" herein, except that all anticipated payments on such Certificate are taken into account, regardless of their designation as principal or interest. The anticipated weighted average life of a Multifamily REMIC Trust is the weighted average of the anticipated weighted average lives of the Certificates. Such weighted average is determined under the formula described in "Maturity and Prepayment Considerations and Risks—Weighted Average Life and Final Distribution Dates" herein, with two distinctions. First, the formula is applied by treating all payments taken into account in computing the anticipated weighted average lives of the Regular and Residual Certificates in the REMIC Trust as principal payments on a single Regular Certificate. Second, for any Residual Certificate or for a Regular Certificate that is an Interest Only Class or for which the issue price of the Regular Certificate is greater than 125% of its specified principal amount, all anticipated payments on that Residual or Regular Certificate, regardless of their designation as principal or interest, are taken into account in computing the anticipated weighted average life of the Certificate.

The Treasury Department also has the authority to issue regulations that would treat all taxable income of a Multifamily REMIC Trust as excess inclusions if the Residual Certificate does not have "significant value." Although the Treasury Department did not exercise this authority in the Regulations, future regulations may contain such a rule. If such a rule were adopted, it is unclear whether the test for significant value that is contained in the Regulations and discussed in the two preceding paragraphs would be applicable. If no such rule is applicable, excess inclusions should be calculated as discussed above.

In the case of any Residual Certificates that are held by a real estate investment trust, the aggregate excess inclusions with respect to such Residual Certificates reduced (but not below zero) by the real estate investment trust taxable income (within the meaning of section 857(b)(2) of the Code, excluding any net capital gain) will be allocated among the shareholders of such trust in proportion to the dividends received by such shareholders from such trust, and any amount so allocated will be treated as an excess inclusion with respect to a Residual Certificate as if held directly by such shareholder. Similar rules will apply in the case of regulated investment companies, common trust funds and certain cooperatives that hold a Residual Certificate.

#### *Modifications, Waivers and Amendments*

The Trust Agreement for a Multifamily REMIC Trust that is a Mortgage Loan Series Trust may permit Fannie Mae, subject to certain limitations described in the applicable Prospectus Supplement, to agree to any modification, waiver or amendment (each, a "Modification") of any term of any Mortgage Loan. On December 1, 1992, the IRS issued proposed regulations under section 1001 of the Code governing modifications of debt instruments (the "Section 1001 Proposed Regulations"). Under the Section 1001 Proposed Regulations, a "significant modification" of a debt instrument is deemed to result in an exchange of the original debt instrument for a modified debt instrument that is materially different. The holder of such a modified debt instrument would be required to recognize gain or loss on the deemed exchange. If any Modification of a Mortgage Loan constitutes a "significant modification" under the Section 1001 Proposed Regulations, gain or loss on the resulting deemed exchange will be determined and taken into account in computing the taxable income or net loss of the Multifamily REMIC Trust.

### *Treatment of Servicing and Guaranty Fees by Certain Investors*

Residual Owners that are (i) estates and trusts, and (ii) individuals owning an interest in a Certificate directly or through an investment in a "pass-through entity" are required to include in income a share of Fannie Mae's servicing and guaranty fees. Such fees would include any servicing and guaranty fees imposed at the Underlying Collateral level. See "Description of Certificates—Servicing Through Lenders" and "Certain Federal Income Tax Consequences" in the MBS Prospectus. The deduction for such a Residual Owner's share of such fees is limited under section 67 of the Code. Generally, such a deduction, when aggregated with certain of the Residual Owner's other miscellaneous itemized deductions, is allowable only to the extent that such aggregate amount exceeds 2 percent of the Residual Owner's adjusted gross income.

In addition, a Residual Owner may not be able to deduct any portion of such fees in computing such Residual Owner's alternative minimum tax liability. A Residual Owner's share of such fees will generally be determined by (i) allocating the amount of such expenses for each calendar quarter on a pro rata basis to each day in the calendar quarter, and (ii) allocating the daily amount among the Owners in proportion to their respective holdings on such day.

### **Special Tax Attributes**

Regular and Residual Certificates will be "regular or residual interests in a REMIC" within the meaning of section 7701(a)(19)(C)(xi) of the Code, "qualifying real property loans" within the meaning of section 593(d) of the Code and "real estate assets" within the meaning of section 856(c)(5)(A) of the Code. If at any time during a calendar year less than 95 percent of the assets of a Multifamily REMIC Trust consist of qualified mortgages, then the portion of the Regular and Residual Certificates that are qualifying assets under those sections during such calendar year may be limited to the portion of the assets of such Multifamily REMIC Trust that are qualified mortgages. Similarly, income on the Regular and Residual Certificates will be treated as "interest on obligations secured by mortgages on real property" within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. For purposes of applying this limitation, a Multifamily REMIC Trust should be treated as owning the assets represented by the qualified mortgages. The assets of the Series Trust will include, in addition to the Underlying Collateral representing Mortgage Loans, payments on the Underlying Collateral held pending distribution on the Regular and Residual Certificates and any reinvestment income thereon. Regular and Residual Certificates held by a financial institution to which section 585, 586 or 593 of the Code applies will be treated as evidences of indebtedness for purposes of section 582(c)(1) of the Code. Regular Certificates will also be "qualified mortgages" within the meaning of section 860G(a)(3) of the Code with respect to other REMICs.

### **Taxes on a Multifamily REMIC Trust**

#### *Prohibited Transactions*

The Code imposes a tax on a REMIC equal to 100 percent of the net income derived from "prohibited transactions." In general, a prohibited transaction means the disposition of a qualified mortgage other than pursuant to certain specified exceptions, the receipt of investment income from a source other than a Mortgage Loan or certain other permitted investments, the receipt of compensation for services, or the disposition of an asset purchased with the payments on the qualified mortgages for temporary investment pending distribution on the regular and residual interests.

#### *Contributions to a REMIC after the Startup Day*

The Code imposes a tax on a REMIC equal to 100 percent of the value of any property contributed to the REMIC after the "startup day" (generally the same as the Settlement Date). Exceptions are provided for cash contributions to a REMIC (i) during the three month period beginning on the startup day, (ii) made to a qualified reserve fund by a Holder of a residual interest, (iii) in the nature of a guarantee, (iv) made to facilitate a qualified liquidation or clean-up call, and (v) as otherwise permitted by Treasury regulations.

#### *Net Income from Foreclosure Property*

The Code imposes a tax on a REMIC equal to the highest corporate rate on "net income from foreclosure property." The terms "foreclosure property" (which includes property acquired by deed in lieu of foreclosure) and "net income from foreclosure property" are defined by reference to the rules applicable to real estate investment trusts. Generally, foreclosure property would be treated as such for a period of two years, with

possible extensions. Net income from foreclosure property generally means gain from the sale of foreclosure property that is inventory property and gross income from foreclosure property other than qualifying rents and other qualifying income for a real estate investment trust.

#### *Application to a Multifamily REMIC Trust*

It is not anticipated that a Multifamily REMIC Trust will engage in any transactions that will give rise to a tax on the Multifamily REMIC Trust. In any event, pursuant to its guaranty obligations, Fannie Mae will make distributions on the Regular Certificates and Residual Certificates without offset or deduction for any tax imposed on the Multifamily REMIC Trust.

### **Sales of Certificates**

#### *In General*

Except as provided below, if a Regular or Residual Certificate is sold, the seller will recognize gain or loss equal to the difference between the amount realized in the sale and its adjusted basis in the Certificate. The adjusted basis of a Regular Certificate generally will equal the cost of such Certificate to the seller, increased by any original issue discount or market discount included in the seller's gross income with respect to such Certificate and reduced by distributions on such Certificate previously received by the seller of amounts included in the stated redemption price at maturity and by any premium that has reduced the seller's interest income with respect to such Certificate. The adjusted basis of a Residual Certificate is determined as described above under "Taxation of Beneficial Owners of Residual Certificates—*Basis Rules and Distributions*." Except as provided in the following paragraph or under section 582(c) of the Code, any such gain or loss will be capital gain or loss, provided such Certificate is held as a "capital asset" (generally, property held for investment) within the meaning of section 1221 of the Code.

Gain from the sale of a Regular Certificate that might otherwise be capital gain will be treated as ordinary income to the extent that such gain does not exceed the excess, if any, of (i) the amount that would have been includible in the income of the Regular Owner had income accrued at a rate equal to 110 percent of the "applicable Federal rate" (generally, an average of current yields on Treasury securities) as of the date of purchase over (ii) the amount actually includible in such Regular Owner's income. In addition, gain recognized on such a sale by a Regular Owner who purchased a Regular Certificate at a market discount would also be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period such Certificate was held by such Regular Owner, reduced by any market discount includible in income under the rules described above under "Taxation of Beneficial Owners of Regular Certificates—*Market Discount*."

If a Residual Owner sells its Residual Certificate at a loss, the loss will not be recognized if, within six months before or after the sale of the Residual Certificate, such Residual Owner purchases another residual interest in any REMIC or any interest in a taxable mortgage pool (as defined in section 7701(i) of the Code) comparable to a residual interest in a REMIC. Such disallowed loss would be allowed upon the sale of the other residual interest (or comparable interest) if the rule referred to in the preceding sentence does not apply to that sale. While this rule may be modified by Treasury regulations, no such regulations have yet been published.

#### *Residual Certificates Transferred to or Held by Disqualified Organizations*

Section 860E(e) of the Code imposes a substantial tax, payable by the transferor (or, if a transfer is through a broker, nominee, or other middleman as the transferee's agent, payable by that agent) upon any transfer of a Residual Certificate to a disqualified organization and upon a pass-through entity (including regulated investment companies, real estate investment trusts, common trust funds, partnerships, trusts, estates, certain cooperatives, and nominees) that owns a Residual Certificate if such pass-through entity has a disqualified organization as a record holder. For purposes of the preceding sentence, a transfer includes any transfer of record or beneficial ownership, whether pursuant to a purchase, a default under a secured lending agreement or otherwise. The term "disqualified organization" is defined above under "Description of the Certificates—Additional Characteristics of Residual Certificates."

A transferor of a Residual Certificate (or an agent of a transferee of a Residual Certificate, as the case may be) will be relieved of such tax liability if (i) the transferee furnishes to the transferor (or the transferee's agent) an affidavit that the transferee is not a disqualified organization, and (ii) the transferor (or the transferee's agent) does not have actual knowledge that the affidavit is false at the time of the transfer. Similarly, no such tax will be imposed on a pass-through entity for a period with respect to an interest therein owned by a disqualified

organization if (i) the record holder of such interest furnishes to the pass-through entity an affidavit that it is not a disqualified organization, and (ii) during such period, the pass-through entity has no actual knowledge that the affidavit is false.

### **Termination**

In general, no special tax consequences will apply to a Regular Owner upon the termination of a Multifamily REMIC Trust by virtue of the final payment or liquidation of the last Mortgage Loan supporting the Underlying Collateral remaining in the Series Trust. If a Residual Owner's adjusted basis in its Residual Certificate at the time such termination occurs exceeds the amount of cash distributed to such Residual Owner in liquidation of its interest, then, although the matter is not entirely free from doubt, it would appear that the Residual Owner is entitled to a loss equal to the amount of such excess.

### **Reporting and Other Administrative Matters**

For purposes of the administrative provisions of the Code, each Multifamily REMIC Trust will be treated as a partnership and the Residual Owners will be treated as partners. Fannie Mae will prepare, sign and file federal income tax returns for each Multifamily REMIC Trust, which returns are subject to audit by the IRS. Moreover, within a reasonable time after the end of each calendar year, Fannie Mae will furnish to each Holder that received a distribution during such year a statement setting forth the portions of any such distributions that constitute interest distributions, original issue discount, and such other information as is required by Treasury regulations and, with respect to Holders of Residual Certificates in a Multifamily REMIC Trust, information necessary to compute the daily portions of the taxable income (or net loss) of such Multifamily REMIC Trust for each day during such year. Fannie Mae will also act as the tax matters partner for each Multifamily REMIC Trust, either in its capacity as an Owner of a Residual Certificate or in a fiduciary capacity. Each Residual Owner, by the acceptance of its Residual Certificate, agrees that Fannie Mae will act as its fiduciary in the performance of any duties required of it in the event that it is the tax matters partner.

Each Residual Owner is required to treat items on its return consistently with the treatment on the return of the Multifamily REMIC Trust, unless the Residual Owner either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the Multifamily REMIC Trust. The IRS may assert a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the Multifamily REMIC Trust level. Unless otherwise specified in the related Prospectus Supplement, Fannie Mae does not intend to register any Multifamily REMIC Trust as a tax shelter pursuant to section 6111 of the Code.

### **Backup Withholding**

Distributions of interest and principal, as well as distributions of proceeds from the sale of Regular and Residual Certificates, may be subject to the "backup withholding tax" under section 3406 of the Code at a rate of 31 percent if recipients of such distributions fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a distribution to a recipient would be allowed as a credit against such recipient's federal income tax. Furthermore, certain penalties may be imposed by the IRS on a recipient of distributions that is required to supply information but that does not do so in the proper manner.

### **Foreign Investors**

#### *Regular Certificates*

Distributions made on a Regular Certificate to, or on behalf of, a Regular Owner that is not a U.S. Person (a "Non-U.S. Person") generally will be exempt from U.S. federal income and withholding taxes, provided (a) the Regular Owner is not subject to U.S. tax as a result of a connection to the United States other than ownership of the Certificate, (b) the Regular Owner signs a statement under penalties of perjury that certifies that such Regular Owner is a Non-U.S. Person, and provides the name and address of such Regular Owner, and (c) the last U.S. Person in the chain of payment to the Regular Owner receives such statement from such Regular Owner or a financial institution holding on its behalf and does not have actual knowledge that such statement is false. Regular Owners should be aware that the IRS might take the position that this exemption does not apply to a Regular Owner that also owns 10 percent or more of the Residual Certificates or of the voting stock of Fannie Mae, or to a Regular Owner that is a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code.

## *Residual Certificates*

Amounts distributed to a Residual Owner that is a Non-U.S. Person generally will be treated as interest for purposes of applying the 30 percent (or lower treaty rate) withholding tax on income that is not effectively connected with a U.S. trade or business. Temporary Treasury Regulations clarify that amounts not constituting excess inclusions that are distributed on a Residual Certificate to a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, subject to the same conditions applicable to distributions on Regular Certificates, as described above, but only to the extent that the obligations directly underlying the Multifamily REMIC Trust that issued the Residual Certificate (e.g., Mortgage Loans or regular interests in another REMIC) were issued after July 18, 1984. In no case will any portion of REMIC income that constitutes an excess inclusion be entitled to any exemption from the withholding tax or a reduced treaty rate for withholding. See "Taxation of Beneficial Owners of Residual Certificates—*Excess Inclusions*."

## **LEGAL INVESTMENT CONSIDERATIONS**

Institutions whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investment in certain Classes of the Certificates of a Series. Any financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration or other federal or state agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing the Certificates of a Series. Financial institutions should review and consider the applicability of the Federal Financial Institutions Examination Council Supervisory Policy Statement on Securities Activities (to the extent adopted by their respective federal regulators), which, among other things, sets forth guidelines for investing in certain types of mortgage related securities, including securities such as the Certificates. In addition, financial institutions should consult their regulators concerning the risk-based capital treatment of any Certificate. Investors should consult their own legal advisors in determining whether and to what extent the Certificates of a Series constitute legal investments or are subject to restrictions on investment.

## **LEGAL OPINION**

Any purchaser of Certificates will be furnished upon request an opinion by the General Counsel or Deputy General Counsel of Fannie Mae as to the validity of the Certificates and the Trust Agreement.

## **ERISA CONSIDERATIONS**

The Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Code impose certain requirements on employee benefit plans and certain other retirement plans and arrangements, as well as on collective investment funds and separate accounts in which such plans or arrangements are invested (all of which are hereinafter referred to as a "Plan") and on persons who are fiduciaries with respect to such Plans. Any Plan fiduciary which proposes to cause a Plan to acquire any Certificates of a Series would be required to determine whether such an investment is permitted under the governing Plan instruments and is prudent and appropriate for the Plan in view of its overall investment policy and the composition and diversification of its portfolio. In addition, ERISA and the Code prohibit certain transactions involving the assets of a Plan and "disqualified persons" (within the meaning of the Code) and "parties in interest" (within the meaning of ERISA) who have certain specified relationships to the Plan. Therefore, a Plan fiduciary considering an investment in Certificates of a Series should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or the Code.

The United States Department of Labor ("Labor") issued a final regulation on November 13, 1986, which provides that in the case where a Plan acquires a "guaranteed governmental mortgage pool certificate" then, for purposes of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of the Code, the Plan's assets include the certificate and all of its rights with respect to such certificate under applicable law, but do not, solely by reason of the Plan's holding of such certificate, include any of the mortgages underlying such certificate. Under the Regulation, the term "guaranteed governmental mortgage pool certificate" is specifically defined to include a certificate "backed by, or evidencing an interest in specified mortgages or participation interests therein" and with respect to which interest and principal payable pursuant to the certificate are guaranteed by Fannie Mae. The effect of the Regulation is to make clear that the sponsor (that is, the entity that organizes and services the trust, in this case Fannie Mae), the trustee, and other persons, in providing services with respect to the assets in the trust, would not be subject to the fiduciary responsibility

provisions of Title I of ERISA, nor be subject to the prohibited transaction provisions of section 4975 of the Code, merely by reason of the Plan's investment in a certificate. At the time the Regulation was originally issued, certificates similar to the Certificates were not in existence. However, Fannie Mae has been advised by its counsel, Mayer, Brown & Platt, that the Certificates qualify as "guaranteed governmental mortgage pool certificates," and thus the acquisition and holding of the Certificates by Plans should not be prohibited either by ERISA or related provisions of the Code.

## GLOSSARY

**Accretion Directed Class:** As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 21.

**Accrual Class:** As defined herein under “Description of the Certificates—General” on page 19.

**Accrual Rate:** As defined herein under “Yield Considerations—ARM Mortgage Pools—*Pool Accrual Rate*” on page 13.

**Adjusted WAM:** The WAM of the Mortgage Loans in each Mortgage Pool underlying a Series of Certificates backed by MBS at the issue date of the related MBS, less the number of months elapsed from such issue date through the Certificate Issue Date for such Series of Certificates.

**ARM Mortgage Loans:** As defined herein under “Summary of Prospectus—The Mortgage Pools” on page 6.

**ARM Mortgage Pool:** As defined herein under “Summary of Prospectus—The Mortgage Pools” on page 6.

**Balloon Mortgage Loans:** As defined herein under “Summary of Prospectus—The Mortgage Pools” on page 6.

**CAGE:** The weighted average calculated loan age of the Mortgage Loans in each Mortgage Pool underlying a Series of Certificates backed by MBS. The CAGE of such Mortgage Loans will be determined by subtracting the original WAM for such Mortgage Pool from the original term to maturity (in months) of such Mortgage Loans, and adding thereto the number of months elapsed since the issue date of the related MBS.

**Certificate Issue Date:** As defined herein under “Summary of Prospectus—Principal Distributions on Certificates” on page 4.

**Certificateholders:** As defined herein under “Summary of Prospectus—Certificate Form” on page 7.

**Certificates:** As defined herein on the Prospectus cover page.

**Code:** As defined herein under “Description of the Certificates—Reports to Certificateholders—*Mortgage Loan Series Trust*” on page 27.

**Conventional Mortgage Loans:** As defined herein under “The Series Trust—The Mortgage Pools” on page 10.

**CPR:** As defined herein under “Maturity and Prepayment Considerations and Risks—Other Considerations” on page 16.

**Deposit Period:** As defined herein under “Summary of Prospectus—Principal Distributions on Certificates” on page 4.

**Distribution Date:** As defined herein under “Summary of Prospectus—Interest Distributions on Certificates” on page 4.

**Due Period:** As defined herein under “Summary of Prospectus—Principal Distributions on Certificates” on page 4.

**ERISA:** As defined herein under “ERISA Considerations” on page 45.

**Excess Class:** As defined herein under “Description of the Certificates—Class Definitions and Abbreviations” on page 23.

**Fannie Mae:** As defined herein on the Prospectus cover page.

**FDIC:** As defined herein under “Purchase Program—Lender Eligibility” on page 18.

**FHA:** As defined herein under “The Series Trust—The Mortgage Pools” on page 10.

**FHA Mortgage Loans:** As defined herein under “The Series Trust—The Mortgage Pools” on page 10.

**Final Distribution Date:** As defined herein under “Summary of Prospectus—Final Distribution Date” on page 4.

**Fixed Rate Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 23.

**Fixed-Rate Mortgage Loans:** As defined herein under "Summary of Prospectus—The Mortgage Pools" on page 6.

**Fixed-Rate Mortgage Pool:** As defined herein under "Summary of Prospectus—The Mortgage Pools" on page 6.

**Floating Rate Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 23.

**Fractional Undivided Interest:** The fractional undivided interest in the related MBS Trust Fund that is evidenced by a MBS, such fractional undivided interest being equal (i) in the case of a definitive MBS, to the initial principal balance set forth on the face of such MBS, divided by the aggregate Stated Principal Balance of the Mortgage Loans in the Mortgage Pool on the issue date of such MBS and (ii) in the case of a book-entry MBS, to the fractional undivided interest in the underlying Mortgage Pool entered in the name of the holder in, or derived from, the records of the appropriate Federal Reserve Bank.

**Guide:** As defined herein under "Purchase Program—Mortgage Loan Eligibility" on page 18.

**Holders:** As defined herein under "Summary of Prospectus—Certificate Form" on page 7.

**Index Allocation Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 22.

**Index Determination Date:** Unless otherwise specified in the related Prospectus Supplement, the second business day preceding the first day of each Interest Accrual Period (other than the initial Interest Accrual Period) for the related Class or Classes of Certificates. Unless otherwise specified in the related Prospectus Supplement, "business day" means any day other than a Saturday or Sunday and other than any day on which either of the Federal Reserve Bank of New York or Boston authorizes banking institutions in the Second or First Federal Reserve District, respectively, to be closed; provided that for purposes of calculating LIBOR, "business day" means a day on which banks are open for dealing in foreign currency and exchange in London, Boston and New York City.

**Interest Accrual Period:** As defined herein under "Summary of Prospectus—Interest Distributions on Certificates" on page 4.

**Interest Only Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 23.

**Inverse Floating Rate Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 23.

**IRS:** As defined herein under "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*" on page 35.

**Labor:** As defined herein under "ERISA Considerations" on page 45.

**Lenders:** As defined herein under "The Series Trust—The Mortgage Pools" on page 10.

**Liquid Asset Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 23.

**Margin:** As defined herein under "Yield Considerations—ARM Mortgage Pools—*Pool Accrual Rate*" on page 13.

**MBS:** As defined herein on the Prospectus cover page.

**MBS Issue:** As defined herein under "Description of the Certificates—Voting Under any MBS Trust Indenture" on page 32.

**MBS Issue Supplement:** As defined herein under "Description of the Certificates—Voting Under any MBS Trust Indenture" on page 32.

**MBS Pass-Through Rate:** As defined herein under "Description of the Certificates—The MBS and Underlying Certificates" on page 21.

**MBS Pool Accrual Rate:** As defined herein under "Description of the Certificates—The MBS and Underlying Certificates" on page 21.

**MBS Prospectus:** As defined herein on the Prospectus cover page.

**MBS Series Trust:** As defined herein on the Prospectus cover page.

**MBS Trust Fund:** As defined herein under "Description of the Certificates—Voting Under any MBS Trust Indenture" on page 32.

**MBS Trust Indenture:** As defined herein under "Description of the Certificates—Voting Under any MBS Trust Indenture" on page 32.

**Monthly ARMs Report:** As defined herein under "Yield Considerations—ARM Mortgage Pools—*Pool Accrual Rate*" on page 13.

**Mortgage:** As defined herein under "Purchase Program—Mortgage Loan Eligibility" on page 18.

**Mortgage Interest Rates:** As defined herein under "Yield Considerations—Fixed-Rate Mortgage Pools" on page 11.

**Mortgage Loans:** As defined herein on the Prospectus cover page.

**Mortgage Loan Series Trust:** As defined herein on the Prospectus cover page.

**Mortgage Margin:** As defined herein under "Yield Considerations—ARM Mortgage Pools—*General Characteristics*" on page 12.

**Mortgage Notes:** As defined herein under "Purchase Program—Mortgage Loan Eligibility" on page 18.

**Mortgage Pool:** As defined herein on the Prospectus cover page.

**Mortgaged Properties:** As defined herein under "Summary of Prospectus—The Series Trust Assets" on page 3.

**Multifamily Program:** As defined herein under "Purchase Program" on page 18.

**Multifamily REMIC Trust:** As defined herein on the Prospectus cover page.

**NCUA:** As defined herein under "Purchase Program—Lender Eligibility" on page 18.

**Non-Sticky Jump Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 21.

**Non-U.S. Person:** As defined herein under "Certain Federal Income Tax Consequences—Foreign Investors—*Regular Certificates*" on page 44.

**Notional Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 21.

**PAC Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 22.

**Partial Accrual Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 23.

**Pass-Through Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 22.

**Pass-Through Rate:** The interest rate borne by Mortgage Loans backing Certificates, MBS or Underlying Certificates less a fixed percentage attributable to a servicing fee and, as applicable, the Fannie Mae fees, including its guaranty fee.

**Plan:** As defined herein under "ERISA Considerations" on page 45.

**Pool Accrual Rate:** As defined herein under "Yield Considerations—ARM Mortgage Pools—*Pool Accrual Rate*" on page 13.

**Premium Certificate:** As defined herein under "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Certificates Purchased at a Premium*" on page 38.

**Prepayment Assumption:** As defined herein under "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates—*Original Issue Discount*" on page 36.

**Prepayment Premium:** As defined under "Summary of Prospectus—Fannie Mae Guaranty" on page 5.

**Principal Only Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 21.

**Regular Certificate:** As defined herein under "Certain Federal Income Tax Consequences—REMIC Election" on page 35.

**Regular Owners:** As defined herein under "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates" on page 35.

**Regulations:** As defined herein under "Description of the Certificates—Additional Characteristics of Residual Certificates" on page 29.

**REMICs:** As defined herein on the Prospectus cover page.

**Residual Certificate:** As defined herein under "Description of the Certificates—Additional Characteristics of Residual Certificates" on page 29.

**Residual Owner:** As defined herein under "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Residual Certificates—*Daily Portions*" on page 39.

**Retail Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 24.

**Sale and Servicing Agreement:** As defined herein under "The Series Trust—The Mortgage Pools" on page 10.

**Scheduled Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 22.

**Sequential Pay Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 22.

**Series:** As defined herein on the Prospectus cover page.

**Series Supplement:** As defined herein under "Description of the Certificates—General" on page 19.

**Series Trust:** As defined herein on the Prospectus cover page.

**Series Trust Assets:** As defined herein on the Prospectus cover page.

**Settlement Date:** As defined herein under "Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates" on page 35.

**Stated Principal Balance:** As defined herein under "Description of the Certificates—Payments on Series Trust Assets; Deposits in the Trust Account—*Mortgage Loan Series Trust*" on page 25.

**Sticky Jump Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 22.

**Strip Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 22.

**Subordinate Classes:** As defined herein on the Prospectus cover page.

**Support (or Companion) Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 22.

**TAC Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 22.

**Treasury Index Determination Date:** Unless otherwise specified in the related Prospectus Supplement, the second business day preceding the first day of each Interest Accrual Period (other than the initial Interest Accrual Period) for the related Class or Classes of Certificates.

**Trust Account:** As defined herein under "Summary of Prospectus—Trust Account" on page 7.

**Trust Agreement:** As defined herein under "Summary of Prospectus—The Certificates" on page 3.

**Underlying Certificates:** As defined herein on the Prospectus cover page.

**Underlying Collateral:** As defined herein under "Certain Federal Income Tax Consequences—REMIC Election" on page 35.

**Underlying Pooling and Servicing Agreement:** As defined herein under "Summary of Prospectus—Servicing" on page 6.

**Underlying Series Trust:** As defined herein on the Prospectus cover page.

**Underlying Servicer:** As defined herein under "Summary of Prospectus—Servicing" on page 6.

**Underlying Trust Fund:** As defined herein under "Description of the Certificates—Voting Under any Underlying Pooling and Servicing Agreement" on page 33.

**Uniform Fee Pool:** As defined herein under "Yield Considerations—ARM Mortgage Pools—*Pool Accrual Rate*" on page 13.

**Uniform Margin Pool:** As defined herein under "Yield Considerations—ARM Mortgage Pools—*Pool Accrual Rate*" on page 13.

**U.S. Person:** As defined herein under "Description of the Certificates—Additional Characteristics of Residual Certificates" on page 29.

**WAC:** The weighted average coupon of the Mortgage Loans in each Mortgage Pool underlying a Series of Certificates, MBS or Underlying Certificates.

**WAM:** The weighted average remaining term to maturity (in months) of the Mortgage Loans in each Mortgage Pool underlying a Series of Certificates, MBS or Underlying Certificates.

**Weighted Average Coupon Class:** As defined herein under "Description of the Certificates—Class Definitions and Abbreviations" on page 23.

**Weighted Average Pass-Through Rate:** The weighted average of the Pass-Through Rates of the Mortgage Loans in the Mortgage Pools underlying a Series of Certificates, MBS or Underlying Certificates.

**Yield Maintenance Charge:** As defined herein under "Summary of Prospectus—Fannie Mae Guaranty" on page 5.

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

#### TABLE OF CONTENTS

|                                                                                   | <u>Page</u> |
|-----------------------------------------------------------------------------------|-------------|
| <b>PROSPECTUS SUPPLEMENT</b>                                                      |             |
| Table of Contents .....                                                           | S- 3        |
| Reference Sheet .....                                                             | S- 4        |
| Risk Factors Associated With Multifamily<br>REMIC Pass-Through Certificates ..... | S- 7        |
| Description of the Certificates .....                                             | S- 9        |
| The Trust Agreement .....                                                         | S-20        |
| The Sale and Servicing Agreement .....                                            | S-24        |
| Description of the Mortgage Pool .....                                            | S-25        |
| Certain Additional Federal Income Tax<br>Consequences .....                       | S-38        |
| Plan of Distribution .....                                                        | S-39        |
| Legal Matters .....                                                               | S-40        |
| Glossary .....                                                                    | G- 1        |
| Exhibit A .....                                                                   | A- 1        |
| <b>MULTIFAMILY REMIC PROSPECTUS</b>                                               |             |
| Prospectus Supplement .....                                                       | 2           |
| Summary of Prospectus .....                                                       | 3           |
| The Series Trust .....                                                            | 10          |
| Yield Considerations .....                                                        | 11          |
| Maturity and Prepayment Considerations<br>and Risks .....                         | 15          |
| Purchase Program .....                                                            | 18          |
| Description of the Certificates .....                                             | 19          |
| The Trust Agreement .....                                                         | 30          |
| Certain Federal Income Tax<br>Consequences .....                                  | 35          |
| Legal Investment Considerations .....                                             | 45          |
| Legal Opinion .....                                                               | 45          |
| ERISA Considerations .....                                                        | 45          |
| Glossary .....                                                                    | 47          |

**\$302,982,000**  
(Approximate)

## Federal National Mortgage Association



### Guaranteed REMIC Pass-Through Certificates

### Fannie Mae Multifamily REMIC Trust 1996-M3

#### *PROSPECTUS SUPPLEMENT*

**CS First Boston**  
**Morgan Stanley & Co.**  
Incorporated

April 22, 1996