

\$464,790,000 (Approximate)



**Guaranteed Grantor Trust Pass-Through Certificates
Fannie Mae Grantor Trust 2002-T14**

Consider carefully the risk factors starting on page 6 of this prospectus. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.

The certificates, together with interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.

The certificates are exempt from registration under the Securities Act of 1933 and are “exempted securities” under the Securities Exchange Act of 1934.

The Certificates

We, the Federal National Mortgage Association or Fannie Mae, will issue the classes of certificates listed in the chart below. The certificates will represent ownership interests in the trust assets, which will consist of two classes of underlying REMIC securities.

Payments to Certificateholders

You, the investor, generally will receive monthly payments on your certificates, including

- interest accrued on your certificates and
- principal paid on the corresponding class of underlying REMIC securities.

We may pay principal in amounts which vary from time to time.

The Fannie Mae Guaranty

We will guarantee that the payments of monthly interest and principal described above are paid to investors on time, subject to the limitations described under “Description of the Certificates—*Fannie Mae Guaranty*” in the Information Supplement attached to this prospectus. In addition, we guarantee that any outstanding principal balance of the A1 Class will be paid on the distribution date occurring in October 2032.

The Trust and Its Assets

The trust will own the underlying REMIC securities described in this prospectus. The underlying REMIC securities represent ownership interests in a portion of Asset Backed Securities Corporation Home Equity Loan Trust, Series 2002-HE3, consisting of fixed-rate and adjustable-rate, first lien, fully amortizing, residential mortgage loans made to borrowers generally with blemished credit histories.

Corresponding Classes

The Class A1 and Class S1 Certificates will correspond to the Class I-A and Class I-AIO Certificates of the underlying REMIC securities, respectively.

Class	Original Class Balance(1)	Principal Type	Interest Rate	Interest Type	CUSIP Number	Final Distribution Date
A1	\$464,790,000	PT	(2)	FLT/AFC	31392E5S5	October 2032
S1	\$ 88,200,000(3)	NTL	5.25%	FIX/IO	31392E5T3	April 2005

(1) Approximate. In each case, subject to a permitted variance of plus or minus 5%.

(2) Based on LIBOR and subject to a net WAC rate cap. See “Description of the Certificates—Payments of Interest” in this prospectus.

(3) The notional amount will step down. See “Description of the Certificates—Payments of Interest—*Notional Class*” in this prospectus.

Credit Suisse First Boston Corporation will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be October 25, 2002.

Credit Suisse First Boston

The date of this Prospectus is October 17, 2002

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
ADDITIONAL INFORMATION	3	Payments of Principal	14
REFERENCE SHEET	4	<i>Categories of Classes</i>	14
RISK FACTORS	6	<i>Monthly Principal</i>	14
DESCRIPTION OF THE CERTIFICATES	10	Class Definitions and Abbreviations . .	15
General	10	Yield, Modeling Assumptions, Decrement Tables, Weighted Average Lives	15
<i>Structure</i>	10	THE TRUST AGREEMENT	15
<i>Fannie Mae Guaranty</i>	10	Reports to Certificateholders	15
<i>Characteristics of Certificates</i>	10	Certain Matters Regarding Fannie Mae	16
<i>Authorized Denominations</i>	11	Events of Default	16
<i>Distribution Date</i>	11	Rights upon Event of Default	16
<i>Record Date</i>	11	Voting Rights	16
<i>Class Factors</i>	11	Amendment	17
<i>Servicer Mortgage Loan Cleanup Call</i>	11	Termination	17
<i>Option to Repurchase Delinquent Loans</i>	11	CERTAIN FEDERAL INCOME TAX CONSEQUENCES	17
<i>Voting the Underlying REMIC Securities</i>	11	Taxation of Beneficial Owners of Certificates	18
The Underlying REMIC Securities . .	11	Taxation of Underlying REMIC Securities	18
Book-Entry Procedures	12	Information Reporting and Backup Withholding	19
<i>General</i>	12	Foreign Investors	19
<i>Method of Distribution</i>	12	LEGAL INVESTMENT CONSIDERATIONS	20
<i>Holding Through International Clearing Systems</i>	12	LEGAL OPINION	20
<i>Euroclear and Clearstream</i>	13	ERISA CONSIDERATIONS	20
Payments of Interest	13	PLAN OF DISTRIBUTION	21
<i>Categories of Classes</i>	13	LEGAL MATTERS	21
<i>Monthly Interest</i>	13	INDEX OF DEFINED TERMS	22
<i>Interest Accrual Periods</i>	14		
<i>Notional Class</i>	14		
Calculation of One-Month LIBOR . .	14		

ADDITIONAL INFORMATION

You should purchase the certificates only if you have read this prospectus and the following documents (the “Disclosure Documents”):

- the Information Supplement dated October 16, 2002 relating to the underlying REMIC securities, which is attached to, and forms a part of, this prospectus; and
- our Information Statement dated April 1, 2002 and its supplements (the “Information Statement”).

You can obtain all the Disclosure Documents by writing or calling:

Fannie Mae
3900 Wisconsin Avenue, N.W.
Area 2H-3S
Washington, D.C. 20016
(telephone 1-800-237-8627 or 202-752-6547).

This prospectus, the Information Statement and the class factors are available on our corporate website located at www.fanniemae.com and our business to business website at www.efanniemae.com. You can also obtain them by calling the Fannie Mae Helpline at 1-800-237-8627 or 202-752-6547.

You also can obtain copies of this prospectus, including the Information Supplement, by writing or calling:

Credit Suisse First Boston Corporation
Prospectus Department
11 Madison Avenue
New York, New York 10010
(telephone 212-325-2580).

REFERENCE SHEET

This reference sheet highlights information contained elsewhere in this prospectus. As a reference sheet, it speaks in general terms without giving details or discussing any exceptions. You should purchase the certificates only after reading this prospectus and each of the other disclosure documents listed on page 3 of this prospectus.

General

- The certificates will represent ownership interests in the trust assets.
- The trust assets will consist of two classes of underlying REMIC securities that represent ownership interests in Asset Backed Securities Corporation Home Equity Loan Trust, Series 2002-HE3 as further described in the Information Supplement.
- The mortgage loans underlying the underlying REMIC securities are fixed-rate and adjustable-rate, first lien, fully amortizing residential mortgage loans made to borrowers generally with blemished credit histories, as further described in this prospectus and the Information Supplement.

Corresponding Classes

The Class A1 and the Class S1 Certificates correspond to the Class I-A and the Class I-AIO Certificates of the underlying REMIC securities, respectively. All amounts paid on each class of underlying REMIC securities will be passed through to the corresponding class of certificates. For a description of Fannie Mae's guaranty of the underlying REMIC securities, see "The Pooling Agreement—Fannie Mae Guaranty" in the Information Supplement.

Characteristics of the Mortgage Loans Backing the Underlying REMIC Securities

For information about the nature of the mortgage loans backing the underlying REMIC securities, see the sections of the Information Supplement entitled "The Mortgage Pool—General" and "—Group I Mortgage Loan Statistics."

Class Factors

On or before each monthly distribution date, we will publish the class factor for each class of certificates. If you multiply the class factor by the initial principal balance or notional balance of a certificate of the related class, you will obtain the current principal balance or notional balance of that certificate, after giving effect to the current month's payment.

Settlement Date

We expect to issue the certificates on October 25, 2002.

Distribution Dates

Beginning in November 2002, we will make payments on the certificates on the 15th day of each calendar month, or on the next business day if the 15th is not a business day.

Book-Entry Certificates

We will issue the certificates in book-entry form through The Depository Trust Company, which will track ownership of the certificates and payments on the certificates electronically.

Payments of Interest

We will pay monthly interest on each class of certificates in an amount generally equal to the interest accrued on that class at the applicable interest rate during the related interest accrual period.

Notional Class

Holders of the certificates of the S1 Class will not receive any principal payments. The S1 Class has a notional balance used to determine accrued interest. The method for calculating the notional balance for the S1 Class is identical to that specified in the Information Supplement for the Class I-AIO class of underlying REMIC securities.

Payments of Principal

We will pay monthly principal on the A1 Class in an amount equal to the principal, if any, paid in that month on the Class I-A class of underlying REMIC securities.

Guaranty Payments

We guarantee that interest and principal on the certificates will be paid as provided above, subject to the limitations described under “Description of the Certificates—Fannie Mae Guaranty” in the Information Supplement attached to this prospectus. In addition, we guarantee the payment of any principal balance of the A1 Class that remains outstanding on the distribution date occurring in October 2032.

RISK FACTORS

We describe below some of the risks associated with an investment in the certificates. Because each investor has different investment needs and a different risk tolerance, you should consult your own financial and legal advisors to determine whether the certificates are a suitable investment for you. In addition to the risks discussed below, you should read the section entitled “Risk Factors” beginning on page 15 of the Information Supplement.

Suitability

The certificates may not be a suitable investment. The certificates are not a suitable investment for every investor. Before investing, you should carefully consider the following.

- You should have sufficient knowledge and experience to evaluate the merits and risks of the certificates and the information contained in this prospectus, the Information Supplement and the other documents incorporated by reference.
- You should thoroughly understand the terms of the certificates.
- You should thoroughly understand the terms of the underlying REMIC securities and the mortgage loans that back them.
- You should be able to evaluate (either alone or with the help of a financial advisor) the economic, interest rate and other factors that may affect your investment.
- You should have sufficient financial resources and liquidity to bear all risks associated with the certificates.
- You should investigate any legal investment restrictions that may apply to you.

Investors whose investment activities are subject to legal investment laws and regulations, or to review by regulatory authorities, may be unable to buy certain certificates. You should get legal advice in determining whether your purchase of the certificates is a legal investment for you or is subject to any investment restrictions.

Yield Considerations

A variety of factors can affect your yield. Your effective yield on the certificates will depend upon:

- the price you paid for the certificates;
- how quickly or slowly borrowers prepay the underlying mortgage loans;
- if and when the underlying mortgage loans are liquidated due to borrower defaults, casualties or condemnations affecting the properties securing those loans;
- if and when the underlying mortgage loans are repurchased;
- if and when the servicer exercises its limited right to terminate the underlying trust fund by purchasing the mortgage loans;
- the actual characteristics of the underlying mortgage loans, including the effect of periodic and lifetime caps on the interest rates of adjustable rate underlying mortgage loans; and
- in the case of the A1 Class, monthly changes in the LIBOR index.

The actual yield on your certificates probably will be lower than you expect:

- if you bought your certificates at a premium and principal payments on the underlying mortgage loans are faster than you expect, or
- if you bought your certificates at a discount and principal payments on the underlying mortgage loans are slower than you expect.

Furthermore, in the case of the S1 Class, you could fail to recover all of your investment if

prepayments on the underlying mortgage loans occur at a rapid rate.

Even if the underlying mortgage loans are prepaid at a rate that on average is consistent with your expectations, variations over time in the prepayment rate of the underlying mortgage loans could significantly affect your yield. Generally, the earlier the payment of principal, the greater the effect on the yield to maturity. As a result, if the rate of principal prepayments on the underlying mortgage loans during any period is faster or slower than you expect, a corresponding reduction or increase in the prepayment rate during a later period may not fully offset the impact of the earlier prepayment rate on your yield.

Certain assumptions concerning the mortgage loans were used in preparing the tabular information set forth in the Information Supplement. If the actual mortgage loan characteristics differ even slightly from those assumptions, the weighted average lives and yields of the certificates could be affected.

You must make your own decision as to the assumptions, including the principal prepayment assumptions, you will use in deciding whether to purchase the certificates.

The A1 Class is subject to basis risk. The interest rate on the A1 Class adjusts monthly based on one-month LIBOR. The interest rates on the underlying adjustable-rate mortgage loans generally adjust less frequently and on the basis of a different index, and the interest rates on the underlying fixed-rate mortgage loans do not adjust at all. As a result, the A1 Class is subject to basis risk, which may reduce its yield.

Unpredictable timing of last payment may affect your yield. The actual final payment on your class of certificates may occur earlier, and could occur much earlier, than the distribution date occurring in October 2032. If you assumed the actual final payment would occur on the final distribution date specified, your yield could be lower than you expect.

Delayed payments reduce yield and market value of the S1 Class. Because the S1 Class does not receive interest immediately following each interest accrual period, it will have a lower

yield and market value than it would if there were no such delay.

Prepayment Considerations

The rate of principal payments on the A1 Class depends on numerous factors and cannot be predicted. The rate of principal payments on the A1 Class generally will depend on the rate of principal payments on the underlying mortgage loans. Principal payments will occur as a result of scheduled amortization or prepayments. The rate of principal payments is likely to vary considerably from time to time as a result of the liquidation of foreclosed mortgage loans.

It is highly unlikely that the mortgage loans will prepay:

- at the rates we assume,
- at any constant prepayment rate until maturity, or
- at the same rate.

Most of the mortgage loans underlying the underlying certificates require that the borrower pay a prepayment premium if the loan is prepaid in full or in part during the period specified in the mortgage note. Generally, each mortgage loan which has a prepayment charge provision provides for a prepayment charge on certain partial prepayments and prepayments in full received during the first 36 months from the first due date of the mortgage loan generally equal to 3%, 2% or 1% of the original principal balance of the mortgage loan if the prepayment is received on or before the first, second or third anniversary, respectively, of the first due date of the mortgage loan. After the expiration of the applicable prepayment premium period, however, borrowers may prepay the loans at any time without paying a premium. In no event will certificateholders be entitled to any portion of any prepayment premiums paid by borrowers.

The mortgage loans provide that the lender can require repayment in full if the borrower sells the property that secures the loan. In this way, property sales by borrowers can affect the rate of prepayment. In addition, if borrowers are able to refinance their loans by obtaining new loans secured by the same properties, any refinancing will affect the rate of prepayment. Fur-

thermore, the originator of the underlying mortgage loans has made representations and warranties with respect to the mortgage loans and may have to repurchase the related loans if they fail to conform to those representations and warranties. Any such repurchases also will affect the rate of prepayment.

Once the balances of the underlying mortgage loans held in the underlying trust are reduced to 10% or less of the sum of their balances as of the issue date, the servicer may purchase all the remaining mortgage loans subject to certain restrictions described in the Information Supplement. In addition, the servicer has the option to repurchase mortgage loans that become 90 days or more delinquent, and if it chooses not to exercise such option with respect to mortgage loans underlying the certificates, Fannie Mae may purchase such mortgage loans. If the mortgage loans are purchased in either of these ways, it would have the same effect as a prepayment in full of the mortgage loans. For a further description of the termination risks, you should read the Information Supplement.

In general, the rates of prepayment may be influenced by:

- the level of current interest rates relative to the rates borne by the underlying mortgage loans,
- homeowner mobility,
- the general creditworthiness of the borrowers,
- repurchases of mortgage loans, and
- general economic conditions.

Because so many factors affect the rate of prepayment of a pool of mortgage loans, we cannot estimate the prepayment experience of the mortgage loans backing the underlying REMIC securities.

Overcollateralization can accelerate principal payments. Due to the overcollateralization feature of the underlying trust, the rate of principal payments on the A1 Class may be somewhat faster from time to time than the rates of principal payments on the underlying mortgage

loans. Beginning with the second distribution date, a portion of excess interest generated by the underlying mortgage loans will be applied to pay principal on the Class I-A Certificates of the underlying REMIC securities until its required level of overcollateralization is reached and thereafter excess interest will be used to maintain overcollateralization at the required level.

The S1 Class is subject to prepayment risk. The yield to maturity of the S1 Class will be extremely sensitive to the rate of principal prepayment on the mortgage loans underlying the underlying REMIC Securities, if on or prior to the due date in any month through March 1, 2005, the aggregate principal balance of such mortgage loans with net mortgage rates in excess of 5.25% is reduced to or below the amount equal to the notional amount of S1 Class Certificates for the distribution date in the subsequent month. Investors in the S1 Class should fully consider the risk that an extremely rapid rate of principal prepayment on the mortgage loans underlying the underlying REMIC Securities could result in the failure of such investors to fully recover their initial investments.

Reinvestment Risk

You may have to reinvest principal payments at a rate of return lower than that on the A1 Class. Generally, a borrower may prepay a mortgage loan at any time, although early prepayment may be subject to a prepayment premium as described above. As a result, we cannot predict the amount of principal payments on the A1 Class. The A1 Class may not be an appropriate investment for you if you require a specific amount of principal on a regular basis or on a specific date. Because interest rates fluctuate, you may not be able to reinvest the principal payments on the A1 Class at a rate of return that is as high as your rate of return on the certificates. You may have to reinvest those funds at a much lower rate of return. You should consider this risk in light of other investments that may be available to you.

Market and Liquidity Considerations

It may be difficult to resell your certificates and any resale may occur on adverse terms. We cannot be sure that a market for resale of the certificates will develop. Further, if a market develops, it may not continue or be sufficiently liquid to allow you to sell your certificates. Even if you are able to sell your certificates, the sale price may not be comparable to similar investments that have a developed market. Moreover, you may not be able to sell small or large amounts of certificates at prices comparable to those available to other investors.

A number of factors may affect the resale of certificates, including:

- the payment to certificateholders of interest and principal in amounts based on the interest and principal required to be paid on the corresponding classes of the underlying REMIC securities;
- the characteristics of the underlying mortgage loans;
- past and expected prepayment levels of the underlying mortgage loans and comparable loans;
- the outstanding principal amount of the certificates;
- the amount of certificates offered for resale from time to time;
- any legal restrictions or tax treatment limiting demand for the certificates;
- the availability of comparable securities;
- the level, direction and volatility of interest rates generally; and
- general economic conditions.

Fannie Mae Guaranty Considerations

Any failure of Fannie Mae to perform its guaranty obligations will adversely affect investors. If we were unable to perform our guaranty obligations, certificateholders would receive only payments made on the underlying REMIC securities. If that happened, delinquencies and defaults or other shortfalls on the mortgage loans could directly affect the amounts that certificateholders would receive each month.

DESCRIPTION OF THE CERTIFICATES

The material under this heading summarizes certain features of the Certificates (defined below) and is not complete. You will find additional information about the Certificates in the other sections of this prospectus, as well as in the other Disclosure Documents and the Trust Agreement (defined below). If we use a capitalized term in this prospectus without defining it, you will find the definition of such term in the applicable Disclosure Document or in the Trust Agreement.

General

Structure. We, 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.*), will create the Fannie Mae Grantor Trust specified on the cover page of this prospectus (the “Trust”) pursuant to a trust agreement (the “Trust Agreement”) dated as of October 1, 2002 (the “Issue Date”). We will execute the Trust Agreement in our corporate capacity and in our capacity as trustee (in such capacity, the “Trustee”). We will issue the Certificates specified on the cover page of this prospectus pursuant to the Trust Agreement.

The Guaranteed Grantor Trust Pass-Through Certificates offered by this prospectus (the “Certificates”) will represent beneficial ownership interests in the Trust. The assets of the Trust will consist of two classes of mortgage pass-through certificates (the “Underlying REMIC Securities”) evidencing beneficial ownership interests in Asset Backed Securities Corporation Home Equity Loan Trust, Series 2002-HE3 (the “Underlying Trust”) as further described in the Information Supplement. The A1 Class of Certificates and the S1 Class of Certificates (each, a “Class”) will correspond to the Class I-A and the Class I-AIO Certificates of the Underlying REMIC Securities, respectively. The assets of the Underlying Trust will consist primarily of a pool of conforming balance mortgage loans (the “Group I Mortgage Loans”) and a second pool of generally non-conforming balance mortgage loans (together with the Group I Mortgage Loans, the “Mortgage Loans”) as more fully described in the Information Supplement under the heading “The Mortgage Pool.”

Fannie Mae Guaranty. We guarantee that on each Distribution Date we will pay to Certificateholders:

- the amount of interest accrued on the Certificates at the applicable interest rates during the related Interest Accrual Period, and
- in the case of the A1 Class, the amount of principal payable on the corresponding class of Underlying REMIC Securities.

In addition, in the case of the A1 Class, we guarantee the payment of any principal balance that remains outstanding on the Distribution Date occurring in October 2032.

Our guaranty is subject to the limitations described under “Description of the Certificates—Fannie Mae Guaranty” in the Information Supplement attached to this prospectus.

If we were unable to perform our guaranty obligations, Certificateholders would receive only the amounts paid and other recoveries on the Underlying REMIC Securities. If that happened, delinquencies and defaults or other shortfalls on the Mortgage Loans could directly affect the amounts that Certificateholders would receive each month. **Our guaranty is not backed by the full faith and credit of the United States.**

Characteristics of Certificates. The Certificates will be represented by one or more certificates which will be registered in the name of the nominee of The Depository Trust Company (“DTC”). DTC will maintain the Certificates through its book-entry facilities. The “Holder” or “Certificateholder” of a DTC Certificate is the nominee of DTC. 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.

Authorized Denominations. We will issue the Certificates in minimum denominations of \$1,000 and whole dollar increments.

Distribution Date. Beginning in November 2002, we will make payments of principal and interest on the Certificates on the 15th day of each month or, if the 15th is not a business day (as defined in the Information Supplement), on the first business day after the 15th. We refer to each such date as a “Distribution Date.”

Record Date. On each Distribution Date, we will make each monthly payment to A1 Certificateholders who were Holders of record on the business day preceding such Distribution Date and to S1 Certificateholders who were Holders of record on the last day of the preceding month.

Class Factors. On or before each Distribution Date, we will publish a class factor (carried to eight decimal places) for each Class of Certificates. When the class factor is multiplied by the original principal balance (or notional principal balance) of a Certificate of that Class, the product will equal the current principal balance (or notional principal balance) of the Certificate after taking into account payments on that Distribution Date.

Servicer Mortgage Loan Cleanup Call. Long Beach Mortgage Company, in its capacity as servicer may, subject to the limitation described in the Information Supplement, repurchase the Mortgage Loans when the principal balances of the Mortgage Loans have been reduced to 10% or less of their balances as of the Issue Date. If the Group I Mortgage Loans are purchased in this way, it will have the same effect on the Certificates as a prepayment in full of the Group I Mortgage Loans.

Option to Repurchase Delinquent Loans. The servicer has the option to repurchase Group I Mortgage Loans that become 90 days or more delinquent, and if it chooses not to exercise such option with respect to the Group I Mortgage Loans, Fannie Mae may purchase such Group I Mortgage Loans.

Voting the Underlying REMIC Securities. Holders of the Underlying REMIC Securities may have to vote on issues arising under the documents governing the Underlying Trust. The Trustee will vote the Underlying REMIC Securities as instructed by Holders of the corresponding Classes of Certificates. The Trustee must receive instructions from Holders of the related Certificates holding voting rights totaling at least 51% of the voting rights of the related Class. In the absence of such instructions, the Trustee will vote in a manner consistent, in its sole judgment, with the best interests of Certificateholders.

The Underlying REMIC Securities

The Underlying REMIC Securities represent the senior ownership interests in the Group I Mortgage Loans held in the Underlying Trust. As indicated in the Information Supplement, the Mortgage Loans will be deposited in the Underlying Trust by Asset Backed Securities Corporation.

Each of the Underlying REMIC Securities represents an entitlement to an applicable portion of interest and, if applicable, principal due on the Group I Mortgage Loans, subject to the payment priorities specified in the Information Supplement. Interest and, if applicable, principal paid on each class of the Underlying REMIC Securities will be passed through to Holders of the corresponding Class of Certificates. Interest on the Underlying REMIC Securities will accrue on their outstanding principal balance or notional principal balance as described in the Information Supplement. Principal on the Underlying REMIC Securities will be paid as described in the Information Supplement.

See the Information Supplement for detailed information about each class of the Underlying REMIC Securities.

Book-Entry Procedures

General. The Certificates will be registered in the name of the nominee of DTC, a New York-chartered limited purpose trust company, or any successor depository that we select or approve (the “Depository”). In accordance with its normal procedures, the Depository will record the positions held by each Depository participating firm (each, a “Depository Participant”) in the Certificates, whether held for its own account or as a nominee for another person. Initially, we will act as Paying Agent for the Certificates. In addition, State Street Bank and Trust Company will perform certain administrative functions with respect to the Certificates.

A “beneficial owner” or an “investor” is anyone who acquires a beneficial ownership interest in the Certificates. As an investor, you will not receive a physical certificate. Instead, your interest will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (a “financial intermediary”) that maintains an account for you. In turn, the record ownership of the intermediary will be recorded on the records of the Depository. If the intermediary is not a Depository Participant, the intermediary’s record ownership will be recorded on the records of a Depository Participant acting as agent for the financial intermediary. Neither the Trustee nor the Depository will recognize an investor as a Certificateholder. Therefore, you must rely on these various arrangements to transfer your beneficial ownership interest in the Certificates and comply with the procedures of your financial intermediary and of Depository Participants. In general, ownership of Certificates will be subject to the prevailing rules, regulations and procedures governing the Depository and Depository Participants.

Method of Distribution. We will direct payments on the Certificates to the Depository in immediately available funds. The Depository will credit the payments to the accounts of the Depository Participants entitled to them, in accordance with the Depository’s normal procedures. These procedures currently provide for payments made in same-day funds to be settled through the New York Clearing House. Each Depository Participant and each financial intermediary will direct the payments to the investors in the Certificates that it represents. Accordingly, investors may experience a delay in receiving payments.

Holding Through International Clearing Systems. Beneficial interests in the Certificates may be held through organizations participating in the international clearing systems described below. Electronic securities and payment transfer, processing, depository and custodial arrangements among these systems and DTC, either directly or indirectly through custodians and depositories, may enable beneficial interests in the Certificates to be issued, held and transferred among these systems as described below. Special procedures among these systems allow clearance and settlement of beneficial interests in certain securities traded across borders in the secondary market. Cross-market transfers of beneficial interests in the Certificates may be cleared and settled using these procedures. However, we can give no assurance that cross-market transfers of beneficial interests in the Certificates will be possible.

Each relevant system has its own separate operating procedures and arrangements with participants and accountholders that govern the relationship between them and such system and to which we are not and will not be a party. The clearing systems may impose fees in respect of the maintenance and operation of the accounts in which beneficial interests in the Certificates are maintained.

If beneficial interests in the Certificates are cleared and settled through more than one clearing system, time zone differences may result in the securities account of an investor in one system being credited during the settlement processing day immediately following the settlement date of the other system and the cash account being credited for value on the settlement date but only being available as of the day following that settlement date.

Although clearing systems have procedures to facilitate transfers of beneficial interests in securities among their respective participants and accountholders, we understand that they are under no obligation to perform or continue to perform those procedures, which may be modified or

discontinued at any time. We will have no responsibility for the performance by any system, or their respective direct or indirect participants or accountholders, of their respective obligations under the results and procedures governing their operations.

Euroclear and Clearstream. The Euroclear System (“Euroclear”) was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment. Euroclear is operated by Morgan Guaranty Trust Company of New York, Brussels office (“Morgan”), and all Euroclear securities clearance and cash accounts are with Morgan. They are governed by procedures of Euroclear, and applicable Belgian law. Clearstream Banking, *Société anonyme* (“Clearstream”), was incorporated in 1970 under the laws of Luxembourg as a limited liability company. A participant’s overall contractual relations with Clearstream are governed by the general terms and conditions, related operating rules and procedures and applicable Luxembourg law.

Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Payments of Interest

Categories of Classes

For the purpose of interest payments, the Classes of Certificates fall into the following categories:

<u>Interest Type*</u>	<u>Classes</u>
Floating Rate	A1
Available Funds	A1
Fixed Rate	S1
Interest Only	S1

* See “—Class Definitions and Abbreviations” below.

Monthly Interest. We will pay interest on each Class of Certificates at the annual interest rate applicable to the corresponding class of Underlying REMIC Securities as described in the Information Supplement, subject to the limitations specified in this prospectus under “General—*Fannie Mae Guaranty*.” We calculate interest, in the case of the A1 Class, on the basis of an assumed 360-day year and the actual number of days elapsed in the related Interest Accrual Period and, in the case of the S1 Class, on the basis of an assumed 360-day year consisting of twelve 30-day months. We pay interest monthly on each Distribution Date, beginning in the month after the Settlement Date.

Interest to be paid on each Certificate on a Distribution Date will consist of the interest accrued during the related Interest Accrual Period on its outstanding principal balance or notional principal balance immediately prior to that Distribution Date.

Interest Accrual Periods. Interest to be paid on a Distribution Date will accrue on the Certificates during the applicable one-month periods set forth below (each, an “Interest Accrual Period”).

<u>Classes</u>	<u>Interest Accrual Period</u>
A1	The period beginning on the Distribution Date in the month preceding the month in which the Distribution Date occurs and ending on the day immediately preceding such Distribution Date (other than the initial Interest Accrual Period, which is the 21-day period beginning on October 25, 2002)
S1	Calendar month preceding the month in which the Distribution Date occurs.

See “Risk Factors—Yield Considerations—*Delayed payments reduce yield and market value of the S1 Class*” in this prospectus.

Notional Class. The S1 Class is a Notional Class and, accordingly, will not have a principal balance. During each Interest Accrual Period, the S1 Class will be entitled to receive interest on its notional principal balance which at all times will equal the notional amount of the corresponding class of Underlying REMIC Securities.

We use the notional principal balance of the S1 Class to determine interest payments on that Class. Although the S1 Class will not have a principal balance and will not be entitled to any principal payments, we will publish a class factor for it. References in this prospectus to the principal balances of the Certificates generally shall refer also to the notional principal balance of the S1 Class.

Calculation of One-Month LIBOR

One-Month LIBOR will be calculated using the method described in the Information Supplement under the heading “Description of the Certificates — Calculation of One-Month LIBOR.”

Payments of Principal

Categories of Classes

For the purpose of principal payments, the Classes of Certificates fall into the following categories:

<u>Principal Type*</u>	<u>Classes</u>
Pass-Through	A1
Notional	S1

* See “—Class Definitions and Abbreviations” below.

Monthly Principal. On each Distribution Date, we will pay to the Holders of the A1 Class an amount of principal equal to the principal amount paid on the corresponding class of Underlying REMIC Securities in the month of that Distribution Date.

Class Definitions and Abbreviations

The following chart identifies and generally defines the categories specified on the cover of this prospectus.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definitions</u>
INTEREST TYPES		
AFC	Available Funds	Receives as interest all or a portion of the scheduled interest payments made on the Group 1 Mortgage Loans. However, this amount may be insufficient on any Distribution Date to cover fully the accrued and unpaid interest on the Certificates of this Class at its specified interest rate for the related Interest Accrual Period.
FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the Class.
FLT	Floating Rate	Has an interest rate that resets periodically based upon the designated index and that varies directly with changes in the index.
IO	Interest Only	Receives some of the interest payments made on the Group 1 Mortgage Loans but no principal. The Interest Only Class has a notional principal balance, which is the amount used as a reference to calculate the amount of interest due on the Interest Only Class.
PRINCIPAL TYPES		
PT	Pass-Through	Receives principal payments based on the actual distributions on the corresponding class of Underlying REMIC Securities.
NTL	Notional	Has no principal balance and bears interest on its notional principal balance. The notional principal balance is used to determine interest distributions on the Interest Only Class, which is not entitled to principal.

Yield, Modeling Assumptions, Decrement Tables, Weighted Average Lives

See the section of the Information Supplement entitled “Yield, Prepayment and Maturity Considerations.”

THE TRUST AGREEMENT

In the sections below, we summarize certain provisions of the Trust Agreement that are not discussed elsewhere in this prospectus. Certain capitalized terms that we use in these summaries are defined in the Trust Agreement. These summaries are, by definition, not complete. If there is ever a conflict between what we have summarized in this prospectus and the actual terms of the Trust Agreement, the terms of the Trust Agreement will prevail.

Reports to Certificateholders

As soon as practicable on or shortly before each Distribution Date, we will publish (in print or otherwise) the class factor for each Class of Certificates. The “class factor” is a number (carried to eight decimal places) which, when multiplied by the original principal balance (or notional principal balance) of a Certificate, will equal the principal balance (or notional principal balance) of that Certificate that will still be outstanding after the principal to be paid in the current month has been paid.

Within a reasonable time after the end of each calendar year, we will also furnish to each person who was a Certificateholder at any time during that year a statement containing any information required by the federal income tax laws.

Fannie Mae, or a special agent that we engage, will make all the necessary numerical calculations.

Certain Matters Regarding Fannie Mae

The Trust Agreement provides that we may not resign from our obligations and duties unless they are no longer permissible under applicable law. Our resignation will be effective only after a successor has assumed our obligations and duties. However, no successor may succeed to our guaranty obligations, and we will continue to be responsible under our guaranty even if we are terminated or have resigned from our other duties and responsibilities under the Trust Agreement.

The Trust Agreement also provides that neither we nor any of our directors, officers, employees or agents will be under any liability to the Trust or to the Certificateholders for errors in judgment or for any action we take, or refrain from taking, in good faith pursuant to the Trust Agreement. However, neither we nor any such person will be protected against any liability due to willful misfeasance, bad faith, gross negligence or willful disregard of obligations and duties.

In addition, the Trust Agreement also provides that we are not under any obligation to appear in, prosecute or defend any legal action that is not incidental to our responsibilities under the Trust Agreement and that in our opinion may involve us in any expense or liability. However, in our discretion, we may undertake any legal action that we deem necessary or desirable in the interests of the Certificateholders. In that event, we will pay the legal expenses and costs of the action, which generally will not be reimbursable out of the trust fund.

Any corporation into which we are merged or consolidated, any corporation that results from a merger, conversion or consolidation to which we are a party or any corporation that succeeds to our business will be our successor under the Trust Agreement.

Events of Default

Any of the following will be considered an “Event of Default” under the Trust Agreement:

- if we fail to make a required payment to the Certificateholders of any Class and our failure continues uncorrected for 15 days after we receive written notice from Certificateholders who represent ownership interests totaling at least 5% of the related Class Certificate Balance that they have not been paid; or
- if we fail in a material way to fulfill any of our obligations under the Trust Agreement and our failure continues uncorrected for 60 days after we receive written notice of our failure from Certificateholders of any Class who represent ownership interests totaling at least 25% of the related Class Certificate Balance; or
- if we become insolvent or unable to pay our debts or if other events of insolvency occur.

Rights upon Event of Default

If one of the Events of Default listed above has occurred and continues uncorrected, Certificateholders of any Class who represent ownership interests totaling at least 25% of the related Class Certificate Balance have the right to terminate, in writing, our obligations under the Trust Agreement both as Trustee and in our corporate capacity. However, our guaranty obligations will continue in effect. The same proportion of Certificateholders that has the right to terminate us may also appoint, in writing, a successor to all of our terminated obligations. In addition, the successor that they appoint will take legal title to the Underlying REMIC Securities and any other assets of the Trust.

Voting Rights

Certain actions specified in the Trust Agreement that may be taken by Holders of Certificates evidencing a specified percentage of all undivided interests in the Trust may be taken by Holders of Certificates entitled in the aggregate to such percentage of voting rights. The percentage of the voting

rights allocated among Holders of the S1 Class will be 1.5%; the percentage of the voting rights allocated among Holders of the A1 Class will be 98.5%. The voting rights allocated to each Class of Certificates will be allocated among all Holders of each such Class in proportion to the outstanding Class Balance of such Certificates.

Amendment

We may amend the Trust Agreement for any of the following purposes without notifying the Certificateholders:

- to add to our duties;
- to evidence that another party has become our successor and has assumed our duties under the Trust Agreement in our capacity as trustee or in our corporate capacity or both;
- to eliminate any of our rights in our corporate capacity under the Trust Agreement; and
- to cure any ambiguity or correct or add to any provision in the Trust Agreement, so long as no Certificateholder is adversely affected in the case of an addition to any provision.

If the Certificateholders that represent ownership interests totaling at least 66% of the Trust consent, we may amend the Trust Agreement to eliminate, change or add to the terms of the Trust Agreement or to waive our compliance with any of those terms. Nevertheless, we may not terminate or change our guaranty obligations or reduce the percentage of Certificateholders who must consent to the types of amendments listed in the previous sentence. In addition, unless each affected Certificateholder consents, no amendment may reduce or delay the funds that are required to be distributed on any Certificate.

Termination

The Trust Agreement will terminate when the Underlying REMIC Securities have been paid off or liquidated, and their proceeds distributed. In no event, however, will the Trust continue beyond the expiration of 21 years from the death of the last survivor of the person named in the Trust Agreement.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

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

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

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

Taxation of Beneficial Owners of Certificates

Our special tax counsel, Arnold & Porter, will deliver its opinion that, assuming compliance with the Trust Agreement, the Trust will be classified as a grantor trust under subpart E of part I of subchapter J of the Internal Revenue Code of 1986, as amended (the “Code”) and not as an association taxable as a corporation. The Underlying REMIC Securities will be the assets of the Trust. Each beneficial owner of a Certificate will be treated as the beneficial owner of an undivided interest in the corresponding class of Underlying REMIC Securities held by the Trust. Consequently, each beneficial owner of a Certificate will be required to report its pro rata share of the income accruing with respect to the corresponding class of Underlying REMIC Securities, and a sale or other disposition of a Certificate will constitute a sale or other disposition of a pro rata portion of the corresponding class of Underlying REMIC Securities. In addition, each beneficial owner of a Certificate will be required to include in income its allocable share of the expenses paid by the Trust.

Each beneficial owner of a Certificate can deduct its allocable share of the expenses paid by the Trust as provided in section 162 or section 212 of the Code, consistent with its method of accounting. A beneficial owner’s ability to deduct its share of these expenses is limited under section 67 of the Code in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Certificate directly or through an investment in a “pass-through entity” (other than in connection with such individual’s trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, certain limited liability companies, and nonpublicly offered regulated investment companies, but do not include estates, non-grantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies. Generally, such a beneficial owner can deduct its share of these costs only to the extent that these costs, when aggregated with certain of the beneficial owner’s other miscellaneous itemized deductions, exceed two percent of the beneficial owner’s adjusted gross income. For this purpose, an estate or nongrantor trust computes adjusted gross income in the same manner as an individual, except that deductions for administrative expenses of the estate or nongrantor trust (not including expenses of the Trust) that would not have been incurred if the property were not held in such nongrantor trust or estate are allowable in arriving at adjusted gross income. In addition, section 68 of the Code may provide for certain limitations on itemized deductions otherwise allowable for a beneficial owner who is an individual. Further, a beneficial owner may not be able to deduct any portion of these costs in computing its alternative minimum tax liability.

Taxation of Underlying REMIC Securities

The Information Supplement discusses tax consequences to holders of the Underlying REMIC Securities. The Information Supplement states that each holder of a Class I-A Certificate will be deemed to own two assets, a REMIC regular interest and the right to receive payments from the Group I Net WAC Reserve Fund. Because a beneficial owner of a Certificate will be required to report its pro rata share of the income accruing with respect to the corresponding class of Underlying REMIC Securities and will be required to treat the sale or other disposition of a Certificate as the sale or other disposition of a pro rata portion of the corresponding class of Underlying REMIC Securities, you should review the discussion there.

The Information Supplement states that, taking into account certain assumptions described therein, each Underlying REMIC Security (except for the right to receive payments from the Group I Net WAC Reserve Fund) will qualify as a “regular interest” in a “real estate mortgage investment conduit” (a “REMIC”) within the meaning of the Code. Qualification as a REMIC requires initial and ongoing compliance with certain conditions. The remainder of this discussion assumes that all the requirements for qualification as a REMIC have been, and will continue to be, met with respect to the Underlying Trust. If a REMIC Security were to fail to qualify as a regular interest in a REMIC, that

REMIC Security might not be accorded the status described under the section of the Information Supplement entitled “Certain Federal Income Tax Consequences—Taxation of Owners of Offered Certificates” and the Underlying Trust might be taxable as a corporation. You should consult your tax advisors regarding the tax consequences to a beneficial owner of a Certificate if an Underlying REMIC Security were to fail to qualify as a regular interest in a REMIC.

Information Reporting and Backup Withholding

Fannie Mae will furnish or make available, within a reasonable time after the end of each calendar year, to each Holder of a Certificate at any time during such year, such information as is required by Treasury regulations and such other information as Fannie Mae deems necessary or desirable to assist Holders in preparing their federal income tax returns, or to enable Holders to make such information available to beneficial owners or other financial intermediaries for which such Holders hold Certificates as nominees.

Distributions of interest and principal, as well as distributions of proceeds from the sale of Certificates, may be subject to the “backup withholding tax” under section 3406 of the Code 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 Internal Revenue Service (“IRS”) on a recipient of distributions that is required to supply information but that does not do so in the proper manner.

Foreign Investors

Additional rules apply to a beneficial owner of a Certificate that is not a U.S. Person (a “Non-U.S. Person”). 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 state thereof or the District of Columbia,
- an estate the income of which is subject to U.S. federal income tax regardless of the source of its income, or
- a trust if a court within the United States can exercise primary supervision over its administration and at least one U.S. Person has the authority to control all substantial decisions of the trust.

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

- the beneficial owner is not subject to U.S. tax as a result of a connection to the United States other than ownership of the Certificate,
- the beneficial owner signs a statement under penalties of perjury certifying that it is a Non-U.S. Person, and provides the name, address and taxpayer identification number, if any, of the beneficial owner and
- the last U.S. Person in the chain of payment to the beneficial owner receives such statement from the beneficial owner or a financial institution holding on behalf of the beneficial owner and does not have actual knowledge that such statement is false.

You should be aware that the IRS might take the position that this exemption does not apply to a beneficial owner that also owns 10% or more of the residual interest in the Underlying Trust or of the

voting stock of Fannie Mae, or to a beneficial owner that is a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code.

LEGAL INVESTMENT CONSIDERATIONS

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities, you may be subject to restrictions on investment in the Certificates. If you are a 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, you should review any applicable rules, guidelines and regulations prior to purchasing the Certificates. You should also 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 financial institutions investing in certain types of mortgage related securities, including securities such as the Certificates. In addition, you should consult your regulators concerning the risk-based capital treatment of any Certificate.

Pursuant to the Secondary Mortgage Market Enhancement Act of 1984 (“SMMEA”), securities that we issue or guaranty (such as the Certificates) will be legal investments for entities created under the laws of the United States or any state whose authorized investments are subject to state regulation to the same extent as obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. Under SMMEA, if a state enacted legislation prior to October 4, 1991 specifically limiting the legal investment authority of any such entities with respect to securities that we issue or guaranty, such securities will constitute legal investments for such entities only to the extent provided in such legislation. Certain states have adopted such legislation prior to the October 4, 1991 deadline. **You should consult your own legal advisors in determining whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment and whether and to what extent the Certificates can be used as collateral for various types of borrowings.**

LEGAL OPINION

If you purchase Certificates, we will send you, upon request, an opinion of our General Counsel (or one of our Deputy General Counsels) as to the validity of the Certificates and the Trust Agreement.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and section 4975 of the Code impose certain requirements on employee benefit plans subject to ERISA (such as employer-sponsored retirement plans) and upon other types of benefit plans and arrangements subject to section 4975 of the Code (such as individual retirement accounts). ERISA and the Code also impose these requirements on certain entities in which the benefit plans or arrangements that are subject to ERISA and the Code invest. We refer to these plans, arrangements and entities as “Plans.” Any person who is a fiduciary of a Plan also is subject to the requirements imposed by ERISA and the Code. Before a Plan invests in any Certificate, the Plan fiduciary must consider whether the governing instruments for the Plan would permit the investment, whether the Certificates would be a prudent and appropriate investment for the Plan under its investment policy and whether such an investment might result in a transaction prohibited under ERISA or the Code for which no exemption is available.

On November 13, 1986, the U.S. Department of Labor issued a final regulation covering the acquisition by a Plan of a “guaranteed governmental mortgage pool certificate,” defined to include certificates which are “backed by, or evidencing an interest in specified mortgages or participation

interests therein” and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a Plan in a “guaranteed governmental mortgage pool certificate” does not cause the assets of the Plan to include the mortgages underlying the certificate or the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgages in the pool. Our counsel, Sidley Austin Brown & Wood LLP, has advised us that the Certificates qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of Certificates by Plans will not cause the Mortgage Loans or the assets of Fannie Mae to be subject to the fiduciary requirements of ERISA or to the prohibited transaction provisions of ERISA and the Code.

PLAN OF DISTRIBUTION

We will acquire the Underlying REMIC Securities from Asset Backed Securities Corporation in exchange for the Certificates. Credit Suisse First Boston Corporation (the “Dealer”) proposes to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect these transactions to or through other dealers. We have agreed to purchase the A1 Class from the Dealer.

LEGAL MATTERS

Sidley Austin Brown & Wood LLP will provide legal representation for Fannie Mae. McKee Nelson LLP will provide legal representation for the Dealer.

INDEX OF DEFINED TERMS

Certificateholder	10
Certificates	10
Class	10
Code	18
Dealer	21
Depository	12
Disclosure Documents	3
DTC	10
ERISA	21
Event of Default	16
Group I Mortgage Loans	10
Holder	10
Information Statement	3
Interest Accrual Period	13
IRS	19
Issue Date	10
Mortgage Loans	10
Non-U.S. Person	19
Plans	21
REMIC	19
Repurchase Option	17
SMMEA	20
Trust	10
Trust Agreement	10
Trustee	10
U.S. Person	19
Underlying REMIC Securities	10
Underlying Trust	10

INFORMATION SUPPLEMENT

\$464,790,000 (Approximate)

Asset Backed Securities Corporation
Depositor

Long Beach Mortgage Company
Servicer

Asset Backed Securities Corporation
Home Equity Loan Trust, Series 2002-HE3
Issuer

Asset Backed Pass-Through Certificates, Series 2002-HE3
Class I-A and Class I-AIO Certificates

The Trust

The trust will consist primarily of a pool of fully-amortizing fixed-rate and adjustable-rate mortgage loans secured by first and second liens on residential properties. The pool will be divided into two loan groups, each comprised of fixed-rate and adjustable-rate residential mortgage loans. The Class I-A and Class I-AIO Certificates will represent interests in loan group I only.

Credit Enhancement

Credit enhancement for the Class I-A and Class I-AIO Certificates will be provided by excess interest, overcollateralization, cross-collateralization, subordination and a guaranty by Fannie Mae.

You should consider carefully the risk factors beginning on page 15 in this information supplement.
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The Class I-A and Class I-AIO Certificates have not been and will not be registered under the Securities Act of 1933, as amended.

It is a condition to the issuance of the Class I-A and Class I-AIO Certificates that they be guaranteed by Fannie Mae as described in this information supplement. The Class I-A and Class I-AIO Certificates are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. Income on the Class I-A and Class I-AIO Certificates have no exemption under federal law from federal, state or local taxation.

It is expected that the Class I-A and Class I-AIO Certificates will be issued on or about October 25, 2002.

October 17, 2002

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TABLE OF CONTENTS
INFORMATION SUPPLEMENT

	<u>Page</u>
SUMMARY	2
RISK FACTORS	15
THE MORTGAGE POOL	24
ORIGINATOR AND SERVICER	55
DESCRIPTION OF THE CERTIFICATES	66
THE POOLING AGREEMENT	98
YIELD, PREPAYMENT AND MATURITY CONSIDERATIONS	105
USE OF PROCEEDS	113
FEDERAL INCOME TAX CONSEQUENCES	113
CERTAIN STATE TAX CONSIDERATIONS	124
CERTAIN LEGAL ASPECTS OF THE MORTGAGE LOANS	124
LEGAL MATTERS	131
INDEX OF DEFINED TERMS	132

SUMMARY

- **This summary highlights selected information from this document and does not contain all of the information that you need to consider in making your investment decision. To understand all of the terms of the offering of the certificates, read carefully this entire document.**
- **This summary provides an overview of certain calculations, cash flow priorities and other information to aid your understanding and is qualified by the full description of these calculations, cash flow priorities and other information in this information supplement. Some of the information consists of forward-looking statements relating to future economic performance or projections and other financial items. Forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include, among others, general economic and business conditions, regulatory initiatives and compliance with governmental regulations, and various other matters, all of which are beyond our control. Accordingly, what actually happens may be very different from what we predict in our forward-looking statements.**

Issuer	Asset Backed Securities Corporation Home Equity Loan Trust, Series 2002-HE3.
Securities	Asset Backed Pass-Through Certificates, Series 2002-HE3.
Offered Certificates and Certificates	<p>On the Closing Date, Asset Backed Securities Corporation Home Equity Loan Trust, Series 2002-HE3 will issue fifteen classes of certificates. Only the Class I-A and Class I-AIO Certificates are offered by this information supplement.</p> <p>The Class II-A, Class II-AIO, Class II-M1, Class M2, Class M3 and Class M4 Certificates, which are not offered hereby, are being offered to the public contemporaneously with the sale of the Class I-A and Class I-AIO Certificates pursuant to a prospectus supplement and an accompanying prospectus.</p> <p>The trust will also issue seven other classes of certificates. These certificates will be designated as the Class I-BIO, II-BIO, Class I-X, Class II-X Class I-P, Class II-P and Class R Certificates and are not being offered by this information supplement or to the public pursuant to a prospectus supplement and an accompanying prospectus.</p> <p>Any information contained in this information supplement with respect to certificates other than the Class I-A and Class I-AIO Certificates is provided only to permit a better understanding of the Class I-A and Class I-AIO Certificates.</p>

Depositor	Asset Backed Securities Corporation.
Seller	DLJ Mortgage Capital, Inc.
Servicer.....	Long Beach Mortgage Company.
Originator	Long Beach Mortgage Company.
Trustee.....	U.S. Bank National Association.
Fannie Mae Guaranty	The Federal National Mortgage Association (referred to in this information supplement as “Fannie Mae” or the “Guarantor”) will guarantee the Class I-A and Class I-AIO Certificates as described in this information supplement.
Mortgage Pool	On the closing date the trust will acquire 5,865 fully-amortizing fixed-rate and adjustable-rate mortgage loans (which are referred to in this information supplement as the mortgage loans) with an aggregate principal balance of approximately \$865,040,046 as of the cut-off date, secured by first and second liens on one- to four-family residential properties.
Cut-off Date.....	October 1, 2002.
Closing Date	On or about October 25, 2002.
Distribution Date	Beginning on November 15, 2002, and thereafter on the 15th day of each month, or if the 15th day is not a business day, on the next business day.
Determination Date	The fifth business day preceding each distribution date.
Servicer Remittance Date	The second business day preceding each distribution date.
Assumed final distribution date.....	October 2032. The actual final distribution date could be substantially earlier.
Form of certificates	Book-entry.
Minimum denominations	With respect to the Class I-A Certificates and the Class I-AIO Certificates, \$100,000 and integral multiples of \$1,000 in excess thereof, except that one investor in each of the Class I-A Certificates and the Class I-AIO Certificates may hold a beneficial interest in each of the Class I-A Certificates and the Class I-AIO Certificates that is not an integral multiple of \$1,000.

The Certificates

<u>Class</u>	<u>Initial Principal Balance ⁽¹⁾</u>	<u>Pass- Through Rate</u>	<u>Initial Rating (S&P/Fitch/Moody's)</u>	<u>Designation</u>
Fannie Mae Certificates:				
I-A	\$464,790,000	Floating ⁽³⁾	Not Rated	Senior
I-AIO	Notional ⁽²⁾	5.25% ⁽⁴⁾	Not Rated	Senior
Total Fannie Mae Certificates:	\$464,790,000			
Non-Fannie Mae Certificates:				
II-A	\$283,480,000	Floating ⁽³⁾	AAA/AAA/Aaa	Senior
II-AIO	Notional ⁽⁵⁾	5.00% ⁽⁴⁾	AAA/AAA/Aaa	Senior
II-M1	\$25,060,000	Floating ⁽³⁾	AA/AA/Aa2	Mezzanine
M2	\$45,830,000 ⁽⁶⁾	Floating ⁽³⁾	A/A/A2	Mezzanine
M3	\$32,430,000 ⁽⁶⁾	Floating ⁽³⁾	BBB/BBB/Baa2	Mezzanine
M4	\$13,449,800 ⁽⁶⁾	Floating ⁽³⁾	BBB-/BBB-/Baa3	Mezzanine
I-BIO	Notional ⁽⁷⁾	3.50% ⁽⁴⁾	Not Rated	Subordinate
II-BIO	Notional ⁽⁸⁾	3.50% ⁽⁴⁾	Not Rated	Subordinate
I-X	N/A ⁽⁹⁾	N/A	Not Rated	Subordinate
II-X	N/A ⁽⁹⁾	N/A	Not Rated	Subordinate
I-P	\$100	N/A ⁽¹⁰⁾	Not Rated	Prepayment Premium Only
II-P	\$100	N/A ⁽¹⁰⁾	Not Rated	Prepayment Premium Only
R	N/A ⁽¹¹⁾			Residual
Total Non-Fannie Mae Certificates:	\$400,250,000			
Total Certificates:	\$865,040,000			

(1) The certificates are subject to a variance of no more than 5% prior to their issuance.

- (2) The Class I-AIO Certificates are notional amount certificates and will not have an initial certificate principal balance but will bear interest on their outstanding notional amount. On any distribution date on or prior to the distribution date in April 2005, the notional amount will equal the lesser of (a) the Class I-AIO Notional Balance and (b) the outstanding principal balance of the group I mortgage loans as of the first day of the month prior to the month of such distribution date (after giving effect to scheduled payments of principal due on such date). The Class I-AIO Notional Balance will equal, for any distribution date, the amount set forth below for that distribution date:

<u>Distribution Date</u>	<u>Class I-AIO Notional Balance (\$)</u>	<u>Distribution Date</u>	<u>Class I-AIO Notional Balance (\$)</u>
November 2002	88,200,000	February 2004	60,000,000
December 2002	85,900,000	March 2004	58,400,000
January 2003	83,700,000	April 2004	56,900,000
February 2003	81,600,000	May 2004	55,500,000
March 2003	79,500,000	June 2004	54,100,000
April 2003	77,500,000	July 2004	52,700,000
May 2003	75,600,000	August 2004	51,400,000
June 2003	73,600,000	September 2004	50,100,000
July 2003	71,800,000	October 2004	48,800,000
August 2003	70,000,000	November 2004	47,500,000
September 2003	68,200,000	December 2004	46,300,000
October 2003	66,500,000	January 2005	45,200,000
November 2003	64,800,000	February 2005	44,000,000
December 2003	63,100,000	March 2005	42,900,000
January 2004	61,500,000	April 2005	41,800,000

On and after the distribution date in May 2005, the notional amount of the Class I-AIO Certificates and the Class I-AIO Notional Balance will equal \$0.

- (3) The pass-through rate on this class of certificates may change from distribution date to distribution date based on changes in the level of an index, is subject to a cap and will increase on the first possible distribution date after the servicer is permitted to exercise the optional termination of the trust. See “Description of the Certificates—Pass-Through Rates” herein.
- (4) Subject to a cap as described herein under “Description of the Certificates—Pass-Through Rates.”

- (5) The Class II-AIO Certificates are notional amount certificates and will not have an initial certificate principal balance but will bear interest on their outstanding notional amount. On any distribution date on or prior to the distribution date in April 2005, the notional amount will equal the lesser of (a) the Class II-AIO Notional Balance and (b) the outstanding principal balance of the group II mortgage loans as of the first day of the month prior to the month of such distribution date (after giving effect to scheduled payments of principal due on such date). The Class II-AIO Notional Balance will equal, for any distribution date, the amount set forth below for that distribution date:

<u>Distribution Date</u>	<u>Class II-AIO Notional Balance (\$)</u>	<u>Distribution Date</u>	<u>Class II-AIO Notional Balance (\$)</u>
November 2002	61,800,000	February 2004	42,100,000
December 2002	60,300,000	March 2004	41,000,000
January 2003	58,800,000	April 2004	40,000,000
February 2003	57,300,000	May 2004	38,900,000
March 2003	55,800,000	June 2004	37,900,000
April 2003	54,400,000	July 2004	37,000,000
May 2003	53,000,000	August 2004	36,000,000
June 2003	51,700,000	September 2004	35,100,000
July 2003	50,400,000	October 2004	34,200,000
August 2003	49,100,000	November 2004	33,400,000
September 2003	47,800,000	December 2004	32,500,000
October 2003	46,600,000	January 2005	31,700,000
November 2003	45,400,000	February 2005	30,900,000
December 2003	44,300,000	March 2005	30,100,000
January 2004	43,200,000	April 2005	29,300,000

On and after the distribution date in May 2005, the notional amount of the Class II-AIO Certificates and the Class II-AIO Notional Balance will equal \$0.

- (6) The Class M2 Certificates are comprised of the I-M2 Component and the II-M2 Component. The Class M3 Certificates are comprised of the I-M3 Component and the II-M3 Component. The Class M4 Certificates are comprised of the I-M4 Component and the II-M4 Component. The principal balance of each of the Class M2, Class M3 and Class M4 Certificates will equal the sum of its related component principal balances. Similarly, the total amount of interest accrued for each of the Class M2, Class M3 and Class M4 Certificates will equal the sum of the amount of interest accrued on the related component principal balances at the related pass-through rate for the corresponding period.
- (7) The Class I-BIO Certificates are notional amount certificates and will not have initial certificate principal balance but will bear interest on their outstanding notional amount. The notional amount of the Class I-BIO Certificates as of any distribution date on or prior to the distribution date in April 2004 is the lesser of (a) \$54,000,000 and (b) the outstanding principal balance of the group I mortgage loans as of the first day of the month prior to the month of such distribution date (after giving effect to scheduled payments of principal due on such date). After the distribution date in April 2004, the notional amount of the Class I-BIO Certificates will be \$0.
- (8) The Class II-BIO Certificates are notional amount certificates and will not have initial certificate principal balance but will bear interest on their outstanding notional amount. The notional amount of the Class II-BIO Certificates as of any distribution date on or prior to the distribution date in April 2004 is the lesser of (a) \$36,000,000 and (b) the outstanding principal balance of the

group II mortgage loans as of the first day of the month prior to the month of such distribution date (after giving effect to scheduled payments of principal due on such date). After the distribution date in April 2004, the notional amount of the Class II-BIO Certificates will be \$0.

- (9) These certificates will not have a certificate principal balance.
- (10) The Class I-P and Class II-P Certificates will not be entitled to distributions in respect of interest. The Class I-P and Class II-P Certificates will be entitled to all prepayment premiums or charges received in respect of the group I and group II mortgage loans, respectively.
- (11) The Class R Certificates will not have a certificate principal balance and are the class of certificates representing the residual interests in the trust.

Designations

Each class of certificates will have different characteristics, some of which are reflected in the following general designations:

- *Group I Certificates*

Class I-A Certificates, Class I-AIO Certificates, Class I-BIO Certificates, Class I-X Certificates and Class I-P Certificates.

- *Group II Certificates*

Class II-A Certificates, Class II-AIO Certificates, Class II-M1 Certificates, Class II-BIO Certificates, Class II-X Certificates and Class II-P Certificates.

- *Fannie Mae Certificates*

Class I-A Certificates and Class I-AIO Certificates.

- *Non-Fannie Mae Certificates*

Class II-A Certificates, Class II-AIO Certificates, Class P Certificates and Subordinate Certificates.

- *Class A Certificates*

Class I-A Certificates and Class II-A Certificates.

- *Class AIO Certificates*

Class I-AIO Certificates and Class II-AIO Certificates.

- *Mezzanine Certificates*

Class II-M1 Certificates, Class M2 Certificates, Class M3 Certificates and Class M4 Certificates.

- *Component Certificates*

Class M2 Certificates, Class M3 Certificates and Class M4 Certificates.

- *Mezzanine Components*

Group I Mezzanine Components and Group II Mezzanine Components.

- *Group I Mezzanine Components*

I-M2 Component, I-M3 Component and I-M4 Component.

- *Group II Mezzanine Components*

II-M2 Component, II-M3 Component and II-M4 Component.

- *Class BIO Certificates*

Class I-BIO Certificates and Class II-BIO Certificates.

- *Class X Certificates*

Class I-X Certificates and Class II-X Certificates.

- *Class P Certificates*

Class I-P Certificates and Class II-P Certificates.

- *Senior Certificates*

Class A Certificates, Class AIO Certificates and Class P Certificates.

- *Subordinate Certificates*

Mezzanine Certificates, Class BIO Certificates, Class X Certificates and Class R Certificates.

- *LIBOR Certificates*

Class A Certificates and Mezzanine Certificates.

- *Residual Certificates*

Class R Certificates.

- *Book-Entry Certificates*

Class A Certificates, Class AIO Certificates and Mezzanine Certificates.

- *Physical Certificates*

Class BIO Certificates, Class P Certificates, Class X Certificates and Class R Certificates.

Component Certificates

Solely for purposes of determining distributions of principal and interest and the allocation of losses realized on the mortgage loans, each of the Class M2, Class M3 and Class M4 Certificates will be comprised of two components, each of which will have a specified component principal balance which functions in a manner comparable to that of a class principal balance. The class principal balance of the Class M2, Class M3 and Class M4 Certificates will each equal the sum of its related components. The holders of the Class M2, Class M3 and Class M4 Certificates will be entitled to receive principal and interest distributions on any distribution date to the extent of the amount of principal and interest distributed with respect to the related components on such distribution date. The holder of a Class M2, Class M3 or Class M4 Certificate may not transfer its respective components separately.

The Class M2 Certificates will be comprised of the I-M2 Component and the II-M2 Component, which have an initial component principal balance of \$25,960,000 and \$19,870,000, respectively. The Class M3 Certificates will be comprised of the I-M3 Component and the II-M3 Component, which have an initial component principal balance of \$19,470,000 and \$12,960,000, respectively. The Class M4 Certificates will be comprised of the I-M4 Component and the II-M4 Component, which have an initial component principal balance of \$9,101,000 and \$4,348,800, respectively.

Mortgage Loans

On the closing date the trust will acquire a pool of first and second lien, fully-amortizing fixed-rate and adjustable-rate residential mortgage loans, referred to in this information supplement as the mortgage loans.

All of the mortgage loans will be assigned to one of two loan groups: loan group I, which will consist of first lien, fully-amortizing fixed-rate and adjustable-rate residential mortgage loans that have original principal balances that conform to Fannie Mae loan limits (referred to in this information supplement as the group I mortgage loans); and loan group II, which will consist of first and second lien, fully-amortizing fixed-rate and adjustable-rate residential mortgage loans that have original principal balances that may or may not conform to Fannie Mae loan limits (referred to in this information supplement as the group II mortgage loans).

As of the cut-off date, the group I mortgage loans will consist of 4,052 mortgage loans with an aggregate principal balance of \$519,321,130 and will have in the aggregate the following characteristics (with all figures being approximate):

Mortgage Loans with Prepayment Premiums (by principal balance):	88.12%
Range of Original Term to Stated Maturity:	120 months to 360 months
Weighted Average Remaining Term to Stated Maturity:	356 months
Range of Original Principal Balances:	\$25,850 to \$300,700
Average Original Principal Balance:	\$128,301
Range of Outstanding Principal Balances:	\$25,836 to \$300,263

Average Outstanding Principal Balance:	\$128,164	Mortgage Loans with Prepayment Premiums (by principal balance):	80.66%
Current Range of Loan Rates:	6.400% to 13.950%	Range of Original Term to Stated Maturity:	180 months to 360 months
Current Weighted Average Loan Rate:	9.207%	Weighted Average Remaining Term to Stated Maturity:	344 months
Current Weighted Average Net Loan Rate:	8.707%	Range of Original Principal Balances:	\$25,200 to \$600,000
Weighted Average Gross Margin of the Adjustable-Rate Mortgage Loans:	5.630%	Average Original Principal Balance:	\$190,927
Weighted Average Maximum Loan Rate of the Adjustable-Rate Mortgage Loans:	15.269%	Range of Outstanding Principal Balances:	\$25,099 to \$599,708
Weighted Average Initial Periodic Rate Adjustment Cap of the Adjustable-Rate Mortgage Loans:	1.108%	Average Outstanding Principal Balance:	\$190,689
Weighted Average Time Until Next Adjustment Date of the Adjustable-Rate Mortgage Loans:	22 months	Current Range of Loan Rates:	6.400% to 14.400%
Geographic Concentrations in Excess of 5%:		Current Weighted Average Loan Rate:	8.810%
California	39.64%	Current Weighted Average Net Loan Rate:	8.310%
Colorado	9.58%	Weighted Average Gross Margin of the Adjustable-Rate Mortgage Loans:	5.454%
Washington	5.49%	Weighted Average Maximum Loan Rate of the Adjustable-Rate Mortgage Loans:	14.624%
Fixed Rate Mortgage Loans:	10.44%	Weighted Average Initial Periodic Rate Adjustment Cap of the Adjustable-Rate Mortgage Loans:	1.104%
As of the cut-off date, the group II mortgage loans will consist of 1,813 mortgage loans with an aggregate principal balance of \$345,718,916 and will have in the aggregate the following characteristics (with all figures being approximate):			

Weighted Average Time
Until Next Adjustment Date
of the Adjustable-Rate
Mortgage Loans: 22 months

Geographic Concentrations
in Excess of 5%:
California 45.23%
Colorado 10.39%
Texas 6.91%
Washington 6.33%

Fixed Rate Mortgage
Loans: 18.68%

First Lien Mortgage Loans: 91.43%

Relationship Between Loan Groups and the Certificates

The certificates and components with a “I” prefix correspond to the group I mortgage loans. The certificates and components with a “II” prefix correspond to the group II mortgage loans. The certificates and components generally receive distributions based on principal and interest collected from the mortgage loans in the corresponding loan group.

Payments on the Certificates

Interest Payments

The initial pass-through rates for the Class I-A Certificates, the Class II-A Certificates, the Class II-M1 Certificates and the Mezzanine Components will be calculated at the per annum rate of One-Month LIBOR plus the related margin indicated below, subject to the limitations described in this information supplement.

The total amount of interest accrued on the Class M2 Certificates, the Class M3 Certificates and the Class M4 Certificates in any given payment period will equal the sum of the amount of interest accrued on the component principal balances of the I-M2 Component and the II-M2 Component (in the case of the Class M2 Certificates), the I-M3 Component and the II-M3 Component (in the case of the Class M3

Certificates) and the I-M4 Component and the II-M4 Component (in the case of the Class M4 Certificates) in the corresponding period.

In addition, if the servicer fails to exercise the option to terminate the trust on the earliest permitted date as described below under “Optional Termination”, the pass-through rates on these classes of certificates or, with respect to the Component Certificates, the related components, will then increase to the per annum rate of One-Month LIBOR plus the related “post-call” margin indicated below, subject to the limitations described in this information supplement.

Class of Certificates or Components	Initial Margin	Post-Call Margin
Class I-A	0.160%	0.320%
Class II-A	0.400%	0.800%
Class II-M1	0.850%	1.275%
I-M2 and II-M2	1.550%	2.325%
I-M3 and II-M3	2.450%	3.675%
I-M4 and II-M4	3.000%	4.500%

The respective pass-through rates for the Class I-AIO and Class II-AIO Certificates for any distribution date will be as described in the table on page 4 of this information supplement.

We refer you to “Description of the Certificates—Pass-Through Rates” in this information supplement for additional information.

Interest payable on the certificates or, with respect to the Component Certificates, the related components, accrues during an accrual period. The accrual period for the Class I-A Certificates, the Class II-A Certificates, the Class II-M1 Certificates and the Mezzanine Components for any distribution date is the period from the previous distribution date or, in the case of the first accrual period, from the closing date, to the day prior to the current

distribution date. The accrual period for the Class AIO Certificates for any distribution date is the calendar month preceding the month of the current distribution date. Interest will be calculated for the Class I-A Certificates, the Class II-A Certificates, the Class II-M1 Certificates and the Mezzanine Components on the basis of the actual number of days in the accrual period, based on a 360-day year. Interest will be calculated on the Class AIO Certificates on the basis of a 360-day year divided into twelve 30-day months.

On each distribution date, you will be entitled to interest at the applicable pass-through rate on your certificate principal balance or notional amount outstanding immediately prior to that distribution date, plus any interest due on a prior distribution date that was not paid.

Principal Payments

Principal will be distributed to holders of the LIBOR Certificates on each distribution date in the amounts described in this information supplement under “Description of the Certificates—Allocation of Available Funds.”

The amount of principal distributable on the LIBOR Certificates on any distribution date will be determined by:

- funds actually received or advanced on the related mortgage loans that are available to make principal distributions on the certificates; and
- the amount of excess interest available to pay principal on the LIBOR Certificates as described below.

Funds actually received or advanced on the mortgage loans will consist of expected monthly scheduled payments, unexpected payments resulting from prepayments by mortgagors or liquidations of defaulted mortgage loans (including any mortgage insurance proceeds on that mortgage loan), and advances made by the servicer.

The manner of distributing principal among the classes of LIBOR Certificates will differ, as described in this information supplement, depending generally upon whether a distribution date occurs before the distribution date in November 2005 or on or after that date, and depending upon the delinquency performance of the related mortgage loans.

The Class I-AIO and Class II-AIO Certificates are notional amount certificates and are not entitled to receive distributions of principal.

We refer you to “Description of the Certificates” in this information supplement for additional information.

Advances

The servicer will make cash advances to cover delinquent payments of principal and interest on the mortgage loans to the extent the servicer reasonably believes that the cash advances are recoverable from future payments on those mortgage loans. Advances are intended to maintain a regular flow of scheduled interest and principal payments on the certificates and are not intended to guarantee or insure against losses.

We refer you to “The Pooling Agreement—Advances” in this information supplement for additional information.

Optional Termination

The servicer may purchase all of the mortgage loans and retire the certificates when the current principal balance of the mortgage loans is equal to or less than 10% of the aggregate principal balance of the mortgage loans as of the cut-off date.

We refer you to “The Pooling Agreement—Termination” and “Description of the Certificates—Pass-Through Rates” in this information supplement for additional information.

Credit Enhancement

1. Subordination

The rights of the Group I Mezzanine Components to receive distributions will be subordinated to the rights of the Class I-A and Class I-AIO Certificates, and the rights of the Class II-M1 Certificates and the Group II Mezzanine Components to receive distributions will be subordinated to the rights of the Class II-A and Class II-AIO Certificates, in each case to the extent described in this information supplement.

In addition, the rights of the holders of the Group I and Group II Mezzanine Components with a lower payment priority will be subordinated to the rights of holders of the Group I and Group II Mezzanine Components with a higher payment priority, respectively, in each case to the extent described in this information supplement.

Subordination is intended to enhance the likelihood of regular distributions of interest and principal on the more senior certificates and to afford those certificates protection against realized losses on the mortgage loans.

We refer you to “Description of the Certificates—Credit Enhancement” in this information supplement for additional information.

2. Overcollateralization

The mortgage loans owned by the trust bear interest each month in an amount that in the aggregate is expected to exceed the amount needed to pay monthly interest on the Class A, Class AIO, Mezzanine and Class BIO Certificates and trust expenses. A portion of this excess interest will be applied after the first distribution date to pay principal on the certificates until the required level of overcollateralization is reached. This will reduce the principal balances of the certificates faster than the principal balances on the mortgage loans. As a result, over time, the aggregate principal balance of the mortgage

loans is expected to exceed the aggregate principal balance of the certificates. This feature is referred to as “overcollateralization.” The required level of overcollateralization may increase or decrease over time. We cannot assure you that sufficient excess interest will be generated by the mortgage loans to create or maintain the required level of overcollateralization.

We refer you to “Description of the Certificates—Overcollateralization and Cross-Collateralization Provisions” in this information supplement for additional information.

3. Excess Interest

The mortgage loans bear interest each month that in the aggregate is expected to exceed the amount needed to pay monthly interest on the certificates and to pay the fees and expenses of the trust. The excess interest from the mortgage loans each month will be available to absorb realized losses on the mortgage loans and to create or maintain overcollateralization at required levels as described in the pooling agreement.

We refer you to “Description of the Certificates—Allocation of Available Funds” and “Overcollateralization and Cross-Collateralization Provisions” in this information supplement for additional information.

4. Allocation of Losses

If on any distribution date there is not sufficient excess interest or overcollateralization to absorb realized losses on the mortgage loans in a loan group as described under “Description of the Certificates—Overcollateralization and Cross-Collateralization Provisions” in this information supplement, then realized losses on the mortgage loans will be allocated to the Class II-M1 Certificates and the Mezzanine Components as described below.

Any realized losses on the group I mortgage loans on any distribution date will reduce amounts distributable in respect of, first, the I-M4 Component; second, the I-M3

Component; and third, the I-M2 Component. Any realized losses on the group II mortgage loans on any distribution date will reduce amounts distributable in respect of, first, the II-M4 Component; second, the II-M3 Component; third, the II-M2 Component; and fourth, the Class II-M1 Certificates.

The pooling agreement only permits the allocation of realized losses on the mortgage loans to the classes and components described in the preceding paragraph; however, investors in the Class A and Class AIO Certificates should realize that under certain loss scenarios there will not be enough principal and interest on the mortgage loans on a distribution date to pay the Class A and Class AIO Certificates all interest and principal amounts to which those certificates are then entitled.

The certificate principal balance of any Class M2 Certificate, Class M3 Certificate or Class M4 Certificate will be reduced by the same amount of any realized losses allocated to a component thereof and will cause a permanent reduction to such certificate principal balance. Realized losses allocated to the Class II-M1 Certificates will cause a permanent reduction to the certificate principal balance thereof. Once realized losses have been allocated to the Class II-M1 Certificates and Mezzanine Components, such amounts with respect to such certificates or components will no longer accrue interest nor will such amounts be reinstated thereafter. However, the amount of any realized losses allocated to the Mezzanine Certificates may be paid to the holders of these certificates according to the priorities set forth under “Description of the Certificates—Overcollateralization and Cross-Collateralization Provisions” in this information supplement.

We refer you to “Description of the Certificates—Allocation of Losses;

Subordination” in this information supplement for additional information.

5. Cross-Collateralization

The trust provides for cross-collateralization through the application of excess cashflow generated by one loan group to fund the required level of overcollateralization in the other loan group.

We refer you to “Description of the Certificates—Overcollateralization and Cross-Collateralization Provisions” in this information supplement for additional information.

6. Fannie Mae Guaranty

It is a condition to the issuance of the Class I-A and Class I-AIO Certificates that they be purchased by Fannie Mae and that Fannie Mae guarantee the timely payment of interest due on the Class I-A and Class I-AIO Certificates and the ultimate payment of principal of the Class I-A Certificates, as further described in this information supplement. The Fannie Mae guaranty is not backed by the full faith and credit of the United States.

We refer you to “Description of the Certificates—Fannie Mae Guaranty” in this information supplement for additional information.

Tax Status

Multiple elections will be made to treat designated portions of the trust as real estate mortgage investment conduits for federal income tax purposes.

We refer you to “Federal Income Tax Consequences” in this information supplement for additional information.

RISK FACTORS

The following information, which you should carefully consider, identifies certain significant sources of risk associated with an investment in the certificates.

Mortgage loans originated under the underwriting standards of the originator carry a risk of high delinquencies, which may result in losses.

The originator's business primarily consists of originating, purchasing, selling and, through its affiliate Washington Mutual Bank, FA ("WMBFA"), servicing mortgage loans secured by one- to four-family residences that generally do not conform to the underwriting guidelines typically applied by banks and other primary lending institutions, particularly with respect to a prospective borrower's credit history and debt-to-income ratio. Borrowers who qualify under the originator's underwriting guidelines generally have equity in their property and repayment ability but may have a record of major derogatory credit items such as outstanding judgments or prior bankruptcies. The originator underwrites mortgage loans based on its underwriting guidelines and does not determine whether such mortgage loans would be acceptable for purchase by Fannie Mae.

The originator's underwriting standards are primarily intended to assess the value of the mortgaged property and to evaluate the adequacy of such property as collateral for the mortgage loan and the applicant's credit standing and ability to repay. The originator's considerations in underwriting a mortgage loan include the value and adequacy of the mortgaged property as collateral, a mortgagor's credit history, repayment ability and debt service-to-income ratio, as well as the type and use of the mortgaged property. The originator's underwriting standards do not prohibit a mortgagor from obtaining secondary financing, from the originator or from another source, at the time of origination of the originator's first lien, which secondary financing would reduce the equity the mortgagor would otherwise have in the related mortgaged property.

As a result of these underwriting standards, the mortgage loans in the mortgage pool are likely to experience rates of delinquency, foreclosure and bankruptcy that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner.

Furthermore, changes in the values of mortgaged properties may have a greater effect on the delinquency, foreclosure, bankruptcy and loss experience of the mortgage loans in the mortgage pool than on mortgage loans originated in a more traditional manner. We cannot assure you that the values of the related mortgaged properties have remained or will remain at the levels in effect on the dates of origination of the related mortgage loans.

There are risks relating to subordinate mortgage loans

Approximately 8.57% of the mortgage loans in loan group II (by aggregate principal balance of the group II mortgage loans as of the cut-off date) are secured by a second lien that is subordinate to the rights of the mortgagee under a first mortgage loan on the related mortgaged property. The proceeds from any liquidation, insurance or condemnation proceeding will be available to satisfy the outstanding principal balance of such subordinate mortgage loans only to the extent that the claims of the senior mortgage loans have been satisfied in full, including any foreclosure costs. In circumstances where the servicer determines that it would be uneconomical to foreclose on the mortgaged property, the servicer may write-off the entire outstanding principal balance of the related mortgage loan as bad debt. The foregoing considerations will be particularly applicable to subordinate mortgage loans that have high combined loan-to-value ratios because the servicer is more likely to determine that foreclosure would be uneconomical. You should consider the risk that to the extent losses on mortgage loans are not covered

by available credit enhancement, such losses will be borne by the holders of the certificates related to loan group II.

Unpredictability of prepayments may adversely affect your yield

Borrowers may prepay their mortgage loans in whole or in part at any time. We cannot predict the rate at which borrowers will repay their mortgage loans. A prepayment of a mortgage loan will result in increased payments on the related certificates.

- If you purchase your certificates at a discount and principal is repaid slower than you anticipate, then your yield may be lower than you anticipate.
- If you purchase your certificates at a premium and principal is repaid faster than you anticipate, then your yield may be lower than you anticipate.
- The rate of prepayments on the mortgage loans will be sensitive to prevailing interest rates. Generally, if interest rates decline, mortgage loan prepayments may increase due to the availability of fixed-rate mortgage loans or other adjustable-rate mortgage loans at lower interest rates. Conversely, if prevailing interest rates rise significantly, the prepayments on the mortgage loans may decrease.
- Approximately 88.12% of the group I mortgage loans and approximately 80.66% of the group II mortgage loans (in each case, by aggregate principal balance of the related loan group as of the cut-off date), require the mortgagor to pay a charge in certain instances if the mortgagor prepays the mortgage loan during a stated period, which may be from 12 months to 36 months after the mortgage loan was originated. A prepayment charge may or may not discourage a mortgagor from prepaying the mortgage loan during the applicable period.
- The originator will be required to purchase mortgage loans from the trust in the event certain breaches of representations and warranties occur and have not been cured. In addition, the servicer has the option to purchase mortgage loans that become 90 days or more delinquent, subject to certain limitations and conditions described in this information supplement. With respect to the group I mortgage loans, if the servicer does not exercise its option to purchase from the trust any such delinquent group I mortgage loan prior to the expiration of such option, Fannie Mae may exercise such option with respect to such group I mortgage loan at any time thereafter. These purchases will have the same effect on the holders of the certificates as a prepayment of the mortgage loans.
- If the rate of default and the amount of losses on the related mortgage loans is higher than you expect, then your yield may be lower than you expect.
- The overcollateralization provisions may result in an accelerated rate of principal distributions to holders of the more senior classes of certificates.
- The Class I-AIO Certificates receive only payments of interest and are sensitive to variations in the rate of prepayments. If you purchase a Class I-AIO Certificate and the rate of prepayments on the group I mortgage loans is faster than you expected, your yield could be lower than expected and under certain prepayment scenarios you may not fully recoup your initial investment.

See “Yield, Prepayment and Maturity Considerations” in this information supplement for a description of factors that may influence the rate and timing of prepayments on the mortgage loans.

Credit enhancement for the certificates may be inadequate

The credit enhancement features described in this information supplement are intended to enhance the likelihood that holders of the Class A and Class AIO Certificates, and to a limited extent, the holders of the Mezzanine Certificates, will receive regular payments of interest and principal, as applicable. However, we cannot assure you that the applicable credit enhancement will adequately cover any shortfalls in cash available to pay your certificates as a result of delinquencies or defaults on the mortgage loans. If delinquencies or defaults occur on the mortgage loans, neither the servicer nor any other entity will advance scheduled monthly payments of interest and principal on delinquent or defaulted mortgage loans if such advances are not likely to be recovered.

If substantial losses occur as a result of defaults and delinquent payments on the mortgage loans related to the Class I-A and Class I-AIO Certificates and if Fannie Mae does not perform under its guaranty, you may suffer losses.

Excess interest generated by the mortgage loans may be insufficient to create or maintain overcollateralization

We expect the mortgage loans to generate more interest than is needed to pay interest owed on the certificates and to pay certain fees and expenses of the trust. Any remaining interest generated by the mortgage loans will then be used to absorb losses that occur on the mortgage loans. Except on the first distribution date, after these financial obligations of the trust are covered, the available excess interest generated by the mortgage loans will be used to create or maintain overcollateralization. We cannot assure you, however, that enough excess interest will be generated to create or maintain the required level of overcollateralization. The factors described below will affect the amount of excess interest that the mortgage loans will generate:

- Every time a mortgage loan is prepaid in full or in part, excess interest may be reduced because the mortgage loan will no longer be outstanding and generating interest or, in the case of a partial prepayment, will be generating less interest.
- Every time a mortgage loan is liquidated or written off, excess interest may be reduced because such mortgage loan will no longer be outstanding and generating interest.
- If the rates of delinquencies, defaults or losses on the mortgage loans turn out to be higher than expected, excess interest will be reduced by the amount necessary to compensate for any shortfalls in cash available on the applicable date to make required distributions on the certificates.
- Approximately 89.56% of the group I mortgage loans and approximately 81.32% of the group II mortgage loans (in each case, by aggregate principal balance of the related loan group as of the cut-off date), are adjustable rate mortgage loans. With respect to the group I mortgage loans, the first adjustment of the loan rates for approximately 84.61%, 4.21% and 0.06% of the mortgage loans, by aggregate principal balance of such loan group as of the cut-off date, will not occur for two, three or five years, respectively, after the date of origination of such Mortgage Loans. With respect to the group II mortgage loans, the first adjustment of the loan rates for approximately 76.19%, 3.64% and 0.22% of the mortgage loans, by aggregate principal balance of such loan group as of the cut-off

date, will not occur for two, three or five years, respectively, after the date of origination of such Mortgage Loans. As a result, the pass-through rates on the Class A Certificates, the Class II-M1 Certificates and the Group I Mezzanine Components may increase relative to the weighted average of the mortgage rates on the group I mortgage loans (in the case of the Class I-A Certificates and the Group I Mezzanine Components) or the group II mortgage loans (in the case of the Class II-A Certificates, Class II-M1 Certificates and the Group II Mezzanine Components), or the pass-through rate on such certificates may remain constant as the weighted average of the mortgage rates on the group I mortgage loans (in the case of the Class I-A Certificates and the Group I Mezzanine Components) or the group II mortgage loans (in the case of the Class II-A Certificates, Class II-M1 Certificates and the Group II Mezzanine Components) declines. In either case, this would require that more of the interest generated by the mortgage loans be applied to pay interest accrued on the certificates.

Mortgage loan rates may adversely affect the yield on the LIBOR Certificates

The Class I-A Certificates, the Class II-A Certificates and the Mezzanine Certificates accrue interest at pass-through rates based on the One-Month LIBOR index plus specified margins, but all such pass-through rates are subject to a limit. The limits on the pass-through rates for the Class I-A Certificates and the Group I Mezzanine Components are based on the weighted average of the mortgage rates on the group I mortgage loans. The limits on the pass-through rates for the Class II-A Certificates, the Class II-M1 Certificates and the Group II Mezzanine Components are based on the weighted average of the mortgage rates on the group II mortgage loans. The limits on the pass-through rates for the Class M2 Certificates, the Class M3 Certificates and the Class M4 Certificates are based on the weighted average of the mortgage rates on both the group I mortgage loans and the group II mortgage loans because such limits are based on the I-M2 Component and the II-M2 Component, in the case of the Class M2 Certificates, the I-M3 Component and the II-M3 Component, in the case of the Class M3 Certificates and the I-M4 Component and the II-M4 Component, in the case of the Class M4 Certificates. The rates on which the limits on the pass-through rates are based are, in all cases, net of certain fees and expenses of the trust, certain interest distributions on the related Class AIO Certificates, and in the case of the Class I-A Certificates and the Group I Mezzanine Components, the guaranty fee payable to Fannie Mae.

A variety of factors could limit the pass-through rates on the LIBOR Certificates and may adversely affect the yields to maturity on the LIBOR Certificates. Some of these factors are described below:

- The pass-through rates for the LIBOR Certificates adjust monthly while the loan rates on the mortgage loans either do not adjust or adjust less frequently. Consequently, the cap on the LIBOR Certificates may limit increases in the pass-through rates for extended periods in a rising interest rate environment.
- Six-month LIBOR may change at different times and in different amounts than one-month LIBOR. As a result, it is possible that the interest rates on certain of the adjustable-rate mortgage loans may decline while the pass-through rates on the related LIBOR Certificates are stable or rising. It is also possible that the interest rates on the certain adjustable-rate mortgage loans and the pass-through rates on the related LIBOR Certificates may decline or increase during the same period, but that the pass-through rates on these classes of certificates may decline more slowly or increase more rapidly.

If the pass-through rates on the LIBOR Certificates are limited for any distribution date, the resulting basis risk shortfalls may be recovered by the holders of these classes of certificates on such

distribution date or on future distribution dates to the extent that on such distribution date or on future distribution dates there are available funds remaining after certain other distributions on the LIBOR Certificates, the Class AIO Certificates and the Class BIO Certificates and the payment of certain fees and expenses of the trust. No assurances can be given that such additional funds will be available.

The Fannie Mae guaranty will not cover any basis risk shortfalls described above.

Prepayment interest shortfalls and Relief Act shortfalls may reduce your yield

When a mortgage loan is prepaid, the borrower is charged interest on the amount prepaid only up to the date on which the prepayment is made, rather than for an entire month. This may result in a shortfall in interest collections available for payment on the next distribution date. The servicer is required to cover a portion of the shortfall in interest collections that are attributable to prepayments on the mortgage loans, but only up to the amount of the servicer's servicing fee for the related calendar month.

In addition, certain shortfalls in interest collections arising from the application of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended (the "Relief Act"), may occur (the "Relief Act Interest Shortfalls"). The Relief Act provides relief to borrowers who enter active military service and to borrowers in reserve status who are called to active duty after the origination of their mortgage loan. These borrowers may not be charged interest on a mortgage loan in excess of 6% per annum during the period of the borrower's active duty. These shortfalls are not required to be paid by the borrower at any future time, will not be advanced by the servicer, and, to the extent excess interest is insufficient, will reduce accrued interest on each class of certificates on a pro rata basis. In addition, the Relief Act imposes certain limitations that would impair the servicer's ability to foreclose on an affected mortgage loan during the borrower's period of active service and, under some circumstances, during an additional period thereafter.

In response to the terrorist attacks in the United States on September 11, 2001, the United States has initiated military operations and has placed a substantial number of military reservists and members of the National Guard on active duty status. It is possible that the number of reservists and members of the National Guard placed on active duty status in the near future may increase. These operations will increase the likelihood that Relief Act Interest Shortfalls may occur.

On any distribution date, any Relief Act Interest Shortfalls and any prepayment interest shortfalls to the extent not covered by compensating interest paid by the servicer will be allocated, first, to related excess interest, and thereafter, to the interest otherwise due with respect to the related certificates on a pro rata basis based on the respective amounts of interest accrued on those certificates for the distribution date. If Relief Act Interest Shortfalls are allocated to the certificates (other than the holders of the Class I-A and Class I-AIO Certificates) the amount of interest paid on those certificates will be reduced, adversely affecting the yield on your investment. To the extent these shortfalls reduce the amount of interest paid to the Class I-A and Class I-AIO Certificates, such shortfalls will be covered by the Fannie Mae guaranty as described under "Description of the Certificates—Fannie Mae Guaranty."

Cash Flow Considerations and Risks Could Cause Payment Delays and Losses

Substantial delays could be encountered in connection with the liquidation of delinquent mortgage loans. Furthermore, an action to obtain a deficiency judgment is regulated by statutes and rules, and the amount or availability of a deficiency judgment may be limited by law. In the event of a default by a borrower, these restrictions may impede the ability of the servicer to foreclose on or to sell the mortgaged property or to obtain a deficiency judgment. In addition, reimbursement of advances made on

a mortgage loan and liquidation expenses such as legal fees, real estate taxes, hazard insurance, inspection fees and maintenance and preservation expenses, may reduce the portion of liquidation proceeds payable to you.

In the event that:

- a mortgaged property fails to provide adequate security for the mortgage loan,
- overcollateralization (if any) is insufficient to cover such shortfalls,
- the subordination of certain classes are insufficient to cover such shortfalls, and
- with respect to the Class I-A and Class I-AIO Certificates, Fannie Mae fails to make the required payments under the guaranty,

you may incur a loss on your investment in the related certificates.

High loan-to-value ratios increase risk of loss

Mortgage loans with higher loan-to-value ratios may present a greater risk of loss than mortgage loans with loan-to-value ratios of 80% or below. Approximately 36.61% of the group I mortgage loans and approximately 38.22% of the group II mortgage loans (in each case by aggregate scheduled principal balance of the related loan group as of the cut-off date) had loan-to-value ratios, at origination (or combined loan-to-value ratios, in the case of second lien mortgage loans) in excess of 80%, but no more than 100%. Additionally, the servicer's determination of the value of a mortgaged property used in the calculation of the loan-to-values ratios of the mortgage loans may differ from the appraised value of such mortgaged properties or the actual value of such mortgaged properties. None of the mortgage loans in the mortgage pool were covered by a primary mortgage insurance policy at origination.

A decrease in the value of mortgaged property may increase the risk of loss

There are several factors that could adversely affect the value of mortgaged properties and cause the outstanding balance of the related mortgage loan, together with any senior financing, to equal or exceed the value of the mortgaged properties. Among the factors that could adversely affect the value of the mortgaged properties are

- an overall decline in the residential real estate market in the areas in which the mortgaged properties are located;
- a decline in the general condition of the mortgaged properties as a result of failure of borrowers to maintain adequately the mortgaged properties; or
- natural disasters that are not necessarily covered by insurance, including earthquakes and floods.

Any decline in the value of a mortgaged property could extinguish the value of a subordinate interest in that mortgaged property before having any effect on the related senior interest. If a decline in the value of the related mortgaged properties occurs, the actual rates of delinquencies, foreclosure and losses on the mortgage loans could be higher than those currently experienced in the mortgage lending industry in general and you could suffer a loss.

Geographic concentration may increase the risk of loss

The following chart lists the states with the highest concentrations of mortgage loans in excess of 5% of the mortgage pool, based on the aggregate principal balance of the mortgage loans in the mortgage pool as of the cut-off date:

California	41.88%
Colorado	9.90%
Washington	5.82%
Texas	5.29%

Property in California may be particularly susceptible to certain types of uninsurable hazards, such as earthquakes, floods, mudslides and other natural disasters.

In addition, the conditions below will have a disproportionate impact on the mortgage loans in general:

- Economic conditions in the states listed above which may or may not affect real property values may affect the ability of borrowers to repay their loans on time.
- Declines in the residential real estate markets in the states listed above may reduce the values of properties located in those states, which would result in an increase in the loan-to-value ratios.
- Any increase in the market value of properties located in the states listed above would reduce the loan-to-value ratios and could, therefore, make alternative sources of financing available to the borrowers at lower interest rates, which could result in an increased rate of prepayment of the mortgage loans.

Violation of various federal and state laws may result in losses on the mortgage loans

Applicable state laws generally regulate interest rates and other charges, require certain disclosures, and require licensing of mortgage loan originators. In addition, other state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of the mortgage loans.

The mortgage loans are also subject to federal laws, including:

- the Federal Truth-in-Lending Act and Regulation Z promulgated thereunder, which require certain disclosures to the borrowers regarding the terms of the mortgage loans;
- the Equal Credit Opportunity Act and Regulation B promulgated thereunder, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit; and
- the Fair Credit Reporting Act, which regulates the use and reporting of information related to the borrower's credit experience.

Violations of certain provisions of these federal laws may limit the ability of the servicer to collect all or part of the principal of or interest on the mortgage loans and in addition could subject the trust to damages and administrative enforcement. In particular, the originator's failure to comply with certain requirements of the Federal Truth-in-Lending Act, as implemented by Regulation Z, could subject the trust to monetary penalties, and result in the obligors' rescinding the mortgage loans against the trust.

The originator will represent in substantially all instances that any and all requirements of any federal and state law applicable to the origination of each mortgage loan originated by it have been complied with. In the event of a breach of that representation, the originator will be obligated to cure such breach or repurchase or replace the affected mortgage loan in the manner described in this information supplement.

The certificates are obligations of the trust only

The certificates will not represent an interest in or obligation of the depositor, the servicer, the originator, the seller, the trustee or any of their respective affiliates. Except with respect to the Class I-A and Class I-AIO Certificates that are guaranteed by Fannie Mae, neither the certificates nor the mortgage loans will be guaranteed or insured by any other governmental agency or instrumentality, or by the depositor, the servicer, the trustee or any of their respective affiliates. Proceeds of the assets included in the trust will be the sole source of payments on the certificates, and, except with respect to the Class I-A and Class I-AIO Certificates, there will be no recourse to any entity in the event that those proceeds are insufficient or otherwise unavailable to make all payments provided for under the certificates.

The certificates are not suitable investments for all investors

The certificates are not suitable investments for any investor that requires a regular or predictable schedule of payments or payment on any specific date. The certificates are complex investments that should be considered only by investors who, either alone or with their financial, tax and legal advisors, have the expertise to analyze the prepayment, reinvestment, default and market risk, the tax consequences of an investment, and the interaction of these factors.

WMBFA has limited experience servicing mortgage loans underwritten under Long Beach Mortgage Company's underwriting standards

Effective April 9, 2001, Long Beach Mortgage Company ("Long Beach") appointed WMBFA to act as subservicer of certain mortgage loans that Long Beach originates, including the mortgage loans in the mortgage pool. In connection therewith, Long Beach transferred to WMBFA, an affiliate of Long Beach, substantially all of its servicing portfolio and servicing operations. While WMBFA is an experienced mortgage loan servicer, it had no experience prior to April 9, 2001 servicing mortgage loans similar to the mortgage loans in the mortgage pool. As a result, WMBFA has had limited experience servicing mortgage loans similar to the mortgage loans in the mortgage pool. Moreover, all transfers of servicing functions involve the risk of disruption in collections due to data input errors, misapplied or misdirected payments, system incompatibilities, changes in personnel and other reasons which, together with WMBFA's limited experience in servicing mortgage loans similar to the mortgage loans in the mortgage pool, may have negatively affected the servicing of such mortgage loans since the date of the servicing transfer.

Since the servicing transfer, the mortgage loans similar to the mortgage loans in the mortgage pool that are serviced by WMBFA have experienced significant increases in delinquencies due to, among other things, the factors listed above. In response, WMBFA and Long Beach have undertaken various actions, including reconciliation of payments, increased borrower contact and the addition of experienced

personnel to limit and reduce delinquencies. While WMBFA believes that the increase in delinquencies attributable to the servicing transfer is a temporary phenomenon, there can be no assurance as to the extent or duration of the increased levels of such delinquencies or the resulting effects on the yield on the certificates.

Because WMBFA commenced its servicing of mortgage loans similar to the mortgage loans in the mortgage pool in April 2001, WMBFA has limited historical delinquency, bankruptcy, foreclosure or default experience that may be referred to for purposes of examining WMBFA's past performance in servicing mortgage loans similar to the mortgage loans in the mortgage pool. There can be no assurance that the delinquency experience of the mortgage loans serviced by Long Beach is or will be representative of WMBFA's performance in servicing the mortgage loans in the mortgage pool.

THE MORTGAGE POOL

Certain information with respect to the mortgage loans is set forth in this information supplement. Prior to the closing date, mortgage loans may be substituted therefor. Certain of the mortgage loans may prepay in full, or may be determined not to meet the eligibility requirements for the final pool of the mortgage loans acquired by the trust on the closing date. The Depositor believes that the information set forth in this information supplement is representative of the characteristics of the mortgage pool as it will be constituted at the closing date, although certain characteristics of the mortgage loans may vary.

General

Asset Backed Securities Corporation Home Equity Loan Trust, Series 2002-HE3 (the "Trust") will consist of a pool (the "Mortgage Pool") of closed-end, first and second lien, fixed-rate and adjustable-rate mortgage loans (the "Mortgage Loans"). Each Mortgage Loan will be assigned to one of two mortgage loan groups: loan group I, which will consist of first lien, fully-amortizing fixed-rate and adjustable-rate residential Mortgage Loans with original principal balances that conform to the loan limits of Fannie Mae (the "Group I Mortgage Loans"); and loan group II, which will consist of first and second lien, fully-amortizing fixed-rate and adjustable-rate residential Mortgage Loans with original principal balances that may or may not conform to those loan limits (the "Group II Mortgage Loans"). All mortgage loan statistics set forth in this information supplement are based on principal balances, interest rates, terms to stated maturity, mortgage loan counts and similar statistics as of October 1, 2002 (the "Cut-off Date") of the mortgage loans expected to be deposited into the Trust on the Closing Date. All weighted averages specified in this information supplement are based on the principal balances of the Mortgage Loans as of the Cut-off Date, as adjusted for the scheduled principal payments due on or before that date, whether or not received (each, a "Cut-off Date Principal Balance"). The "Principal Balance" of a Mortgage Loan as of any date is equal to the principal balance of the Mortgage Loan at its origination, less the sum of scheduled and unscheduled payments received or advanced in respect of principal made on the Mortgage Loan. References to percentages of the Mortgage Loans mean percentages based on the aggregate of the Cut-off Date Principal Balances of the Mortgage Loans, unless otherwise specified. The "Cut-off Date Pool Principal Balance" is equal to the aggregate Cut-off Date Principal Balances of the Mortgage Loans, plus or minus a permitted variance of five percent. The "Pool Balance" is equal to the aggregate Principal Balances of the Mortgage Loans as of any date of determination.

Each of the Mortgage Loans in the Mortgage Pool was previously acquired by the Seller directly from the Originator pursuant to a mortgage loan purchase agreement, dated as of August 22, 2002, between the Originator and the Seller (the "Mortgage Loan Purchase Agreement"). Under a reconstitution agreement, dated as of the Closing Date, among the Originator, the Seller and the Depositor (the "Reconstitution Agreement"), the Originator will make, as of the Closing Date, certain representations and warranties to the Trust relating to, among other things, the due execution and enforceability of the Mortgage Loan Purchase Agreement and the Reconstitution Agreement and certain characteristics of the Mortgage Loans originated by the Originator. The Seller will assign the Mortgage Loans and all of its rights under the Mortgage Loan Purchase Agreement to the Depositor pursuant to one or more assignment and assumption agreements. Pursuant to a pooling and servicing agreement, dated as of October 1, 2002, among the Depositor, the Seller, the Servicer, Fannie Mae (as Guarantor of the Class I-A Certificates and the Class I-AIO Certificates) and the Trustee (the "Pooling Agreement"), the Depositor will cause the Mortgage Loans to be assigned to the Trust for the benefit of the certificateholders. Subject to certain limitations, the Originator will be obligated to repurchase, or substitute a similar mortgage loan for, any Mortgage Loan as to which there exists deficient documentation or an uncured breach of any such representation or warranty, if such breach of any such representation or warranty materially and adversely affects the interests of the certificateholders in such

Mortgage Loan. The Seller is selling the Mortgage Loans to the Depositor without recourse and will have no obligation with respect to the certificates in its capacity as Seller. The Depositor is also selling the Mortgage Loans without recourse.

Mortgage Pool Statistics

The Mortgage Loans have original terms to maturity of not greater than 30 years and an aggregate Principal Balance as of the Cut-off Date of approximately \$865,040,046. All of the Mortgage Loans will be secured by first or second mortgages or deeds of trust or other similar security instruments (each, a “Mortgage”). The Mortgages create first liens or second liens on one- to four-family residential properties consisting of attached or detached one- to four-family dwelling units, individual condominium units and manufactured housing (each, a “Mortgaged Property”). As of the Cut-off Date, the Mortgage Pool consists of 5,865 Mortgage Loans. Approximately 96.58% of the Mortgage Loans are secured by first liens on the related Mortgaged Property, and approximately 3.42% of the Mortgage Loans are subordinate to a senior mortgage loan (a “Senior Mortgage Loan”) on the related Mortgaged Property.

All of the Mortgage Loans have a scheduled payment due each month (the “Due Date”) on the first day of the month.

Each Mortgage Loan will accrue interest at the fixed-rate or adjustable-rate calculated as specified under the terms of the related mortgage note (each such rate, a “Loan Rate”).

Approximately 13.73% of the Mortgage Loans are fixed-rate Mortgage Loans that have Loan Rates that are fixed for the life of the related Mortgage Loan.

Approximately 86.27% of the Mortgage Loans are adjustable-rate Mortgage Loans. Each adjustable-rate Mortgage Loan accrues interest at a Loan Rate that adjusts from time to time as described below. Generally, the adjustable-rate Mortgage Loans provide for semi-annual adjustment to the Loan Rate thereon and for corresponding adjustments to the monthly payment amount due thereon, in each case on each adjustment date applicable thereto (each such date, an “Adjustment Date”); provided, that, the first Adjustment Date for the adjustable-rate Mortgage Loans will occur within an initial period of two years, in the case of approximately 81.25% of the Mortgage Loans, three years, in the case of approximately 3.98% of the Mortgage Loans and five years, in the case of approximately 0.13% of the Mortgage Loans from the date of origination of such Mortgage Loans. On each Adjustment Date for each adjustable-rate Mortgage Loan, the Loan Rate thereon will be adjusted to equal the sum, rounded to the nearest or next highest multiple of 0.125%, of Six-Month LIBOR (as defined below) and a related fixed percentage amount (the “Gross Margin”).

The Loan Rate on each adjustable-rate Mortgage Loan will not decrease or increase on the first related Adjustment Date by more than a stated percentage specified in the related mortgage note on the first related Adjustment Date (the “Initial Periodic Rate Cap”) and will not increase or decrease by more than a stated percentage specified in the related mortgage note on any Adjustment Date thereafter (the “Periodic Rate Cap”). The adjustable-rate Mortgage Loans have a weighted average Initial Periodic Rate Cap of approximately 1.107% per annum and a weighted average Periodic Rate Cap of approximately 1.000% per annum. The Loan Rate on each adjustable-rate Mortgage Loan will not exceed a specified maximum Loan Rate over the life of such Mortgage Loan (the “Maximum Loan Rate”) or decrease to less than a specified minimum Loan Rate over the life of such Mortgage Loan (the “Minimum Loan Rate”). Effective with the first monthly payment due on each adjustable-rate Mortgage Loan after each related Adjustment Date, the monthly payment amount will be adjusted to an amount that will amortize fully the outstanding Principal Balance of the related Mortgage Loan over its remaining term, and pay interest at the Loan Rate as so adjusted. Due to the application of the Periodic Rate Caps and the Maximum Loan Rates, the Loan Rate on each such adjustable-rate Mortgage Loan, as adjusted on any Adjustment Date,

may be less than the sum of the Index and the related Gross Margin, rounded as described in this information supplement. None of the adjustable-rate Mortgage Loans permits the related mortgagor to convert the adjustable Loan Rate thereon to a fixed Loan Rate. See “—The Index” in this information supplement.

Approximately 85.14% of the Mortgage Loans provide for payment by the mortgagor of a prepayment charge in limited circumstances on certain prepayments. Generally, each such Mortgage Loan provides for payment of a prepayment charge on certain partial prepayments and prepayments in full made within the first 36 months from the first Due Date of such Mortgage Loan equal to 3%, 2% or 1% of the original principal balance of the Mortgage Loan if the prepayment is received in the first, second or third anniversary, respectively, of the first Due Date of such Mortgage Loan. All of the Mortgage Loans with prepayment penalties expire within three years following the origination of the related Mortgage Loan. The holders of the Class P Certificates will be entitled to all prepayment charges received on the Mortgage Loans, and such amounts will not be available for distribution on the other classes of Certificates. Under certain circumstances, as described in the Pooling Agreement, the Servicer may waive the payment of any otherwise applicable prepayment charge. Investors should conduct their own analysis of the effect, if any, that the prepayment charges, and decisions by the Servicer with respect to the waiver thereof, may have on the prepayment performance of the Mortgage Loans. The Depositor makes no representations as to the effect that the prepayment charges, and decisions by the Servicer with respect to the waiver thereof, may have on the prepayment performance of the Mortgage Loans.

The Mortgage Loans are subject to the “due-on-sale” provisions included therein that, among other things, may provide that the Mortgage Loan is assumable by a creditworthy purchaser of the related Mortgaged Property (as defined herein).

Approximately 37.26% of the Mortgage Loans had a loan-to-value ratio (“LTV”) at origination in excess of 80%. No Mortgage Loan had an LTV at origination in excess of 97.75%, and the weighted average LTV of the first lien Mortgage Loans at origination was approximately 79.55%. The weighted average LTV of the second lien Mortgage Loans at origination was approximately 80.05%. None of the Mortgage Loans in the Mortgage Pool will be covered by a primary mortgage insurance policy.

The LTV of a first lien Mortgage Loan at any given time is a fraction, expressed as a percentage, the numerator of which is the principal balance of the Mortgage Loan at the date of origination and the denominator of which is (a) in the case of a purchase money mortgage loan, the lesser of the sales price of the related Mortgaged Property and its appraised value determined in an appraisal obtained by the originator at origination of the Mortgage Loan or (b) in the case of a refinancing mortgage loan, the appraised value of the Mortgaged Property at the time of such refinance.

The LTV of a second lien Mortgage Loan at any given time is a fraction, expressed as a percentage, the numerator of which is (i) the sum of (a) the principal balance of such Mortgage Loan at the date of origination plus (b) the outstanding balance of the Senior Mortgage Loan at the date of origination of such Mortgage Loan and the denominator of which is (ii)(a) in the case of a purchase money mortgage loan, the lesser of the sales price of the related Mortgaged Property and its appraised value determined in an appraisal obtained by the originator at origination of such Mortgage Loan or (b) in the case of a refinancing mortgage loan, the appraised value of the Mortgaged Property at the time of such refinance.

No assurance can be given that the value of any Mortgaged Property has remained or will remain at the level that existed on the appraisal or sales date. If residential real estate values overall or in a particular geographic area decline, the LTVs might not be a reliable indicator of the rates of delinquencies, foreclosures and losses that could occur on the Mortgage Loans.

The Mortgage Pool

Original Principal Balances of the Mortgage Loans⁽¹⁾

Original Principal Balance (\$)	Number of Mortgage Loans	Original Principal Balance	% of Aggregate Principal Balance of Mortgage Loans
25,000.01 – 50,000.00.....	692	\$ 27,558,369.20	3.18%
50,000.01 – 75,000.00.....	1,038	64,875,574.20	7.49
75,000.01 – 100,000.00.....	826	72,083,092.50	8.32
100,000.01 – 125,000.00.....	592	66,233,641.95	7.65
125,000.01 – 150,000.00.....	575	78,975,526.25	9.12
150,000.01 – 175,000.00.....	394	63,619,941.00	7.35
175,000.01 – 200,000.00.....	390	73,304,569.80	8.46
200,000.01 – 225,000.00.....	284	60,605,422.00	7.00
225,000.01 – 250,000.00.....	201	47,475,476.80	5.48
250,000.01 – 275,000.00.....	181	47,517,010.00	5.49
275,000.01 – 300,000.00.....	136	38,981,921.00	4.50
300,000.01 – 400,000.00.....	323	112,585,807.00	13.00
400,000.01 – 500,000.00.....	162	72,912,389.00	8.42
500,000.01 – 600,000.00.....	71	39,297,463.00	4.54
Total	5,865	\$866,026,203.70	100.00%

⁽¹⁾ The average principal balance of the Mortgage Loans at origination was approximately \$147,660.

Cut-off Date Principal Balances of the Mortgage Loans⁽¹⁾

Cut-off Date Principal Balance (\$)	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
25,000.01 – 50,000.00.....	693	\$ 27,567,653.56	3.19%
50,000.01 – 75,000.00.....	1,038	64,826,159.84	7.49
75,000.01 – 100,000.00.....	828	72,225,804.73	8.35
100,000.01 – 125,000.00.....	593	66,370,341.57	7.67
125,000.01 – 150,000.00.....	571	78,394,811.84	9.06
150,000.01 – 175,000.00.....	398	64,251,539.81	7.43
175,000.01 – 200,000.00.....	386	72,526,656.11	8.38
200,000.01 – 225,000.00.....	287	61,207,802.65	7.08
225,000.01 – 250,000.00.....	199	46,996,062.09	5.43
250,000.01 – 275,000.00.....	180	47,215,888.98	5.46
275,000.01 – 300,000.00.....	136	38,936,487.01	4.50
300,000.01 – 400,000.00.....	323	112,439,134.22	13.00
400,000.01 – 500,000.00.....	162	72,824,973.76	8.42
500,000.01 – 600,000.00.....	71	39,256,729.86	4.54
Total	5,865	\$865,040,046.03	100.00%

⁽¹⁾ The average Cut-off Date Principal Balance of the Mortgage Loans was approximately \$147,492.

FICO Scores for the Mortgage Loans⁽¹⁾

FICO Score	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
Not Available	48	\$ 4,173,513.34	0.48%
401 - 425	2	221,132.72	0.03
426 - 450	35	3,484,973.01	0.40
451 - 475	169	19,714,414.48	2.28
476 - 500	619	76,410,418.93	8.83
501 - 525	838	106,963,618.86	12.37
526 - 550	701	103,903,191.84	12.01
551 - 575	548	79,728,087.07	9.22
576 - 600	398	60,421,053.14	6.98
601 - 625	693	105,862,334.05	12.24
626 - 650	679	107,106,865.82	12.38
651 - 675	517	85,927,938.92	9.93
676 - 700	277	46,961,686.60	5.43
701 - 725	155	29,436,105.45	3.40
726 - 750	99	18,429,895.99	2.13
751 - 775	62	12,098,520.32	1.40
776 - 800	22	3,662,720.73	0.42
801 - 825	3	533,574.76	0.06
Total	5,865	\$865,040,046.03	100.00%

⁽¹⁾ The weighted average FICO score (where available) of the Mortgagors of the Mortgage Loans as of the Cut-off Date was approximately 591.

Original Terms to Stated Maturity of the Mortgage Loans⁽¹⁾

Original Term (months)	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
<= 120	1	\$ 28,163.77	0.00%
121 - 180	164	12,322,474.04	1.42
181 - 240	467	26,110,778.43	3.02
301 - 360	5,233	826,578,629.79	95.55
Total	5,865	\$865,040,046.03	100.00%

⁽¹⁾ The weighted average original term of the Mortgage Loans was approximately 354 months.

Remaining Terms to Stated Maturity of the Mortgage Loans⁽¹⁾

Remaining Term (months)	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
<= 180	165	\$ 12,350,637.81	1.43%
181 - 348	467	26,110,778.43	3.02
349 - 360	5,233	826,578,629.79	95.55
Total	5,865	\$865,040,046.03	100.00%

⁽¹⁾ The weighted average remaining term of the Mortgage Loans was approximately 351 months.

Property Types of the Mortgage Loans

Property Type	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
Single Family Residence.....	4,386	\$649,837,615.97	75.12%
Condo.....	336	47,647,224.53	5.51
2-4 Family.....	307	52,517,040.81	6.07
PUD ⁽¹⁾	484	82,891,164.49	9.58
Manufactured Housing ⁽²⁾	352	32,147,000.23	3.72
Total	5,865	\$865,040,046.03	100.00%

⁽¹⁾ PUD refers to a home or “unit” in a Planned Unit Development.

⁽²⁾ Treated as real property.

Occupancy Status of the Mortgage Loans⁽¹⁾

Occupancy Status	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
Primary.....	5,443	\$811,933,428.47	93.86%
Second Home.....	35	6,538,238.44	0.76
Investment.....	387	46,568,379.12	5.38
Total	5,865	\$865,040,046.03	100.00%

⁽¹⁾ Occupancy as represented by the Mortgagor at the time of origination.

Purpose of the Mortgage Loans

Purpose	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
Purchase.....	2,535	\$354,753,811.52	41.01%
Refinance – Rate Term.....	709	105,392,666.95	12.18
Refinance – Cashout.....	2,621	404,893,567.56	46.81
Total	5,865	\$865,040,046.03	100.00%

Original Loan-to-Value Ratios of the Mortgage Loans⁽¹⁾

Original Loan-to-Value Ratio (%)	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
<= 50.000	670	\$ 43,302,174.69	5.01%
50.001 – 60.000	161	24,097,370.11	2.79
60.001 – 70.000	549	78,264,451.14	9.05
70.001 – 75.000	436	66,177,418.13	7.65
75.001 – 80.000	2,091	330,933,479.06	38.26
80.001 – 85.000	1,243	185,523,190.05	21.45
85.001 – 90.000	660	126,841,912.80	14.66
90.001 – 95.000	54	9,821,882.15	1.14
95.001 – 97.750	1	78,167.90	0.01
Total	5,865	\$865,040,046.03	100.00%

⁽¹⁾ The weighted average original loan-to-value ratio of the first lien Mortgage Loans as of the Cut-off Date was approximately 79.55%. The weighted average original loan-to-value ratio of the second lien Mortgage Loans as of the Cut-off Date was approximately 80.05%.

Geographic Distribution of the Mortgaged Properties⁽¹⁾

Location	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
California	1,837	\$362,248,285.75	41.88%
Colorado	543	85,640,271.64	9.90
Washington	326	50,387,936.75	5.82
Texas	456	45,768,682.15	5.29
Illinois	278	37,578,204.24	4.34
Florida	254	28,655,235.07	3.31
Oregon	155	21,771,456.75	2.52
Arizona	129	20,424,579.47	2.36
Michigan	190	19,777,780.49	2.29
New York	85	18,573,561.78	2.15
Other ⁽²⁾	1,612	174,214,051.94	20.14
Total	5,865	\$865,040,046.03	100.00%

⁽¹⁾ The greatest ZIP Code geographic concentration of Mortgage Loans, by Cut-off Date Principal Balance, was approximately 0.54% in the 94014 ZIP Code.

⁽²⁾ The Other row in the preceding table includes 39 other states with individual concentrations under 2%.

Documentation Level of the Mortgage Loans

Documentation Level	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
Full Doc – Asset and Income	4,767	\$664,641,634.71	76.83%
Stated Documentation	973	176,236,189.74	20.37
Limited Documentation	125	24,162,221.58	2.79
Total	5,865	\$865,040,046.03	100.00%

Current Loan Rates of the Mortgage Loans⁽¹⁾

Current Loan Rate (%)	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
6.001 – 6.500.....	36	\$ 10,241,676.25	1.18%
6.501 – 7.000.....	283	71,443,671.61	8.26
7.001 – 7.500.....	395	90,578,316.67	10.47
7.501 – 8.000.....	593	121,398,323.06	14.03
8.001 – 8.500.....	420	82,143,007.40	9.50
8.501 – 9.000.....	473	77,404,843.64	8.95
9.001 – 9.500.....	449	74,133,801.67	8.57
9.501 – 10.000.....	637	92,212,038.51	10.66
10.001 – 10.500.....	708	75,537,404.46	8.73
10.501 – 11.000.....	583	65,303,152.88	7.55
11.001 – 11.500.....	503	46,571,015.55	5.38
11.501 – 12.000.....	405	31,740,742.09	3.67
12.001 – 12.500.....	229	15,737,670.36	1.82
12.501 – 13.000.....	102	7,707,985.59	0.89
13.001 – 13.500.....	30	1,951,041.44	0.23
13.501 – 14.000.....	14	668,541.08	0.08
14.001 – 14.500.....	5	266,813.77	0.03
Total	5,865	\$865,040,046.03	100.00%

⁽¹⁾ The weighted average Loan Rate of the Mortgage Loans as of the Cut-off Date was approximately 9.049% per annum.

Maximum Loan Rates of the Mortgage Loans⁽¹⁾

Maximum Loan Rate (%)	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
Not Applicable	1,179	\$118,786,502.01	13.73%
12.001 – 12.500	34	9,388,884.77	1.09
12.501 – 13.000	258	64,849,498.69	7.50
13.001 – 13.500	321	74,315,500.95	8.59
13.501 – 14.000	475	98,947,599.65	11.44
14.001 – 14.500	357	71,887,394.63	8.31
14.501 – 15.000	399	66,980,904.27	7.74
15.001 – 15.500	404	68,525,235.66	7.92
15.501 – 16.000	590	87,853,491.57	10.16
16.001 – 16.500	467	62,010,934.08	7.17
16.501 – 17.000	530	62,018,817.75	7.17
17.001 – 17.500	370	38,568,233.55	4.46
17.501 – 18.000	255	23,030,773.98	2.66
18.001 – 18.500	118	9,805,345.42	1.13
18.501 – 19.000	83	6,426,209.83	0.74
19.001 – 19.500	21	1,458,196.08	0.17
19.501 – 20.000	3	139,731.47	0.02
20.001 – 20.500	1	46,791.67	0.01
Total	5,865	\$865,040,046.03	100.00%

⁽¹⁾ The weighted average Maximum Loan Rate of the Mortgage Loans that are adjustable-rate Mortgage Loans as of the Cut-off Date was approximately 15.026% per annum.

Gross Margins of the Mortgage Loans⁽¹⁾

Gross Margins (%)	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
Not Applicable	1,179	\$118,786,502.01	13.73%
2.001 - 2.500	1	233,729.76	0.03
4.001 - 4.500	107	20,374,618.51	2.36
4.501 - 5.000	1,436	294,663,359.55	34.06
5.001 - 5.500	5	659,639.02	0.08
5.501 - 6.000	1,948	303,232,815.75	35.05
6.001 - 6.500	783	81,798,796.90	9.46
6.501 - 7.000	406	45,290,584.53	5.24
Total	5,865	\$865,040,046.03	100.00%

⁽¹⁾ The weighted average Gross Margin of the Mortgage Loans that are adjustable-rate Mortgage Loans as of the Cut-off Date was approximately 5.564%.

Next Adjustment Date for the Mortgage Loans

Rate Change Date	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
Not Applicable	1,179	\$118,786,502.01	13.73%
December 1, 2002	3	464,344.70	0.05
January 1, 2003	19	5,364,466.01	0.62
February 1, 2003	14	2,144,599.77	0.25
January 1, 2004	1	116,060.02	0.01
March 1, 2004	5	952,975.87	0.11
April 1, 2004	15	2,047,965.82	0.24
May 1, 2004	24	3,510,321.99	0.41
June 1, 2004	284	43,221,504.27	5.00
July 1, 2004	2,355	380,165,100.73	43.95
August 1, 2004	1,613	258,470,657.69	29.88
September 1, 2004	82	14,341,907.10	1.66
March 1, 2005	1	52,532.89	0.01
April 1, 2005	2	811,960.63	0.09
May 1, 2005	2	404,739.41	0.05
June 1, 2005	12	1,740,030.46	0.20
July 1, 2005	146	17,376,791.13	2.01
August 1, 2005	100	13,514,246.85	1.56
September 1, 2005	4	469,245.07	0.05
July 1, 2007	1	71,943.13	0.01
August 1, 2007	3	1,012,150.48	0.12
Total	5,865	\$865,040,046.03	100.00%

Product Type

Product Type	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
Fixed Rate	1,179	\$118,786,502.01	13.73%
ARM ⁽¹⁾	35	7,893,525.78	0.91
ARM 2/28 ⁽²⁾	4,379	702,826,493.49	81.25
ARM 3/27 ⁽³⁾	268	34,449,431.14	3.98
ARM 5/25 ⁽⁴⁾	4	1,084,093.61	0.13
Total	5,865	\$865,040,046.03	100.00%

⁽¹⁾ ARM refers to a Mortgage Loan for which the Loan Rate adjusts semi-annually based upon the Six-Month LIBOR Index.

⁽²⁾ 2/28 refers to a Mortgage Loan for which the Loan Rate is fixed for two years after the origination of that Mortgage Loan. Thereafter, the Loan Rate on that Mortgage Loan adjusts semi-annually based upon the Six-Month LIBOR Index.

⁽³⁾ 3/27 refers to a Mortgage Loan for which the Loan Rate is fixed for three years after the origination of that Mortgage Loan. Thereafter, the Loan Rate on that Mortgage Loan adjusts semi-annually based upon the Six-Month LIBOR Index.

⁽⁴⁾ 5/25 refers to a Mortgage Loan for which the Loan Rate is fixed for five years after the origination of that Mortgage Loan. Thereafter, the Loan Rate on that Mortgage Loan adjusts semi-annually based upon the Six-Month LIBOR Index.

Original Term to Expiration of Prepayment Penalty

Original Number of Months to Expiration	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
No penalty or expired.....	1,240	\$128,557,017.57	14.86%
6 - 12	138	30,158,678.00	3.49
13 - 24	2,351	426,211,862.75	49.27
31 - 36	2,136	280,112,487.71	32.38
Total	5,865	\$865,040,046.03	100.00%

Credit Grade of the Mortgage Loans⁽¹⁾

Credit Grade	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
A	1,813	\$308,612,741.02	35.68%
AA.....	217	37,394,476.60	4.32
A-	1,631	260,617,511.32	30.13
B.....	991	132,627,192.67	15.33
B-	806	82,300,233.26	9.51
C.....	296	32,197,255.74	3.72
D	111	11,290,635.42	1.31
Total	5,865	\$865,040,046.03	100.00%

⁽¹⁾ For a description of each credit grade, see “Originator and Servicer – Long Beach Mortgage Company” in this information supplement.

Lien Position of the Mortgage Loans

Lien Position	Number of Mortgage Loans	Cut-off Date Principal Balance	% of Aggregate Cut-off Date Principal Balance of Mortgage Loans
1st Lien	5,322	\$835,429,013.89	96.58%
2nd Lien	543	29,611,032.14	3.42
Total	5,865	\$865,040,046.03	100.00%

Group I Mortgage Loan Statistics

The Group I Mortgage Loans consist of approximately 4,052 Mortgage Loans and have an aggregate Cut-off Date Principal Balance of approximately \$519,321,130. All of the Group I Mortgage Loans are secured by first liens on the related Mortgaged Property.

Approximately 10.44% of the Group I Mortgage Loans are fixed-rate Mortgage Loans, and approximately 89.56% of the Group I Mortgage Loans are adjustable-rate Mortgage Loans. The first Adjustment Date for the adjustable-rate Group I Mortgage Loans will occur within an initial period of two years, in the case of approximately 84.61% of the Group I Mortgage Loans, three years, in the case of approximately 4.21% of the Group I Mortgage Loans and five years, in the case of approximately 0.06% of the Group I Mortgage Loans as of the date of origination of such Mortgage Loans. The adjustable-rate Group I Mortgage Loans have a weighted average Initial Periodic Rate Cap of approximately 1.108% per annum and a weighted average Periodic Rate Cap of approximately 1.000% per annum.

Approximately 88.12% of the Group I Mortgage Loans provide for payment by the mortgagor of a prepayment charge in limited circumstances on certain prepayments.

Approximately 36.61% of the Group I Mortgage Loans had LTVs at origination in excess of 80%. No Group I Mortgage Loan had an LTV at origination in excess of 95.00%, and the weighted average LTV of the Group I Mortgage Loans at origination was approximately 79.29%. None of the Group I Mortgage Loans will be covered by a primary mortgage insurance policy.

The weighted average remaining term to maturity of the Group I Mortgage Loans is approximately 356 months as of the Cut-off Date. None of the Group I Mortgage Loans had a first Due Date prior to January 2002 or after October 2002 or will have a remaining term to maturity of less than 118 months or greater than 360 months as of the Cut-off Date. The latest maturity date of any Group I Mortgage Loan is September 2032.

The average Principal Balance of the Group I Mortgage Loans at origination was approximately \$128,301. The average Cut-off Date Principal Balance of the Group I Mortgage Loans was approximately \$128,164. No Group I Mortgage Loan had a Cut-off Date Principal Balance greater than \$300,263 or less than \$25,836.

The Group I Mortgage Loans that had credit scores had a weighted average credit score of approximately 580. The credit scores for the Group I Mortgage Loans ranged from a minimum credit score of 419 to a maximum credit score of 810. Forty-six of the Group I Mortgage Loans did not have a credit score, which represent approximately 0.76% of the Group I Mortgage Loans.

The Group I Mortgage Loans had Loan Rates as of the Cut-off Date of not less than 6.400% per annum and not more than 13.950% per annum and the weighted average Loan Rate of the Group I Mortgage Loans was approximately 9.207% per annum as of the Cut-off Date.

As of the Cut-off Date, the adjustable-rate Group I Mortgage Loans had Gross Margins ranging from 2.080% to 6.750%, Minimum Loan Rates ranging from 6.400% per annum to 13.950% per annum and Maximum Loan Rates ranging from 12.400% per annum to 19.950% per annum. As of the Cut-off Date, the adjustable-rate Group I Mortgage Loans had a weighted average Gross Margin of approximately 5.630%, a weighted average Minimum Loan Rate of approximately 9.265% per annum and a weighted average Maximum Loan Rate of approximately 15.269% per annum. The first Adjustment Date following the Cut-off Date on any adjustable-rate Group I Mortgage Loan will occur in December 2002,

and the weighted average time until the first Adjustment Date for the adjustable-rate Group I Mortgage Loans following the Cut-off Date is approximately 22 months.

The Group I Mortgage Loans are expected to have the following characteristics as of the Cut-off Date (the sum in any column may not equal the total indicated due to rounding):

Group I Mortgage Loans

Original Principal Balances of the Group I Mortgage Loans⁽¹⁾

Original Principal Balance (\$)	Number of Group I Mortgage Loans	Original Principal Balance of Group I Mortgage Loans	% of Aggregate Principal Balance of Group I Mortgage Loans
25,000.01 – 50,000.00.....	365	\$ 15,081,624.00	2.90%
50,000.01 – 75,000.00.....	794	49,923,907.00	9.60
75,000.01 – 100,000.00.....	616	53,358,677.00	10.26
100,000.01 – 125,000.00.....	466	52,084,023.95	10.02
125,000.01 – 150,000.00.....	434	59,549,752.00	11.45
150,000.01 – 175,000.00.....	323	52,178,226.00	10.04
175,000.01 – 200,000.00.....	336	63,340,479.80	12.18
200,000.01 – 225,000.00.....	255	54,454,822.00	10.47
225,000.01 – 250,000.00.....	182	42,980,711.80	8.27
250,000.01 – 275,000.00.....	155	40,735,060.00	7.84
275,000.01 – 300,000.00.....	123	35,286,871.00	6.79
300,000.01 – 400,000.00.....	3	902,100.00	0.17
Total	4,052	\$519,876,254.55	100.00%

⁽¹⁾ The average principal balance of the Group I Mortgage Loans at origination was approximately \$128,301.

Cut-off Date Principal Balances of the Group I Mortgage Loans⁽¹⁾

Cut-off Date Principal Balance (\$)	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
25,000.01 - 50,000.0	365	\$ 15,068,034.61	2.90%
50,000.01 - 75,000.00	795	49,952,065.29	9.62
75,000.01 - 100,000.00	618	53,528,796.27	10.31
100,000.01 - 125,000.00	465	51,985,706.88	10.01
125,000.01 - 150,000.00	432	59,238,381.25	11.41
150,000.01 - 175,000.00	327	52,822,526.95	10.17
175,000.01 - 200,000.00	332	62,572,181.27	12.05
200,000.01 - 225,000.00	257	54,837,616.11	10.56
225,000.01 - 250,000.00	181	42,730,231.19	8.23
250,000.01 - 275,000.00	154	40,440,069.60	7.79
275,000.01 - 300,000.00	123	35,244,907.35	6.79
300,000.01 - 400,000.00	3	900,612.77	0.17
Total	4,052	\$519,321,129.54	100.00%

⁽¹⁾ The average Cut-off Date Principal Balance of the Group I Mortgage Loans was approximately \$128,164.

FICO Scores for the Group I Mortgage Loans⁽¹⁾

FICO Score	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
Not Available.....	46	\$ 3,959,573.89	0.76%
401 - 425.....	2	221,132.72	0.04
426 - 450.....	34	2,997,191.21	0.58
451 - 475.....	149	15,825,331.28	3.05
476 - 500.....	542	61,614,237.12	11.86
501 - 525.....	695	79,574,551.43	15.32
526 - 550.....	404	46,285,406.20	8.91
551 - 575.....	464	55,522,681.17	10.69
576 - 600.....	329	41,045,475.07	7.90
601 - 625.....	413	60,062,482.06	11.57
626 - 650.....	381	58,625,082.11	11.29
651 - 675.....	271	41,942,579.04	8.08
676 - 700.....	151	23,126,947.94	4.45
701 - 725.....	72	12,485,151.64	2.40
726 - 750.....	51	8,687,694.58	1.67
751 - 775.....	35	5,639,872.51	1.09
776 - 800.....	12	1,632,802.12	0.31
801 - 825.....	1	72,937.45	0.01
Total	4,052	\$519,321,129.54	100.00%

⁽¹⁾ The weighted average FICO score (where available) of the Mortgagors of the Group I Mortgage Loans as of the Cut-off Date was approximately 580.

Original Terms to Stated Maturity of the Group I Mortgage Loans⁽¹⁾

Original Term (months)	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
<= 120.....	1	\$ 28,163.77	0.01%
121 - 180.....	44	3,802,685.09	0.73
181 - 240.....	8	657,939.90	0.13
301 - 360.....	3,999	514,832,340.78	99.14
Total	4,052	\$519,321,129.54	100.00%

⁽¹⁾ The weighted average original term of the Group I Mortgage Loans was approximately 359 months.

Remaining Terms to Stated Maturity of the Group I Mortgage Loans⁽¹⁾

Remaining Term (months)	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
<= 180	45	\$ 3,830,848.86	0.74%
181 - 348	8	657,939.90	0.13
349 - 360	3,999	514,832,340.78	99.14
Total	4,052	\$519,321,129.54	100.00%

⁽¹⁾ The weighted average remaining term of the Group I Mortgage Loans was approximately 356 months.

Property Types of the Group I Mortgage Loans

Property Type	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
Single Family Residence.....	3,044	\$389,620,581.91	75.02%
Condo.....	236	32,218,459.43	6.20
2-4 Family	221	31,387,295.90	6.04
PUD ⁽¹⁾	258	40,262,070.92	7.75
Manufactured Housing ⁽²⁾	293	25,832,721.38	4.97
Total	4,052	\$519,321,129.54	100.00%

⁽¹⁾ PUD refers to a home or “unit” in a Planned Unit Development.

⁽²⁾ Treated as real property.

Occupancy Status of the Group I Mortgage Loans⁽¹⁾

Occupancy Status	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
Primary.....	3,705	\$482,481,829.44	92.91%
Second Home	27	3,766,136.60	0.73
Investment.....	320	33,073,163.50	6.37
Total	4,052	\$519,321,129.54	100.00%

⁽¹⁾ Occupancy as represented by the Mortgagor at the time of origination.

Purpose of the Group I Mortgage Loans

Purpose	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
Purchase	1,618	\$206,188,700.82	39.70%
Refinance – Rate Term	529	62,450,880.74	12.03
Refinance – Cashout	1,905	250,681,547.98	48.27
Total	4,052	\$519,321,129.54	100.00%

Original Loan-to-Value Ratios of the Group I Mortgage Loans⁽¹⁾

Original Loan-to-Value Ratio (%)	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
<= 50.000	107	\$ 9,545,571.28	1.84%
50.001 – 60.000	125	14,860,628.20	2.86
60.001 – 70.000	440	51,627,937.09	9.94
70.001 – 75.000	336	40,127,870.52	7.73
75.001 – 80.000	1,629	213,037,321.76	41.02
80.001 – 85.000	911	110,891,188.07	21.35
85.001 – 90.000	458	71,022,917.41	13.68
90.001 – 95.000	46	8,207,695.21	1.58
Total	4,052	\$519,321,129.54	100.00%

⁽¹⁾ The weighted average original loan-to-value ratio of the Group I Mortgage Loans as of the Cut-off Date was approximately 79.29%.

Geographic Distribution of the Group I Mortgaged Properties⁽¹⁾

Location	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
California	1,165	\$205,878,387.63	39.64%
Colorado.....	322	49,728,828.82	9.58
Washington	191	28,517,495.52	5.49
Illinois	214	25,167,709.86	4.85
Texas	254	21,864,095.54	4.21
Florida	192	19,960,160.48	3.84
Michigan	155	13,090,547.45	2.52
Ohio	159	12,098,504.06	2.33
Oregon	95	11,847,536.81	2.28
New York.....	59	10,636,068.23	2.05
Arizona.....	88	10,596,994.53	2.04
Other ⁽²⁾	1,158	109,934,800.61	21.17
Total	4,052	\$519,321,129.54	100.00%

⁽¹⁾ The greatest ZIP Code geographic concentration of Group I Mortgage Loans, by Cut-off Date Principal Balance, was approximately 0.68% in the 94509 ZIP Code.

⁽²⁾ The Other row in the preceding table includes 38 other states with individual concentrations under 2%.

Documentation Level of the Group I Mortgage Loans

Documentation Level	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
Full Doc – Asset and Income	3,255	\$404,261,962.68	77.84%
Stated Documentation	711	103,318,227.41	19.89
Limited Documentation	86	11,740,939.45	2.26
Total	4,052	\$519,321,129.54	100.00%

Current Loan Rates of the Group I Mortgage Loans⁽¹⁾

Current Loan Rate (%)	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
6.001 – 6.500.....	22	\$ 4,462,079.25	0.86%
6.501 – 7.000.....	184	35,688,711.70	6.87
7.001 – 7.500.....	257	45,267,728.26	8.72
7.501 – 8.000.....	423	69,181,496.49	13.32
8.001 – 8.500.....	300	45,562,583.74	8.77
8.501 – 9.000.....	368	51,713,703.67	9.96
9.001 – 9.500.....	325	42,872,611.51	8.26
9.501 – 10.000.....	486	59,761,399.44	11.51
10.001 – 10.500.....	395	44,299,467.93	8.53
10.501 – 11.000.....	465	48,655,879.08	9.37
11.001 – 11.500.....	348	33,565,090.72	6.46
11.501 – 12.000.....	256	22,284,728.52	4.29
12.001 – 12.500.....	122	9,508,770.39	1.83
12.501 – 13.000.....	85	5,593,511.02	1.08
13.001 – 13.500.....	12	692,730.74	0.13
13.501 – 14.000.....	4	210,637.08	0.04
Total	4,052	\$519,321,129.54	100.00%

⁽¹⁾ The weighted average Loan Rate of the Group I Mortgage Loans as of the Cut-off Date was approximately 9.207% per annum.

Maximum Loan Rates of the Group I Mortgage Loans⁽¹⁾

Maximum Loan Rate (%)	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
Not Applicable.....	465	\$ 54,217,115.73	10.44%
12.001 – 12.500.....	22	4,462,079.25	0.86
12.501 – 13.000.....	169	32,909,081.23	6.34
13.001 – 13.500.....	204	35,895,155.82	6.91
13.501 – 14.000.....	337	56,864,287.16	10.95
14.001 – 14.500.....	251	38,893,035.71	7.49
14.501 – 15.000.....	309	44,718,942.42	8.61
15.001 – 15.500.....	293	39,604,111.71	7.63
15.501 – 16.000.....	443	55,690,862.88	10.72
16.001 – 16.500.....	368	42,241,328.39	8.13
16.501 – 17.000.....	444	47,423,485.28	9.13
17.001 – 17.500.....	327	32,022,321.88	6.17
17.501 – 18.000.....	234	20,392,765.06	3.93
18.001 – 18.500.....	105	8,415,474.90	1.62
18.501 – 19.000.....	71	4,901,297.85	0.94
19.001 – 19.500.....	9	620,993.26	0.12
19.501 – 20.000.....	1	48,791.01	0.01
Total	4,052	\$519,321,129.54	100.00%

⁽¹⁾ The weighted average Maximum Loan Rate of the Group I Mortgage Loans that are adjustable-rate Mortgage Loans as of the Cut-off Date was approximately 15.269% per annum.

Gross Margins of the Group I Mortgage Loans⁽¹⁾

Gross Margins (%)	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
Not Applicable	465	\$ 54,217,115.73	10.44%
2.001 - 2.500	1	233,729.76	0.05
4.001 - 4.500	87	15,320,392.66	2.95
4.501 - 5.000	995	158,180,726.52	30.46
5.001 - 5.500	4	467,224.37	0.09
5.501 - 6.000	1,472	189,753,734.09	36.54
6.001 - 6.500	687	66,918,438.87	12.89
6.501 - 7.000	341	34,229,767.54	6.59
Total	4,052	\$519,321,129.54	100.00%

⁽¹⁾ The weighted average Gross Margin of the Group I Mortgage Loans that are adjustable-rate mortgage loans as of the Cut-off Date was approximately 5.630%.

Next Adjustment Date for the Group I Mortgage Loans

Rate Change Date	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
Not Applicable	465	\$ 54,217,115.73	10.44%
December 1, 2002	1	63,804.52	0.01
January 1, 2003	9	1,487,699.79	0.29
February 1, 2003	12	1,924,514.14	0.37
January 1, 2004	1	116,060.02	0.02
March 1, 2004	3	371,556.49	0.07
April 1, 2004	12	1,101,673.73	0.21
May 1, 2004	18	2,082,101.04	0.40
June 1, 2004	214	25,513,447.26	4.91
July 1, 2004	1,835	247,892,266.14	47.73
August 1, 2004	1,212	155,787,491.61	30.00
September 1, 2004	56	6,549,164.82	1.26
March 1, 2005	1	52,532.89	0.01
May 1, 2005	1	63,475.74	0.01
June 1, 2005	11	1,386,542.07	0.27
July 1, 2005	120	12,637,969.05	2.43
August 1, 2005	77	7,648,389.04	1.47
September 1, 2005	2	90,368.00	0.02
July 1, 2007	1	71,943.13	0.01
August 1, 2007	1	263,014.33	0.05
Total	4,052	\$519,321,129.54	100.00%

Product Type of the Group I Mortgage Loans

Product Type	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
Fixed Rate	465	\$ 54,217,115.73	10.44%
ARM ⁽¹⁾	22	3,476,018.45	0.67
ARM 2/28 ⁽²⁾	3,351	439,413,761.11	84.61
ARM 3/27 ⁽³⁾	212	21,879,276.79	4.21
ARM 5/25 ⁽⁴⁾	2	334,957.46	0.06
Total	4,052	\$519,321,129.54	100.00%

⁽¹⁾ ARM refers to a Mortgage Loan for which the Loan Rate adjusts semi-annually based upon the Six-Month LIBOR Index.

⁽²⁾ 2/28 refers to a Mortgage Loan for which the Loan Rate is fixed for two years after the origination of that Mortgage Loan. Thereafter, the Loan Rate on that Mortgage Loan adjusts semi-annually based upon the Six-Month LIBOR Index.

⁽³⁾ 3/27 refers to a Mortgage Loan for which the Loan Rate is fixed for three years after the origination of that Mortgage Loan. Thereafter, the Loan Rate on that Mortgage Loan adjusts semi-annually based upon the Six-Month LIBOR Index.

⁽⁴⁾ 5/25 refers to a Mortgage Loan for which the Loan Rate is fixed for five years after the origination of that Mortgage Loan. Thereafter, the Loan Rate on that Mortgage Loan adjusts semi-annually based upon the Six-Month LIBOR Index.

Original Term to Expiration of Prepayment Penalty of the Group I Mortgage Loans

Original Number of Months to Expiration	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
No penalty or expired	484	\$ 61,710,107.40	11.88%
6 - 12	91	15,069,819.00	2.90
13 - 24	1,748	257,195,194.98	49.53
31 - 36	1,729	185,346,008.16	35.69
Total	4,052	\$519,321,129.54	100.00%

Credit Grade of the Group I Mortgage Loans⁽¹⁾

Credit Grade	Number of Group I Mortgage Loans	Cut-off Date Principal Balance of Group I Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group I Mortgage Loans
A	934	\$148,731,524.73	28.64%
AA	177	27,181,024.62	5.23
A-	1,123	152,244,419.78	29.32
B	768	89,835,924.89	17.30
B-	711	68,470,214.09	13.18
C	243	23,844,926.82	4.59
D	96	9,013,094.61	1.74
Total	4,052	\$519,321,129.54	100.00%

⁽¹⁾ For a description of each credit grade, see “Originator and Servicer – Long Beach Mortgage Company” in this information supplement.

Group II Mortgage Loan Statistics

The Group II Mortgage Loans consist of approximately 1,813 Mortgage Loans and have an aggregate Cut-off Date Principal Balance of approximately \$345,718,916.

Approximately 18.68% of the Group II Mortgage Loans are fixed-rate Mortgage Loans, and approximately 81.32% of the Group II Mortgage Loans are adjustable-rate Mortgage Loans. The first Adjustment Date for the adjustable-rate Group II Mortgage Loans will occur within an initial period of two years, in the case of approximately 76.19% of the Group II Mortgage Loans, three years, in the case of approximately 3.64% of the Group II Mortgage Loans and five years, in the case of approximately 0.22% of the Group II Mortgage Loans as of the date of origination of such Mortgage Loans. The adjustable-rate Group II Mortgage Loans have a weighted average Initial Periodic Rate Cap of approximately 1.104% per annum and a weighted average Periodic Rate Cap of approximately 1.000% per annum.

Approximately 80.66% of the Group II Mortgage Loans provide for payment by the mortgagor of a prepayment charge in limited circumstances on certain prepayments.

Approximately 38.22% of the Group II Mortgage Loans had LTVs at origination in excess of 80%. No Group II Mortgage Loan had an LTV at origination in excess of 97.75%, and the weighted average LTV of the first lien Group II Mortgage Loans at origination was approximately 79.97%. The weighted average LTV of the second lien Group II Mortgage Loans at origination was approximately 80.05%. None of the Group II Mortgage Loans will be covered by a primary mortgage insurance policy.

Approximately 8.57% of the Group II Mortgage Loans are secured by a Mortgage that is subordinate to a Senior Mortgage Loan on the related Mortgaged Property.

The weighted average remaining term to maturity of the Group II Mortgage Loans is approximately 344 months as of the Cut-off Date. None of the Group II Mortgage Loans had a first Due Date prior to April 2002 or after October 2002 or will have a remaining term to maturity of less than 174 months or greater than 359 months as of the Cut-off Date. The latest maturity date of any Group II Mortgage Loan is September 2032.

The average Principal Balance of the Group II Mortgage Loans at origination was approximately \$190,927. The average Cut-off Date Principal Balance of the Group II Mortgage Loans was approximately \$190,689. No Group II Mortgage Loan had a Cut-off Date Principal Balance greater than \$599,708 or less than \$25,099.

The Group II Mortgage Loans that had credit scores had a weighted average credit score of approximately 608. The credit scores for the Group II Mortgage Loans ranged from a minimum credit score of 447 to a maximum credit score of 811. Two of the Group II Mortgage Loans did not have a credit score, which represent approximately 0.06% of the Group II Mortgage Loans.

The Group II Mortgage Loans had Loan Rates as of the Cut-off Date of not less than 6.400% per annum and not more than 14.400% per annum and the weighted average Loan Rate of the Group II Mortgage Loans was approximately 8.810% per annum as of the Cut-off Date.

As of the Cut-off Date, the adjustable-rate Group II Mortgage Loans had Gross Margins ranging from 4.250% to 6.990%, Minimum Loan Rates ranging from 6.400% per annum to 14.100% per annum and Maximum Loan Rates ranging from 12.400% per annum to 20.100% per annum. As of the Cut-off Date, the adjustable-rate Group II Mortgage Loans had a weighted average Gross Margin of

approximately 5.454%, a weighted average Minimum Loan Rate of approximately 8.617% per annum and a weighted average Maximum Loan Rate of approximately 14.624% per annum. The first Adjustment Date following the Cut-off Date on any adjustable-rate Group II Mortgage Loan will occur in December 2002, and the weighted average time until the first Adjustment Date for the adjustable-rate Group II Mortgage Loans following the Cut-off Date is approximately 22 months.

The Group II Mortgage Loans are expected to have the following characteristics as of the Cut-off Date (the sum in any column may not equal the total indicated due to rounding):

Group II Mortgage Loans

Original Principal Balances of the Group II Mortgage Loans⁽¹⁾

Original Principal Balance (\$)	Number of Group II Mortgage Loans	Original Principal Balance of Group II Mortgage Loans	% of Aggregate Principal Balance of Group II Mortgage Loans
25,000.01 – 50,000.00.....	327	\$ 12,476,745.20	3.60%
50,000.01 – 75,000.00.....	244	14,951,667.20	4.32
75,000.01 – 100,000.00.....	210	18,724,415.50	5.41
100,000.01 – 125,000.00.....	126	14,149,618.00	4.09
125,000.01 – 150,000.00.....	141	19,425,774.25	5.61
150,000.01 – 175,000.00.....	71	11,441,715.00	3.31
175,000.01 – 200,000.00.....	54	9,964,090.00	2.88
200,000.01 – 225,000.00.....	29	6,150,600.00	1.78
225,000.01 – 250,000.00.....	19	4,494,765.00	1.30
250,000.01 – 275,000.00.....	26	6,781,950.00	1.96
275,000.01 – 300,000.00.....	13	3,695,050.00	1.07
300,000.01 – 400,000.00.....	320	111,683,707.00	32.26
400,000.01 – 500,000.00.....	162	72,912,389.00	21.06
500,000.01 – 600,000.00.....	71	39,297,463.00	11.35
Total	1,813	\$346,149,949.15	100.00%

⁽¹⁾ The average principal balance of the Group II Mortgage Loans at origination was approximately \$190,927.

Cut-off Date Principal Balances of the Group II Mortgage Loans⁽¹⁾

Cut-off Date Principal Balance (\$)	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
25,000.01 – 50,000.00.....	328	\$ 12,499,618.95	3.62%
50,000.01 – 75,000.00.....	243	14,874,094.55	4.30
75,000.01 – 100,000.00.....	210	18,697,008.46	5.41
100,000.01 – 125,000.00.....	128	14,384,634.69	4.16
125,000.01 – 150,000.00.....	139	19,156,430.59	5.54
150,000.01 – 175,000.00.....	71	11,429,012.86	3.31
175,000.01 – 200,000.00.....	54	9,954,474.84	2.88
200,000.01 – 225,000.00.....	30	6,370,186.54	1.84
225,000.01 – 250,000.00.....	18	4,265,830.90	1.23
250,000.01 – 275,000.00.....	26	6,775,819.38	1.96
275,000.01 – 300,000.00.....	13	3,691,579.66	1.07
300,000.01 – 400,000.00.....	320	111,538,521.45	32.26
400,000.01 – 500,000.00.....	162	72,824,973.76	21.06
500,000.01 – 600,000.00.....	71	39,256,729.86	11.36
Total	1,813	\$345,718,916.49	100.00%

⁽¹⁾ The average Cut-off Date Principal Balance of the Group II Mortgage Loans was approximately \$190,689.

FICO Scores for the Group II Mortgage Loans⁽¹⁾

FICO Score	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
Not Available	2	\$ 213,939.45	0.06%
426 – 450	1	487,781.80	0.14
451 – 475	20	3,889,083.20	1.12
476 – 500	77	14,796,181.81	4.28
501 – 525	143	27,389,067.43	7.92
526 – 550	297	57,617,785.64	16.67
551 – 575	84	24,205,405.90	7.00
576 – 600	69	19,375,578.07	5.60
601 – 625	280	45,799,851.99	13.25
626 – 650	298	48,481,783.71	14.02
651 – 675	246	43,985,359.88	12.72
676 – 700	126	23,834,738.66	6.89
701 – 725	83	16,950,953.81	4.90
726 – 750	48	9,742,201.41	2.82
751 – 775	27	6,458,647.81	1.87
776 – 800	10	2,029,918.61	0.59
801 – 825	2	460,637.31	0.13
Total	1,813	\$345,718,916.49	100.00%

⁽¹⁾ The weighted average FICO score (where available) of the Mortgagors of the Group II Mortgage Loans as of the Cut-off Date was approximately 608.

Original Terms to Stated Maturity of the Group II Mortgage Loans⁽¹⁾

Original Term (months)	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
121 – 180	120	\$ 8,519,788.95	2.46%
181 – 240	459	25,452,838.53	7.36
301 – 360	1,234	311,746,289.01	90.17
Total	1,813	\$345,718,916.49	100.00%

⁽¹⁾ The weighted average original term of the Group II Mortgage Loans was approximately 347 months.

Remaining Terms to Stated Maturity of the Group II Mortgage Loans⁽¹⁾

Remaining Term (months)	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
<= 180	120	\$ 8,519,788.95	2.46%
181 – 348	459	25,452,838.53	7.36
349 – 360	1,234	311,746,289.01	90.17
Total	1,813	\$345,718,916.49	100.00%

⁽¹⁾ The weighted average remaining term of the Group II Mortgage Loans was approximately 344 months.

Property Types of the Group II Mortgage Loans

Property Type	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
Single Family Residence.....	1,342	\$260,217,034.06	75.27%
Condo.....	100	15,428,765.10	4.46
2-4 Family.....	86	21,129,744.91	6.11
PUD ⁽¹⁾	226	42,629,093.57	12.33
Manufactured Housing ⁽²⁾	59	6,314,278.85	1.83
Total	1,813	\$345,718,916.49	100.00%

⁽¹⁾ PUD refers to a home or “unit” in a Planned Unit Development.

⁽²⁾ Treated as real property.

Occupancy Status of the Group II Mortgage Loans⁽¹⁾

Occupancy Status	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
Primary.....	1,738	\$329,451,599.03	95.29%
Second Home.....	8	2,772,101.84	0.80
Investment.....	67	13,495,215.62	3.90
Total	1,813	\$345,718,916.49	100.00%

⁽¹⁾ Occupancy as represented by the Mortgagor at the time of origination.

Purpose of the Group II Mortgage Loans

Purpose	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
Purchase.....	917	\$148,565,110.70	42.97%
Refinance – Rate Term.....	180	42,941,786.21	12.42
Refinance – Cashout.....	716	154,212,019.58	44.61
Total	1,813	\$345,718,916.49	100.00%

Original Loan-to-Value Ratios of the Group II Mortgage Loans⁽¹⁾

Original Loan-to-Value Ratio (%)	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
<= 50.000	563	\$ 33,756,603.41	9.76%
50.001 – 60.000	36	9,236,741.91	2.67
60.001 – 70.000	109	26,636,514.05	7.70
70.001 – 75.000	100	26,049,547.61	7.53
75.001 – 80.000	462	117,896,157.30	34.10
80.001 – 85.000	332	74,632,001.98	21.59
85.001 – 90.000	202	55,818,995.39	16.15
90.001 – 95.000	8	1,614,186.94	0.47
95.001 – 100.000	1	78,167.90	0.02
Total	1,813	\$345,718,916.49	100.00%

⁽¹⁾ The weighted average original loan-to-value ratio of the first lien Group II Mortgage Loans as of the Cut-off Date was approximately 79.97%. The weighted average original loan-to-value ratio of the second lien Group II Mortgage Loans as of the Cut-off Date was approximately 80.05%.

Geographic Distribution of the Group II Mortgaged Properties⁽¹⁾

Location	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
California	672	\$156,369,898.12	45.23%
Colorado	221	35,911,442.82	10.39
Texas	202	23,904,586.61	6.91
Washington	135	21,870,441.23	6.33
Illinois	64	12,410,494.38	3.59
Oregon	60	9,923,919.94	2.87
Arizona	41	9,827,584.94	2.84
Florida	62	8,695,074.59	2.52
New York	26	7,937,493.55	2.30
Other ⁽²⁾	330	58,867,980.31	17.03
Total	1,813	\$345,718,916.49	100.00%

⁽¹⁾ The greatest ZIP Code geographic concentration of Group II Mortgage Loans, by Cut-off Date Principal Balance, was approximately 1.08% in the 94014 ZIP Code.

⁽²⁾ The Other row in the preceding table includes 38 other states with individual concentrations under 2%.

Documentation Level of the Group II Mortgage Loans

Documentation Level	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
Full Doc – Asset and Income	1,512	\$260,379,672.03	75.32%
Stated Documentation	262	72,917,962.33	21.09
Limited Documentation	39	12,421,282.13	3.59
Total	1,813	\$345,718,916.49	100.00%

Current Loan Rates of the Group II Mortgage Loans⁽¹⁾

Current Loan Rate (%)	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
6.001 – 6.500	14	\$ 5,779,597.00	1.67%
6.501 – 7.000	99	35,754,959.91	10.34
7.001 – 7.500	138	45,310,588.41	13.11
7.501 – 8.000	170	52,216,826.57	15.10
8.001 – 8.500	120	36,580,423.66	10.58
8.501 – 9.000	105	25,691,139.97	7.43
9.001 – 9.500	124	31,261,190.16	9.04
9.501 – 10.000	151	32,450,639.07	9.39
10.001 – 10.500	313	31,237,936.53	9.04
10.501 – 11.000	118	16,647,273.80	4.82
11.001 – 11.500	155	13,005,924.83	3.76
11.501 – 12.000	149	9,456,013.57	2.74
12.001 – 12.500	107	6,228,899.97	1.80
12.501 – 13.000	17	2,114,474.57	0.61
13.001 – 13.500	18	1,258,310.70	0.36
13.501 – 14.000	10	457,904.00	0.13
14.001 – 14.500	5	266,813.77	0.08
Total	1,813	\$345,718,916.49	100.00%

⁽¹⁾ The weighted average Loan Rate of the Group II Mortgage Loans as of the Cut-off Date was approximately 8.811% per annum.

Maximum Loan Rates of the Group II Mortgage Loans⁽¹⁾

Maximum Loan Rate (%)	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
Not Applicable.....	714	\$ 64,569,386.28	18.68%
12.001 – 12.500.....	12	4,926,805.52	1.43
12.501 – 13.000.....	89	31,940,417.46	9.24
13.001 – 13.500.....	117	38,420,345.13	11.11
13.501 – 14.000.....	138	42,083,312.49	12.17
14.001 – 14.500.....	106	32,994,358.92	9.54
14.501 – 15.000.....	90	22,261,961.85	6.44
15.001 – 15.500.....	111	28,921,123.95	8.37
15.501 – 16.000.....	147	32,162,628.69	9.30
16.001 – 16.500.....	99	19,769,605.69	5.72
16.501 – 17.000.....	86	14,595,332.47	4.22
17.001 – 17.500.....	43	6,545,911.67	1.89
17.501 – 18.000.....	21	2,638,008.92	0.76
18.001 – 18.500.....	13	1,389,870.52	0.40
18.501 – 19.000.....	12	1,524,911.98	0.44
19.001 – 19.500.....	12	837,202.82	0.24
19.501 – 20.000.....	2	90,940.46	0.03
20.001 – 20.500.....	1	46,791.67	0.01
Total	1,813	\$345,718,916.49	100.00%

⁽¹⁾ The weighted average Maximum Loan Rate of the Group II Mortgage Loans that are adjustable-rate Mortgage Loans as of the Cut-off Date was approximately 14.624% per annum.

Gross Margins of the Group II Mortgage Loans⁽¹⁾

Gross Margins (%)	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
Not Applicable.....	714	\$ 64,569,386.28	18.68%
4.001 – 4.500.....	20	5,054,225.85	1.46
4.501 – 5.000.....	441	136,482,633.03	39.48
5.001 – 5.500.....	1	192,414.65	0.06
5.501 – 6.000.....	476	113,479,081.66	32.82
6.001 – 6.500.....	96	14,880,358.03	4.30
6.501 – 7.000.....	65	11,060,816.99	3.20
Total	1,813	\$345,718,916.49	100.00%

⁽¹⁾ The weighted average Gross Margin of the Group II Mortgage Loans that are adjustable-rate Mortgage Loans as of the Cut-off Date was approximately 5.454%.

Next Adjustment Date for the Group II Mortgage Loans

Rate Change Date	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
Not Applicable	714	\$ 64,569,386.28	18.68%
December 1, 2002	2	400,540.18	0.12
January 1, 2003	10	3,876,766.22	1.12
February 1, 2003	2	220,085.63	0.06
March 1, 2004	2	581,419.38	0.17
April 1, 2004	3	946,292.09	0.27
May 1, 2004	6	1,428,220.95	0.41
June 1, 2004	70	17,708,057.01	5.12
July 1, 2004	520	132,272,834.59	38.26
August 1, 2004	401	102,683,166.08	29.70
September 1, 2004	26	7,792,742.28	2.25
April 1, 2005	2	811,960.63	0.23
May 1, 2005	1	341,263.67	0.10
June 1, 2005	1	353,488.39	0.10
July 1, 2005	26	4,738,822.08	1.37
August 1, 2005	23	5,865,857.81	1.70
September 1, 2005	2	378,877.07	0.11
August 1, 2007	2	749,136.15	0.22
Total	1,813	\$345,718,916.49	100.00%

Product Type of the Group II Mortgage Loans

Product Type	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
Fixed Rate	714	\$ 64,569,386.28	18.68%
ARM ⁽¹⁾	13	4,417,507.33	1.28
2/28 ⁽²⁾	1,028	263,412,732.38	76.19
3/27 ⁽³⁾	56	12,570,154.35	3.64
5/25 ⁽⁴⁾	2	749,136.15	0.22
Total	1,813	\$345,718,916.49	100.00%

⁽¹⁾ ARM refers to a Mortgage Loan for which the Loan Rate adjusts semi-annually based upon the Six-Month LIBOR Index.

⁽²⁾ 2/28 refers to a Mortgage Loan for which the Loan Rate is fixed for two years after the origination of that Mortgage Loan. Thereafter, the Loan Rate on that Mortgage Loan adjusts semi-annually based upon the Six-Month LIBOR Index.

⁽³⁾ 3/27 refers to a Mortgage Loan for which the Loan Rate is fixed for three years after the origination of that Mortgage Loan. Thereafter, the Loan Rate on that Mortgage Loan adjusts semi-annually based upon the Six-Month LIBOR Index.

⁽⁴⁾ 5/25 refers to a Mortgage Loan for which the Loan Rate is fixed for five years after the origination of that Mortgage Loan. Thereafter, the Loan Rate on that Mortgage Loan adjusts semi-annually based upon the Six-Month LIBOR Index.

Original Term to Expiration of Prepayment Penalty of the Group II Mortgage Loans

Original Number of Months to Expiration	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
No penalty or expired.....	756	\$ 66,846,910.17	19.34%
6 – 12	47	15,088,859.00	4.36
13 – 24	603	169,016,667.77	48.89
31 – 36	407	94,766,479.55	27.41
Total	1,813	\$345,718,916.49	100.00%

Credit Grade of the Group II Mortgage Loans⁽¹⁾

Credit Grade	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
A	879	\$159,881,216.29	46.25%
AA.....	40	10,213,451.98	2.95
A-	508	108,373,091.54	31.35
B.....	223	42,791,267.78	12.38
B-	95	13,830,019.17	4.00
C.....	53	8,352,328.92	2.42
D	15	2,277,540.81	0.66
Total	1,813	\$345,718,916.49	100.00%

⁽¹⁾ For a description of each credit grade, see “Originator and Servicer – Long Beach Mortgage Company” in this information supplement.

Lien Position of the Group II Mortgage Loans

Lien Position	Number of Group II Mortgage Loans	Cut-off Date Principal Balance of Group II Mortgage Loans	% of Aggregate Cut-off Date Principal Balance of Group II Mortgage Loans
1st Lien	1,270	\$316,107,884.35	91.43%
2nd Lien	543	29,611,032.14	8.57
Total	1,813	\$345,718,916.49	100.00%

The Index

The index with respect to the adjustable-rate Mortgage Loans is the average of interbank offered rates for six-month U.S. dollar deposits in the London market based on quotations of major banks, and most recently available as of a day specified in the related note as published in the “Money Rates” section of The Wall Street Journal (“Six Month LIBOR” or the “Index”). If the Index becomes unpublished or is otherwise unavailable, the Servicer will select an alternative index that is based upon comparable information.

ORIGINATOR AND SERVICER

General

The Mortgage Loans were previously purchased by the Seller from the Originator, Long Beach. The Mortgage Loans will be serviced by Long Beach.

Long Beach Mortgage Company

The information set forth in this section of the information supplement has been provided by Long Beach. None of the Depositor, the Trustee, the Servicer or any of their affiliates has made or will make any representation as to the accuracy or completeness of the information provided by Long Beach.

General. Long Beach, a Delaware corporation, is a specialty finance company engaged in the business of originating, purchasing, selling and, through WMBFA, servicing mortgage loans secured by one- to four-family residences that generally do not conform to the underwriting guidelines typically applied by banks and other primary lending institutions, particularly with respect to a prospective borrower's credit history and debt to income ratio. Borrowers who qualify under Long Beach's underwriting guidelines generally have equity in their property and repayment ability but may have a record of major derogatory credit items such as outstanding judgments or prior bankruptcies. Long Beach originates mortgage loans based on its underwriting guidelines and does not determine whether such mortgage loans would be acceptable for purchase by Fannie Mae. Long Beach began originating mortgage loans in 1988.

Long Beach and WMBFA are each approved as a seller/servicer for Fannie Mae and as a servicer for Freddie Mac. Long Beach is also approved as a non-supervised mortgagee by the U.S. Department of Housing and Urban Development.

In October 1999, Washington Mutual, Inc. ("WM"), a publicly traded financial services company headquartered in Seattle, Washington, acquired the parent company of Long Beach. As a result of this transaction, Long Beach became a wholly owned subsidiary of WM.

Effective April 9, 2001, Long Beach transferred to WMBFA substantially all of its servicing portfolio and servicing operations, and in connection therewith, appointed WMBFA as a subservicer to perform, on behalf of Long Beach, the servicing functions that are required to be performed with respect to the Mortgage Loans. The servicing functions being performed by WMBFA are performed by servicing personnel, many of whom were formerly employed by Long Beach. *See* "Risk Factors—WMBFA has limited experience servicing mortgage loans underwritten under Long Beach Mortgage Company's underwriting standards" in this information supplement.

Washington Mutual Bank, FA. WMBFA, the subservicer, is a federally chartered savings association. The primary mortgage loan servicing office of WMBFA is located at 19850 Plummer Street, Chatsworth, California 91311. Its telephone number is (818) 775-2278. WMBFA is subject to regulation and examination by the Office of Thrift Supervision, which is its primary regulator. Its deposit accounts are insured by the FDIC primarily through the Savings Association Insurance Fund. As a result, the FDIC also has some authority to regulate WMBFA. WMBFA is a wholly-owned subsidiary of WM.

Lending Activities and Loan Sales. Long Beach originates real estate loans through its network of offices and loan origination centers. Long Beach also participates in secondary market activities by originating and selling mortgage loans, the majority of which continue to be serviced by WMBFA. In other cases, Long Beach's whole loan sale agreements provide for the transfer of servicing rights.

Long Beach's primary lending activity is funding loans to enable mortgagors to purchase or refinance residential real property, which loans are secured by first or second liens on the related real property. Long Beach's single-family real estate loans are predominantly "conventional" mortgage loans, meaning that they are not insured by the Federal Housing Administration or partially guaranteed by the U.S. Department of Veterans Affairs.

The following table summarizes Long Beach's one- to four-family residential mortgage loan origination activity for the periods shown below.

	Year ended December 31,						
	1996 ⁽¹⁾	1997 ⁽¹⁾	1998	1999	2000 ⁽²⁾	2001	2002 ⁽³⁾
	(Dollars in Thousands)						
Originations and Purchases.....	\$1,058,122	\$1,685,742	\$2,575,965	\$3,181,948	\$3,859,472	\$5,537,589	\$3,738,567

⁽¹⁾ Reflects activity of broker-sourced business of a predecessor company up to May 1997.

⁽²⁾ Excludes \$475,125,156 of loans which were originated and sold to Washington Mutual, Inc. in 1999 (included in the 1999 balance) and were subsequently repurchased in 2000 and sold.

⁽³⁾ Through June 30, 2002.

Loan Servicing; The Subservicing Agreement. Long Beach and WMBFA are parties to a subservicing agreement dated as of April 9, 2001 (the "Subservicing Agreement") pursuant to which Long Beach appointed WMBFA, effective April 9, 2001, to service all of the mortgage loans Long Beach originates that are retained in Long Beach's loan servicing portfolio, except certain loans that were delinquent at the time, and at least a majority of the loans originated by Long Beach that have been sold to investors. All mortgage loans in Long Beach's loan servicing portfolio including the mortgage loans that were delinquent on April 9, 2001 are currently being serviced by WMBFA pursuant to the Subservicing Agreement. Servicing includes collecting and remitting loan payments, accounting for principal and interest, contacting delinquent mortgagors, and supervising foreclosure in the event of unremedied defaults. All of the Mortgage Loans are serviced by WMBFA.

Long Beach's and WMBFA's servicing activities are examined periodically by applicable regulatory authorities. Certain financial records of each of Long Beach and WMBFA relating to their loan servicing activities are reviewed annually as part of the audit of Long Beach's and WMBFA's financial statements conducted by their independent accountants.

Collection Procedures. WMBFA's collection procedures are substantially similar to those formerly used by Long Beach. When a mortgagor fails to make a required payment on a residential mortgage loan, WMBFA attempts to cause the deficiency to be cured by communicating with the mortgagor. In most cases, deficiencies are cured promptly. Pursuant to WMBFA's customary procedures for residential mortgage loans serviced by it for its own account, WMBFA generally mails a notice of intent to foreclose to the mortgagor after the loan is delinquent two payments and, within one month thereafter, if the loan remains delinquent, typically institutes appropriate legal action to foreclose on the property securing the loan. If foreclosed, the property is sold at public or private sale and may be purchased by Long Beach or WMBFA. In California, real estate lenders are generally unable as a practical matter to obtain a deficiency judgment against the mortgagor on a loan secured by single-family real estate.

Loan Servicing Portfolio, Delinquency and Loss Experience. The following table sets forth the delinquency and loss experience at the dates indicated for Long Beach's total loan servicing portfolio. The information set forth in the table at December 31, 2001 and thereafter reflects the delinquency and loan loss experience of Long Beach's loan servicing portfolio since WMBFA began servicing this portfolio in April 2001. The information set forth in the table at the other dates indicated reflects the delinquency and loan loss experience of Long Beach in servicing its loan servicing portfolio.⁽¹⁾

	June 30, 2002	December 31, 2001	December 31, 2000	December 31, 1999
	(Dollars in Thousands)			
Total Outstanding Principal Balance.....	\$11,504,705	\$9,264,325	\$5,974,510	\$3,951,592
Number of Loans	88,464	75,293	52,850	35,359
DELINQUENCY				
Period of Delinquency:				
31-60 Days				
Principal Balance.....	\$437,994	\$403,817	\$171,440	\$63,403
Number of Loans.....	3,803	3,549	1,713	645
Delinquency as a Percentage of Total Outstanding Principal Balance.....	3.81%	4.36%	2.87%	1.60%
Delinquency as a Percentage of Number of Loans.....	4.30%	4.71%	3.24%	1.82%
61-90 Days				
Principal Balance.....	\$143,328	\$189,932	\$80,024	\$31,375
Number of Loans.....	1,336	1,712	815	278
Delinquency as a Percentage of Total Outstanding Principal Balance.....	1.25%	2.05%	1.34%	0.79%
Delinquency as a Percentage of Number of Loans.....	1.51%	2.27%	1.54%	0.79%
91 Days or More				
Principal Balance.....	\$808,123	\$775,987	\$268,054	\$97,653
Number of Loans.....	7,734	7,436	2,575	939
Delinquency as a Percentage of Total Outstanding Principal Balance.....	7.02%	8.38%	4.49%	2.47%
Delinquency as a Percentage of Number of Loans.....	8.74%	9.88%	4.87%	2.66%
Total Delinquencies				
Principal Balance.....	\$1,389,445	\$1,369,736	\$519,518	\$192,433
Number of Loans.....	12,873	12,697	5,103	1,862
Delinquency as a Percentage of Total Outstanding Principal Balance.....	12.08%	14.79%	8.70%	4.87%
Delinquency as a Percentage of Number of Loans.....	14.55%	16.86%	9.66%	5.27%
FORECLOSURES PENDING ⁽²⁾				
Principal Balance.....	\$463,313	\$459,500	\$187,165	\$97,661
Number of Loans.....	4,319	4,530	1,795	930
Foreclosures Pending as a Percentage of Total Outstanding Principal Balances	4.03%	4.96%	3.13%	2.47%
Foreclosures Pending as a Percentage of Number of Loans.....	4.88%	6.02%	3.40%	2.63%
NET LOAN LOSSES				
for the Period ⁽³⁾	\$14,643	\$20,264	\$7,184	\$2,771
NET LOAN LOSSES as a Percentage of Total Outstanding Principal Balance.....	0.13%	0.22%	0.12%	0.07%

(1) The delinquency and loss experience of the mortgage loans serviced by Long Beach may not be representative of WMBFA's performance in servicing the Mortgage Loans. See "Risk Factors—WMBFA has limited experience servicing mortgage loans underwritten under Long Beach Mortgage Company's underwriting standards" in this information supplement.

(2) Includes mortgage loans which are in foreclosure but as to which title to the mortgaged property has not been acquired, at the dates indicated. Foreclosures pending are included in the delinquencies set forth above.

(3) Net Loan Losses is calculated for loans conveyed to REMIC trust funds as the aggregate of the net loan loss for all such loans liquidated during the period indicated. The net loan loss for any such loan is equal to the difference between (a) the principal balance plus accrued interest through the date of liquidation plus all liquidation expenses related to such loan and (b) all amounts received in connection with the liquidation of such loan. The majority of residential loans reflected in this table have been conveyed to REMIC trust funds.

As of June 30, 2002, 1,898 one- to four-family residential properties relating to loans in Long Beach's loan servicing portfolio had been acquired through foreclosure or deed in lieu of foreclosure and were not liquidated.

The delinquency and loss experience of the Mortgage Loans is unlikely to correspond to the delinquency and loss experience of Long Beach's loan servicing portfolio set forth in the foregoing table. The statistics shown above represent the delinquency and loss experience for Long Beach's total loan servicing portfolio only for the periods presented, whereas the aggregate delinquency and loss experience on the Mortgage Loans will depend on the results obtained over the life of the Trust. If the residential real estate market should experience an overall decline in property values, the actual rates of delinquencies, foreclosures and losses could be higher than those previously experienced by Long Beach and WMBFA. In addition, adverse economic conditions (which may or may not affect real property values) may affect the timely payment by mortgagors of scheduled payments of principal and interest on the Mortgage Loans and, accordingly, the actual rates of delinquencies, foreclosures and losses with respect to the Mortgage Loans.

The delinquency and loss experience percentages set forth above in the immediately preceding table are calculated on the basis of the total mortgage loans serviced at the dates indicated. However, because the total outstanding principal balance of residential loans serviced by Long Beach, and since April 9, 2001 by WMBFA, has increased from \$3,951,592,000 at December 31, 1999 to \$11,504,704,582 at June 30, 2002, the total outstanding principal balance of originated loans serviced at the dates indicated includes many loans that will not have been outstanding long enough to give rise to some or all of the indicated periods of delinquency. In the absence of such substantial and continual additions of newly originated loans to the total amount of loans serviced, the percentages indicated above would be higher and could be substantially higher. The actual delinquency percentages with respect to the Mortgage Loans may be expected to be substantially higher than the delinquency percentages indicated above because the composition of the Mortgage Loans will not change.

Underwriting Programs. The Mortgage Loans have been, or will be, acquired by the Depositor from Long Beach. All of the Mortgage Loans were, or will be, originated, acquired or re-underwritten upon acquisition by Long Beach generally in accordance with the underwriting criteria described below.

The information regarding Long Beach's underwriting standards has been provided by Long Beach. None of the Depositor, the Trustee, the Servicer or any of their affiliates has made any independent investigation of such information or has made or will make any representation as to the accuracy or completeness of such information.

The Mortgage Loans were, or will be, originated or re-underwritten, in the case of Mortgage Loans acquired by Long Beach from WMBFA, Washington Mutual Bank ("WMB") or Washington Mutual Bank fsb ("WMB fsb") (the "WAMU Loans"), generally in accordance with guidelines established by Long Beach under its Full Documentation ("Full Doc"), Limited Documentation ("Limited Doc") or Stated Income Documentation ("Stated Income") residential loan programs. Long Beach's underwriting guidelines are primarily intended to evaluate the value and adequacy of the mortgaged property as collateral and to consider the mortgagor's credit standing and repayment ability. On a case-by-case basis and only with the approval of a lending officer with appropriate risk level authority, Long Beach may determine that, based upon compensating factors, a prospective mortgagor not strictly qualifying under its underwriting risk category guidelines warrants an underwriting exception. Compensating factors may include, but are not limited to, low LTV, low debt-to-income ratio, good credit history, stable employment and time in residence at the applicant's current address. It is expected that a substantial number of the Mortgage Loans to be included in the Mortgage Pool will represent exceptions to the underwriting guidelines.

Under Long Beach's programs, during the underwriting or re-underwriting process, Long Beach reviews and verifies the loan applicant's sources of income (only under the Full Doc residential loan program), calculates the amount of income from all such sources indicated on the loan application, reviews the credit history of the applicant and calculates the debt-to-income ratio to determine the applicant's ability to repay the loan, and reviews the mortgaged property for compliance with Long Beach's underwriting guidelines. Long Beach applies its underwriting guidelines in accordance with a procedure which complies with applicable federal and state laws and regulations and requires (i) an appraisal of the mortgaged property which generally conforms to Fannie Mae and Freddie Mac standards and (ii) a review of that appraisal. The appraisal review may be conducted by a representative of Long Beach or WMBFA and, depending upon the original principal balance and LTV of the mortgaged property, may include a desk review of the original appraisal or a drive-by review appraisal of the mortgaged property. In re-underwriting the WAMU Loans under its underwriting guidelines, Long Beach did not obtain a new appraisal for the mortgaged properties securing the WAMU Loans but completed a desk review of the original appraisals for each of such mortgaged properties.

Long Beach's underwriting guidelines permit loans with LTVs at origination of up to 95%. The maximum allowable LTV varies based upon the residential loan program, income documentation, property type, creditworthiness, debt service-to-income ratio of the mortgagor and the overall risks associated with the loan decision. Under the residential loan programs, the maximum combined LTV, including any second liens subordinate to Long Beach's first lien, is generally 100% for owner occupied mortgaged properties and 90% for non-owner occupied mortgaged properties.

All of the Mortgage Loans are either originated under Long Beach's underwriting programs based on loan application packages submitted through mortgage brokerage companies, purchased from approved originators or purchased from WMBFA, WMB or WMB fsb. Loan application packages submitted through mortgage brokerage companies, containing relevant credit, property and underwriting information on the loan request, are compiled by the mortgage brokerage company and submitted to Long Beach for approval and funding. The mortgage brokerage companies receive a portion of the loan origination fee charged to the mortgagor at the time the loan is made. No single mortgage brokerage company accounts for more than 5%, measured by outstanding principal balance, of the mortgage loans originated by Long Beach.

Each prospective mortgagor completes an application which includes information with respect to the applicant's liabilities, income, credit history and employment history, as well as certain other personal information. Long Beach obtains a credit report on each applicant from a credit reporting company or, in the case of the WAMU Loans, reviews the credit report on the mortgagor obtained when the mortgage loan was originated. The report typically contains information relating to such matters as credit history with local and national merchants and lenders, installment debt payments and any record of defaults, bankruptcy, repossession, suits or judgments. The applicant must generally provide to Long Beach or the originator a letter explaining all late payments on mortgage debt and, generally, non-mortgage consumer debt. Under the Full Doc residential loan program, self-employed individuals are generally required to submit their most recent federal income tax return. As part of its quality control system, Long Beach re-verifies information with respect to the foregoing matters that has been provided by the mortgage brokerage company prior to funding a loan and WMBFA, as subservicer, periodically audits files based on a random sample of closed loans. In the course of its pre-funding audit, Long Beach re-verifies the income of each mortgagor or, for a self-employed individual, reviews the income documentation obtained (only under the Full Doc residential loan program). Long Beach generally verifies the source of funds for the down payment. In the course of its re-underwriting of the WAMU Loans, Long Beach reviews the mortgagor's application completed in connection with the origination of the mortgage loan but does not re-verify any of the information included in such application.

The mortgaged properties are appraised by qualified independent appraisers who are approved through WMBFA's approved appraiser process. In most cases, properties in below average condition, including properties requiring major deferred maintenance, are not acceptable under the Long Beach underwriting programs. Each appraisal includes a market data analysis based on recent sales of comparable homes in the area and, where deemed appropriate, replacement cost analysis based on the current cost of constructing a similar home. Every independent appraisal is reviewed by a representative of Long Beach or WMBFA before the loan is funded or re-underwritten.

Long Beach uses a credit scoring system as part of its underwriting and re-underwriting process. The credit scoring system assesses a prospective borrower's ability to repay a mortgage loan based upon predetermined mortgage loan characteristics and credit risk factors. The credit scoring model generates a credit score (also known as a FICO score) ranging from around 250 to 900, with a higher score indicating a borrower with a relatively more favorable credit history. The credit score is based upon such factors as the prospective borrower's payment history, delinquencies on accounts, levels of outstanding debt, length of credit history, types of credit and bankruptcy experience.

Long Beach originates or acquires mortgage loans that generally do not conform to the underwriting guidelines typically applied by banks and other primary lending institutions, particularly with respect to a prospective borrower's credit history and debt to income ratio. Borrowers who qualify under Long Beach's underwriting guidelines generally have equity in their property and repayment ability but may have a record of major derogatory credit items such as outstanding judgments or prior bankruptcies. Long Beach originates mortgage loans based on its underwriting guidelines and does not determine whether such mortgage loans would be acceptable for purchase by Fannie Mae. Long Beach's underwriting guidelines establish the maximum permitted LTV for each loan type based upon these and other risk factors.

Under the Limited Doc and Stated Income residential loan programs, the mortgagor's employment and income sources must be stated on the mortgagor's application. The mortgagor's income as stated must be reasonable for the related occupation and such determination as to reasonableness is subject to the loan underwriter's discretion. However, the mortgagor's income as stated on the application is not independently verified. Verification of employment is required for salaried mortgagors only in mortgage loans underwritten by Long Beach but not in re-underwritten mortgage loans. Maximum LTVs are generally lower under the Limited Doc and Stated Income residential loan programs than those permitted under the Full Doc residential loan program. Except as otherwise stated above, the same mortgage credit, consumer credit and collateral property underwriting guidelines that apply to the Full Doc residential loan program apply to the Limited Doc and Stated Income residential loan programs.

Long Beach requires that all mortgage loans in its underwriting programs have title insurance and be secured by liens on real property. Long Beach also requires that fire and extended coverage casualty insurance be maintained on the secured property in an amount at least equal to the principal balance of the mortgage loan or the replacement cost of the property, whichever is less. Long Beach does not require that the mortgage loans originated or re-underwritten under its underwriting programs be covered by a primary mortgage insurance policy.

Long Beach's Risk Categories. Under Long Beach's underwriting programs, various risk categories are used to grade the likelihood that the mortgagor will satisfy the repayment conditions of the mortgage loan. These risk categories establish the maximum permitted LTV and loan amount, given the occupancy status of the mortgaged property and the mortgagor's credit history and debt ratio. In general, higher credit risk mortgage loans are graded in categories which permit higher debt ratios and more (or more recent) major derogatory credit items such as outstanding judgments or prior bankruptcies; however,

Long Beach's underwriting programs establish lower maximum LTVs and maximum loan amounts for loans graded in such categories.

Long Beach's underwriting guidelines have the following categories and criteria for grading the potential likelihood that an applicant will satisfy the repayment obligations of a mortgage loan:

Credit Grade: "AA". Under the "AA" risk categories, the applicant must generally have repaid installment or revolving debt according to its terms. Open or unpaid collections, charge-offs, judgments, garnishments, liens or derogatory public records in the last two years are permitted provided there are no more than two such accounts with an aggregate balance of \$1,000. Minor credit derogatory items are acceptable. The borrower must have a credit report reflecting a two year credit history and a prior mortgage or rental history evidencing no 30-day late payments during the last 24 months. First time home buyers are acceptable. No bankruptcy filings may have occurred and no discharge may have occurred during the previous four years (two years for medical-related bankruptcies with proper documentation). There must be a minimum of four years between the cure date of any foreclosure and the loan application date and credit must have been satisfactorily re-established. No open lawsuits in the prior two years are permitted, however, the borrower may be a plaintiff in a lawsuit if a reasonable explanation is provided. For loans with principal balances that conform to the Fannie Mae loan limits there is no limit on the number of properties owned by the borrower as a primary residence, second home and non-owner occupied properties. Where the borrower owns more than eight financed properties the borrower must have verified cash reserves equal to at least six months PITI for each new loan for a non-owner occupied property financed by Long Beach. For loans with principal balances that do not conform to the Fannie Mae loan limits the borrower may finance no more than eight other properties consisting of one-to-four units. Maximum qualifying debt service-to-income ratio is 47/47. A maximum LTV of 95% is permitted for owner occupied mortgaged property and a maximum LTV of 90% is permitted for second home and non-owner occupied mortgaged property. The Mortgage Loans underwritten under the "AA" risk categories with principal balances that conform to the Fannie Mae loan limits are the "Conforming Alt-A Mortgage Loans," and the Mortgage Loans underwritten under the "AA" risk categories with principal balances that generally do not conform to the Fannie Mae loan limits are the "Non-Conforming Alt-A Mortgage Loans," and together with the Conforming Alt-A Loans, the "Alt-A Mortgage Loans."

Credit Grade: "A". Under the "A" risk categories, the applicant generally must have repaid installment or revolving debt according to its terms. Some non-consumer credit, collections or judgments may be disregarded on a case-by-case basis. Any and all delinquent payments made within the past 12 months may not represent more than 35% of the credit reported during that period. Minor derogatory items are permitted on a case-by-case basis as to non-mortgage credit when the majority of the consumer credit is good. No bankruptcy filings may have occurred during the time preceding one year and no discharge or notice of default filings may have occurred during the preceding two years. The mortgaged property must be in at least average condition. A maximum LTV of 90% is permitted for owner occupied purchase money and/or refinance mortgage loans on single-family, two-unit and condominium properties, and a maximum LTV of 85% is permitted on an owner occupied mortgaged property consisting of three-to-four units or second homes. A maximum LTV of 80% is permitted for non-owner occupied purchase money and/or refinance mortgage loans on single-family, two-unit and condominium properties, and a maximum LTV of 75% is permitted on a non-owner occupied mortgaged property consisting of three-to-four units. Generally the debt service-to-income ratio maximum may be 55% based on the mortgagor's net disposable income and if the LTV is less than or equal to 90%. In addition, the applicant must have a credit score of 600 or higher.

Credit Grade: "A1". Under the "A1" risk sub-category, in addition to the characteristics described under the "A" risk category above, no late payments are permitted during the previous twelve months on an existing mortgage loan, on either the property which is being made subject to Long Beach's

lien or any mortgage on any other property for which the applicant is listed as borrower. In addition, the applicant must have a credit score of 640 or higher and a debt service-to-income ratio of 45% or less.

Credit Grade: "A2". Under the "A2" risk sub-category, in addition to the characteristics described under the "A" risk category above, no late payments are permitted during the previous twelve months on an existing mortgage loan, on either the property which is being made subject to Long Beach's lien or any mortgage on any other property for which the applicant is listed as borrower. In addition, the applicant must have a credit score of 620 or higher and a debt service-to-income ratio of 50% or less.

Credit Grade: "A3". Under the "A3" risk sub-category, in addition to the characteristics described under the "A" risk category above, no late payments are permitted during the previous twelve months on an existing mortgage loan, on either the property which is being made subject to Long Beach's lien or any mortgage on any other property for which the applicant is listed as borrower. In addition, the applicant must have a credit score of 600 or higher and a debt service-to-income ratio of 55% or less.

Credit Grade: "A-". Under the "A-" risk categories, the applicant generally must have repaid installment or revolving debt according to its terms. Some non-consumer credit, collections or judgments may be disregarded on a case-by-case basis. Any and all delinquent payments made within the past 12 months may not represent more than 35% of the credit reported during that period. Minor derogatory items are permitted on a case-by-case basis as to non-mortgage credit when the majority of the consumer credit is good. No bankruptcy filings may have occurred during the preceding one year and no discharge or notice of default filings may have occurred during the preceding two years. The mortgaged property must be in at least average condition. A maximum LTV of 90% is permitted for owner occupied purchase money and/or refinance mortgage loans on single-family, two-unit and condominium properties, and a maximum LTV of 85% is permitted on an owner occupied mortgaged property consisting of three-to-four units or second homes. A maximum LTV of 80% is permitted for non-owner occupied purchase money and/or refinance mortgage loans on single-family, two-unit and condominium properties, and a maximum LTV of 75% is permitted on a non-owner occupied mortgaged property consisting of three-to-four units. Generally, the debt service-to-income ratio maximum may be 55% based on the mortgagor's net disposable income and if the LTV is less than or equal to 90%.

Credit Grade: "A-1". Under the "A-1" risk sub-category, in addition to the characteristics described under the "A-" risk category above, no late payments are permitted during the previous twelve months on an existing mortgage loan, on either the property which is being made subject to Long Beach's lien or any mortgage on any other property for which the applicant is listed as borrower. In addition, the applicant must have a credit score of 620 or higher and a debt service-to-income ratio of 45% or less.

Credit Grade "A-2". Under the "A-2" risk sub-category, in addition to the characteristics described under the "A-" risk category above, no late payments are permitted during the previous twelve months on an existing mortgage loan, on either the property which is being made subject to Long Beach's lien or any mortgage on any other property for which the applicant is listed as borrower.

Credit Grade "A-3". Under the "A-3" risk sub-category, in addition to the characteristics described under the "A-" risk category above, no late payments are permitted during the previous twelve months on an existing mortgage loan on the property which is being made subject to Long Beach's lien.

Credit Grade "A-4". Under the "A-4" risk sub-category, in addition to the characteristics described under the "A-" risk category above, a maximum of one 30-day late payment and no 60-day late payments during the previous twelve months are permitted on an existing mortgage loan, on either the property which is being made subject to Long Beach's lien or any mortgage on any other property for which the applicant is listed as mortgagor.

Credit Grade “A-5”. Under the “A-5” risk sub-category, in addition to the characteristics described under the “A-” risk category above, a maximum of two 30-day late payments and no 60-day late payments during the previous twelve months are permitted on an existing mortgage loan, on either the property which is being made subject to Long Beach’s lien or any mortgage on any other property for which the applicant is listed as mortgagor.

Credit Grade: “B”. Under the “B” risk category, the applicant must have generally repaid installment or revolving debt according to its terms. Certain non-consumer credit, collections or judgments may be disregarded on a case-by-case basis. Any and all delinquent payments within the past 12 months may not represent more than 50% of the credit reported during that period. No bankruptcy filings may have occurred during the preceding one year and no discharge or notice of default filings may have occurred during the preceding three years. The mortgaged property must be in at least average condition. A maximum LTV of 85% is permitted for owner occupied purchase money and/or refinance mortgage loans on single-family, two-unit and condominium properties, and a maximum LTV of 80% is permitted on an owner occupied mortgaged property consisting of three-to-four units or second homes. A maximum LTV of 80% is permitted for non-owner occupied purchase money and/or refinance mortgage loans on single-family, two-unit and condominium properties, and a maximum LTV of 70% is permitted on a non-owner occupied mortgaged property consisting of three-to-four units or second homes. Generally, the debt service-to-income ratio must be 55% or less based on the mortgagor’s net disposable income and/or LTV.

Credit Grade “B1”. Under the “B1” risk sub-category, in addition to the characteristics described under the “B” risk category described above, no late payments are permitted during the previous twelve months on an existing mortgage loan, on either the property which is being made subject to Long Beach’s lien or any mortgage on any other property for which the applicant is listed as mortgagor.

Credit Grade “B2”. Under the “B2” risk sub-category, in addition to the characteristics described under the “B” risk category described above, a maximum of one 30-day late payment and no 60-day late payments are permitted during the previous twelve months on an existing mortgage loan, on either the property which is being made subject to Long Beach’s lien or any mortgage on any other property for which the applicant is listed as mortgagor.

Credit Grade “B3”. Under the “B3” risk sub-category, in addition to the characteristics described under the “B” risk category described above, a maximum of two 30-day late payments and no 60-day late payments are permitted during the previous twelve months on an existing mortgage loan, on either the property which is being made subject to Long Beach’s lien or any mortgage on any other property for which the applicant is listed as mortgagor.

Credit Grade “B4”. Under the “B4” risk sub-category, in addition to the characteristics described under the “B” risk category described above, a maximum of three 30-day late payments and generally no 60-day late payments during the previous twelve months are permitted on an existing mortgage loan, on either the property which is being made subject to Long Beach’s lien or any mortgage on any other property for which the applicant is listed as mortgagor.

Credit Grade: “B-”. Under the “B-” risk category, the borrower’s consumer credit history is generally not considered in lieu of a strong mortgage or rental payment history. No payment delinquent more than 30 days at the time of application is permitted on an existing mortgage loan. Certain collections or judgments may be disregarded on a case-by-case basis. No bankruptcy filings may have occurred during the preceding twelve months and no discharge or notice of default filings may have occurred during the preceding eighteen months. The mortgaged property must be in at least average condition. A maximum LTV of 85% is permitted for owner occupied purchase money and/or refinance

mortgage loans on single-family, two-unit and condominium properties, and a maximum LTV of 75% is permitted on an owner occupied mortgaged property consisting of three-to-four units or second homes. A maximum LTV of 75% is permitted for non-owner occupied purchase money and/or refinance mortgage loans on single-family, two-unit and condominium properties, and a maximum LTV of 70% is permitted on a non-owner occupied mortgaged property consisting of three-to-four units or second homes. Generally, the debt service-to-income ratio must not exceed 55%.

Credit Grade “B-1”. Under the “B-1” risk sub-category, in addition to the characteristics described under the “B-” risk category described above, no late payments are permitted during the previous twelve months on an existing mortgage loan, on either the property which is being made subject to Long Beach’s lien or any mortgage on any other property for which the applicant is listed as mortgagor.

Credit Grade “B-2”. Under the “B-2” risk sub-category, in addition to the characteristics described under the “B-” risk category described above, a maximum of one 30-day late payment and no 60-day late payments are permitted during the previous twelve months on an existing mortgage loan, on either the property which is being made subject to Long Beach’s lien or any mortgage on any other property for which the applicant is listed as mortgagor.

Credit Grade “B-3”. Under the “B-3” risk sub-category, in addition to the characteristics described under the “B-” risk category described above, a maximum of two 30-day late payments and no 60-day late payments are permitted during the previous twelve months on an existing mortgage loan, on either the property which is being made subject to Long Beach’s lien or any mortgage on any other property for which the applicant is listed as mortgagor.

Credit Grade “B-4”. Under the “B-4” risk sub-category, in addition to the characteristics described under the “B-” risk category described above, a maximum of three 30-day late payments and generally no 60-day late payments during the previous twelve months are permitted on an existing mortgage loan, on either the property which is being made subject to Long Beach’s lien or any mortgage on any other property for which the applicant is listed as mortgagor.

Credit Grade “B-5”. Under the “B-5” risk sub-category, in addition to the characteristics described under the “B-” risk category described above, a maximum of one 60-day late payment during the previous twelve months is permitted on an existing mortgage loan, on either the property which is being made subject to Long Beach’s lien or any mortgage on any other property for which the applicant is listed as mortgagor.

Credit Grade: “C”. Under the “C” risk category, the applicant may have experienced significant credit problems in the past. A maximum of four 60-day late payments and no 90-day late payments, or three 60-day late payments and one 90-day late payment, within the last 12 months is permitted on an existing mortgage loan. An existing mortgage loan is not required to be current at the time the application is submitted, but cannot be more than 60 days delinquent at funding. Consumer credit derogatory items will be considered on a case-by-case basis. No bankruptcy, discharge or notice of default filings may have occurred during the preceding twelve months. The mortgaged property must be in at least average condition. A maximum LTV of 75% (80% with no cash out to the borrower) is permitted for owner occupied purchase money and/or refinance mortgage loans on single-family, two-unit and condominium properties, and a maximum LTV of 70% is permitted on an owner occupied mortgaged property consisting of three-to-four units or second homes. A maximum LTV of 70% is permitted for non-owner occupied purchase money and/or refinance mortgage loans on single-family, two-unit and condominium properties, and a maximum LTV of 65% is permitted on a non-owner occupied mortgaged property consisting of three-to-four units or second homes. Generally, the debt service-to-income ratio must not

exceed 55%; however, a debt service-to-income ratio of 55% to 60% will be considered on a case-by-case basis.

Credit Grade: "D". Under the "D" risk category, the applicant may have experienced significant credit problems in the past. The applicant may be in bankruptcy or have a notice of default or foreclosure, and in any such case must provide a reasonable explanation including why the problem no longer exists. All debts in bankruptcy must be paid off or discharged or the proceeding dismissed prior to the funding of the mortgage loan. The mortgaged property must be in at least average condition. A maximum LTV of 65% is permitted for owner occupied purchase money and/or refinance mortgage loans on single-family, two-unit and condominium properties, and a maximum LTV of 60% is permitted on an owner occupied mortgaged property consisting of three-to-four units or second homes. A maximum LTV of 60% is permitted for non-owner occupied purchase money and/or refinance mortgage loans on single-family, two-unit and condominium properties, and a maximum LTV of 50% is permitted on a non-owner occupied mortgaged property consisting of three-to-four units or second homes. Generally, the debt service-to-income ratio must not exceed 55%; however, a debt service-to-income ratio of 55% to 60% will be considered on a case-by-case basis.

Long Beach will make representations and warranties as of the Closing Date with respect to each Mortgage Loan, and will be obligated to replace or repurchase any such Mortgage Loan in respect of which a breach of the representations and warranties it has made has occurred (other than those breaches which have been cured), if such breach of any such representation or warranty materially and adversely affects the interests of the certificateholders in such Mortgage Loan.

DESCRIPTION OF THE CERTIFICATES

General

The Asset Backed Pass-Through Certificates, Series 2002-HE3 will be issued pursuant to the Pooling Agreement among the Depositor, the Seller, the Servicer, Fannie Mae (as Guarantor of the Class I-A and Class I-AIO Certificates) and the Trustee. Set forth below are summaries of the specific terms and provisions pursuant to which the Class I-A and Class I-AIO Certificates will be issued. **Only the Class I-A and Class I-AIO Certificates are offered by this information supplement. Any information contained in this information supplement with respect to certificates other than the Class I-A and Class I-AIO Certificates is provided only to permit a better understanding of the Class I-A and Class I-AIO Certificates.** The following summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of the Pooling Agreement. When particular provisions or terms used in the Pooling Agreement are referred to, the actual provisions (including definitions of terms) are incorporated by reference.

The Trust will issue

- the Class I-A Certificates,
- the Class I-AIO Certificates,
- the Class II-A Certificates,
- the Class II-AIO Certificates,
- the Class II-M1 Certificates,
- the Class M2 Certificates,
- the Class M3 Certificates,
- the Class M4 Certificates,
- the Class I-BIO Certificates,
- the Class II-BIO Certificates,
- the Class I-X Certificates,
- the Class II-X Certificates,
- the Class I-P Certificates,
- the Class II-P Certificates, and
- the Class R Certificates.

The Class I-A, Class I-AIO, Class II-A, Class II-AIO, Class II-M1, Class M2, Class M3 and Class M4 Certificates are collectively referred to herein as the “Certificates.” The Class I-A and Class II-A Certificates are collectively referred to herein as the “Class A Certificates.” The Class I-AIO and Class II-AIO Certificates are collectively referred to herein as the “Class AIO Certificates.” The Class II-M1, Class M2, Class M3 and Class M4 Certificates are collectively referred to herein as the “Mezzanine Certificates.” The I-M2 Component, I-M3 Component and I-M4 Component are collectively referred to in this information supplement as the “Group I Mezzanine Components.” The II-M2 Component, II-M3 Component and II-M4 Component are collectively referred to in this information supplement as the “Group II Mezzanine Components.” The Group I Mezzanine Components and the Group II Mezzanine Components are collectively referred to as the “Mezzanine Components.” The Class I-BIO and Class II-BIO Certificates are collectively referred to herein as the “Class BIO Certificates.” The Class I-X and Class II-X Certificates are collectively referred to herein as the “Class X Certificates.” The Class I-P and Class II-P Certificates are collectively referred to herein as the “Class P Certificates.” The Class R Certificates are referred to herein as the “Residual Certificates.” The Mezzanine Certificates, Class BIO Certificates, Class X and Residual Certificates are collectively referred to herein as the “Subordinate Certificates.” The Class A Certificates and the Mezzanine Certificates are collectively referred to herein

as the “LIBOR Certificates.” The Class I-BIO, Class II-BIO, Class X, Class P and Class R Certificates will initially be retained by the Depositor.

The Class I-A Certificates, Class I-AIO Certificates, Class I-BIO Certificates, Class I-X Certificates, Class I-P Certificates (collectively, the “Group I Certificates”) and the Group I Mezzanine Components represent interests in the Group I Mortgage Loans. The Class II-A Certificates, Class II-AIO Certificates, Class II-M1 Certificates, Class II-BIO Certificates, Class II-X Certificates, Class II-P Certificates (collectively, the “Group II Certificates”) and the Group II Mezzanine Components represent interests in the Group II Mortgage Loans.

It is a condition to the issuance of the Class I-A and I-AIO Certificates (which are sometimes collectively referred to herein as the “Fannie Mae Certificates”) that they be purchased by Fannie Mae and that Fannie Mae guarantee the timely payment of interest due on the Class I-A and I-AIO Certificates and the ultimate payment of principal of the Class I-A Certificates, as further described in this information supplement. The Fannie Mae guarantee is not backed by the full faith and credit of the United States.

The Certificates will have the initial Certificate Principal Balances or Notional Amounts specified on page 4 of this information supplement, subject to a permitted variance of plus or minus five percent. The Class AIO and Class BIO Certificates will not have a Certificate Principal Balance, but will bear interest on the related Notional Amount outstanding from time to time. The Class P Certificates will each have an initial Certificate Principal Balance of \$100 and will not bear interest. The Class P Certificates will be entitled to all prepayment premiums received in respect of the related Mortgage Loans and such amounts will not be available for distribution to the holders of the other classes of Certificates. The Class R Certificates will not have an initial Certificate Principal Balance and will not bear interest.

Each of the Component Certificates will be comprised of two components, each of which have a specified “Component Principal Balance” that functions in a manner comparable to that of a class principal balance for purposes of determining principal and interest distributions and the allocation of Realized Losses. Accordingly, the outstanding Certificate Principal Balance of any class of Component Certificates will equal the sum of its related Component Principal Balances. Similarly, the total amount of interest accrued for any class of Component Certificates will equal the sum of the amount of interest accrued on the related Component Principal Balances at the applicable pass-through rate for the corresponding period. The holder of a Class M2, Class M3 or Class M4 Certificate will not have a severable interest in any of the related components, but will have an undivided interest in the entire related Certificate. For any Distribution Date, any amounts distributed in respect of a component, and any Realized Losses allocated thereto, will be distributed or allocated proportionately to the holders of the related Certificates. The Class M2 Certificates will be comprised of the I-M2 Component and the II-M2 Component, which have an initial Component Principal Balance of \$25,960,000 and \$19,870,000, respectively. The Class M3 Certificates will be comprised of the I-M3 Component and the II-M3 Component, which have an initial Component Principal Balance of \$19,470,000 and \$12,960,000, respectively. The Class M4 Certificates will be comprised of the I-M4 Component and the II-M4 Component, which have an initial Component Principal Balance of \$9,101,000 and \$4,348,800, respectively.

The Class I-A and Class I-AIO Certificates will be issued in book-entry form as described below. The Class I-A and Class I-AIO Certificates will be issued in minimum denominations of \$100,000 original principal amount and integral multiples of \$1,000 in excess thereof. One investor in each class of Class I-A Certificates and Class I-AIO Certificates may hold a beneficial interest in such class of Certificates that is not an integral multiple of \$1,000. The assumed final maturity date (the “Assumed Final Distribution Date”) for the Class I-A Certificates is the Distribution Date in October 2032.

Distributions on the Certificates will be made by the Trustee on the 15th day of each month, or if such day is not a business day, on the first business day thereafter, commencing on November 15, 2002 (each, a “Distribution Date”), to the persons in whose names such Certificates are registered at the close of business on the Record Date. The “Record Date” for any Certificate issued in book-entry form is the business day immediately preceding such Distribution Date and the “Record Date” for any physical certificate or any book-entry certificate that becomes a definitive certificate (as defined herein), will be the last business day of the month immediately preceding the month in which the related Distribution Date occurs.

Book-Entry Certificates

The Class I-A and Class I-AIO Certificates will be book-entry certificates (the “Book-Entry Certificates”). Persons acquiring beneficial ownership interests in the Book-Entry Certificates (“Certificate Owner”) will hold such Certificates through The Depository Trust Company (“DTC”) in the United States or indirectly through organizations which are participants in DTC. The Book-Entry Certificates will be issued in one or more certificates which equal the aggregate Certificate Principal Balance of such Certificates and will initially be registered in the name of Cede & Co., the nominee of DTC. Investors may hold such beneficial interests in the Book-Entry Certificates in the minimum denominations described above under “—General.” Except as described below, no person acquiring a Book-Entry Certificate (each, a “beneficial owner”) will be entitled to receive a physical certificate representing such Certificate (a “Definitive Certificate”). Unless and until Definitive Certificates are issued, it is anticipated that the only certificateholder of the Certificates will be Cede & Co., as nominee of DTC. Certificate Owners will not be certificateholders as that term is used in the Pooling Agreement. Certificate Owners are only permitted to exercise their rights indirectly through Participants and DTC.

The beneficial owner’s ownership of a Book-Entry Certificate will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (each, a “Financial Intermediary”) that maintains the beneficial owner’s account for such purpose. In turn, the Financial Intermediary’s ownership of such Book-Entry Certificate will be recorded on the records of DTC (or of a participating firm that acts as agent for the Financial Intermediary, whose interest will in turn be recorded on the records of DTC, if the beneficial owner’s Financial Intermediary is not a DTC participant).

Certificate Owners will receive all distributions of principal of and interest on the Book-Entry Certificates from the Trustee through DTC and DTC participants. While the Book-Entry Certificates are outstanding (except under the circumstances described below), under the rules, regulations and procedures creating and affecting DTC and its operations (the “Rules”), DTC is required to make book-entry transfers among Participants on whose behalf it acts with respect to the Book-Entry Certificates and is required to receive and transmit distributions of principal of, and interest on, the Book-Entry Certificates. Participants and indirect participants with whom Certificate Owners have accounts with respect to Book-Entry Certificates are similarly required to make book-entry transfers and receive and transmit such distributions on behalf of their respective Certificate Owners. Accordingly, although Certificate Owners will not possess certificates representing their respective interests in the Book-Entry Certificates, the Rules provide a mechanism by which Certificate Owners will receive distributions and will be able to transfer their interest.

Certificateholders will not receive or be entitled to receive certificates representing their respective interests in the Book-Entry Certificates, except under the limited circumstances described below. Unless and until Definitive Certificates are issued, certificateholders who are not Participants may transfer ownership of Book-Entry Certificates only through Participants and indirect participants by instructing such Participants and indirect participants to transfer Book-Entry Certificates, by book-entry transfer, through DTC for the account of the purchasers of such Book-Entry Certificates, which account is

maintained with their respective Participants. Under the Rules and in accordance with DTC's normal procedures, transfers of ownership of Book-Entry Certificates will be executed through DTC and the accounts of the respective Participants at DTC will be debited and credited. Similarly, the Participants and indirect participants will make debits or credits, as the case may be, on their records on behalf of the selling and purchasing certificateholders.

Transfers between Participants will occur in accordance with DTC rules.

DTC which is a New York-chartered limited purpose trust company, performs services for its participants, some of which (and/or their representatives) own DTC. In accordance with its normal procedures, DTC is expected to record the positions held by each DTC participant in the Book-Entry Certificates, whether held for its own account or as a nominee for another person. In general, beneficial ownership of Book-Entry Certificates will be subject to the Rules, as in effect from time to time.

Distributions on the Book-Entry Certificates will be made on each Distribution Date by the Trustee to DTC. DTC will be responsible for crediting the amount of such payments to the accounts of the applicable DTC participants in accordance with DTC's normal procedures. Each DTC participant will be responsible for disbursing such payments to the beneficial owners of the Book-Entry Certificates that it represents and to each Financial Intermediary for which it acts as agent. Each such Financial Intermediary will be responsible for disbursing funds to the beneficial owners of the Book-Entry Certificates that it represents.

Under a book-entry format, beneficial owners of the Book-Entry Certificates may experience some delay in their receipt of payments, since such payments will be forwarded by the Trustee to Cede & Co. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Because DTC can only act on behalf of Financial Intermediaries, the ability of a beneficial owner to pledge Book-Entry Certificates to persons or entities that do not participate in the Depository system, or otherwise take actions in respect of such Book-Entry Certificates, may be limited due to the lack of physical certificates for such Book-Entry Certificates. In addition, issuance of the Book-Entry Certificates in book-entry form may reduce the liquidity of such certificates in the secondary market since certain potential investors may be unwilling to purchase certificates for which they cannot obtain physical certificates.

Monthly and annual reports on the Trust will be provided to Cede & Co., as nominee of DTC, and may be made available by Cede & Co. to beneficial owners upon request, in accordance with the rules, regulations and procedures creating and affecting the Depository, and to the Financial Intermediaries to whose DTC accounts the Book-Entry Certificates of such beneficial owners are credited.

DTC has advised the Trustee that, unless and until Definitive Certificates are issued, DTC will take any action permitted to be taken by the holders of the Book-Entry Certificates under the Pooling Agreement only at the direction of one or more Financial Intermediaries to whose DTC accounts the Book-Entry Certificates are credited, to the extent that such actions are taken on behalf of Financial Intermediaries whose holdings include such Book-Entry Certificates. DTC may take actions, at the direction of the related Participants, with respect to some Book-Entry Certificates which conflict with actions taken with respect to other Book-Entry Certificates.

Definitive Certificates will be issued to beneficial owners of the Book-Entry Certificates, or their nominees, rather than to DTC, only if (a) DTC or the Depositor advises the Trustee in writing that DTC is no longer willing, qualified or able to discharge properly its responsibilities as nominee and depository with respect to the Book-Entry Certificates and the Depositor is unable to locate a qualified successor, (b)

the Depositor, at its sole option, elects to terminate a book-entry system through DTC or (c) after the occurrence of an Event of Default, beneficial owners having Percentage Interests aggregating not less than 51% of the Book-Entry Certificates advise the Trustee and DTC through the Financial Intermediaries and the DTC participants in writing that the continuation of a book-entry system through DTC (or a successor thereto) is no longer in the best interests of beneficial owners.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Trustee will be required to notify all beneficial owners of the occurrence of such event and the availability through DTC of Definitive Certificates. Upon surrender by DTC of the global certificate or certificates representing the Book-Entry Certificates and instructions for re-registration, the Trustee will issue Definitive Certificates, and thereafter the Trustee will recognize the holders of such Definitive Certificates as certificateholders under the Pooling Agreement.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of Book-Entry Certificates among participants of DTC, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

None of the Depositor, the Originator, the Servicer nor the Trustee will have any responsibility for any aspect of the records relating to or payments made on account of beneficial ownership interests of the Book-Entry Certificates held by Cede & Co., as nominee for DTC, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Glossary

The “I-M2 Component Principal Distribution Amount” for any Distribution Date is an amount equal the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class I-A Certificates (after taking into account the payment of the Class I-A Principal Distribution Amount on such Distribution Date) and (ii) the Component Principal Balance of the I-M2 Component immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 85.50% and (ii) the aggregate Principal Balance of the Group I Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Principal Balance of the Group I Mortgage Loans as of the last day of the related Due Period minus approximately \$2,596,605.

The “I-M3 Component Principal Distribution Amount” for any Distribution Date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class I-A Certificates (after taking into account the payment of the Class I-A Principal Distribution Amount on such Distribution Date), (ii) the Component Principal Balance of the I-M2 Component (after taking into account the payment of the I-M2 Component Principal Distribution Amount on such Distribution Date) and (iii) the Component Principal Balance of the I-M3 Component immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 93.00% and (ii) the aggregate Principal Balance of the Group I Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Principal Balance of the Group I Mortgage Loans as of the last day of the related Due Period minus approximately \$2,596,605.

The “I-M4 Component Principal Distribution Amount” for any Distribution Date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class I-A Certificates (after taking into account the payment of the Class I-A Principal Distribution Amount on such Distribution Date), (ii) the Component Principal Balance of the I-M2 Component (after taking into account the payment of the I-M2 Component Principal Distribution Amount on such Distribution Date), (iii) the Component Principal Balance of the I-M3 Component (after taking into account the payment of the I-M3 Component Principal Distribution Amount on such Distribution Date) and (iv) the Component

Principal Balances of the I-M4 Component immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 96.50 % and (ii) the aggregate Principal Balance of the Group I Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Principal Balance of the Group I Mortgage Loans as of the last day of the related Due Period minus approximately \$2,596,605.

The “II-M2 Component Principal Distribution Amount” for any Distribution Date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class II-A Certificates (after taking into account the payment of the Class II-A Principal Distribution Amount on such Distribution Date), (ii) the aggregate Certificate Principal Balance of the Class II-M1 Certificates (after taking into account the payment of the Class II-M1 Principal Distribution Amount on such Distribution Date) and (iii) the Component Principal Balance of the II-M2 Component immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 85.70% and (ii) the aggregate Principal Balance of the Group II Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Principal Balance of the Group II Mortgage Loans as of the last day of the related Due Period minus approximately \$1,728,594.

The “II-M3 Component Principal Distribution Amount” for any Distribution Date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class II-A Certificates (after taking into account the payment of the Class II-A Principal Distribution Amount on such Distribution Date), (ii) the aggregate Certificate Principal Balance of the Class II-M1 Certificates (after taking into account the payment of the Class II-M1 Principal Distribution Amount on such Distribution Date), (iii) the Component Principal Balance of the II-M2 Component (after taking into account the payment of the II-M2 Component Principal Distribution Amount on such Distribution Date) and (iv) the Component Principal Balance of the II-M3 Component immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 93.20% and (ii) the aggregate Principal Balance of the Group II Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Principal Balance of the Group II Mortgage Loans as of the last day of the related Due Period minus approximately \$1,728,594.

The “II-M4 Component Principal Distribution Amount” for any Distribution Date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class II-A Certificates (after taking into account the payment of the Class II-A Principal Distribution Amount on such Distribution Date), (ii) the aggregate Certificate Principal Balance of the Class II-M1 Certificates (after taking into account the payment of the Class II-M1 Principal Distribution Amount on such Distribution Date), (iii) the Component Principal Balance of the II-M2 Component (after taking into account the payment of the II-M2 Component Principal Distribution Amount on such Distribution Date), (iv) the Component Principal Balance of the II-M3 Component (after taking into account the payment of the II-M3 Component Principal Distribution Amount on such Distribution Date), and (v) the Component Principal Balances of the II-M4 Component immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 95.70% and (ii) the aggregate Principal Balance of the Group II Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Principal Balance of the Group II Mortgage Loans as of the last day of the related Due Period minus approximately \$1,728,594.

The “Accrual Period” for (a) the Class AIO Certificates for a given Distribution Date will be the calendar month preceding the month of such Distribution Date based on a 360-day year consisting of twelve 30-day months, (b) the LIBOR Certificates and related components, if applicable, for a given Distribution Date will be the actual number of days (based on a 360-day year) included in the period commencing on the immediately preceding Distribution Date (or, in the case of the first such Accrual Period, commencing on the Closing Date) and ending on the day immediately preceding such Distribution Date and (c) the Class BIO Certificates for a given Distribution Date will be the period beginning on the prior Distribution Date (or, in the case of the first such Accrual Period, commencing on the Closing Date)

and ending the day preceding such Distribution Date based on a 360-day year consisting of twelve 30-day months.

An “Allocated Realized Loss Amount” with respect to the Class II-M1 Certificates or any of the Mezzanine Components and any Distribution Date is an amount equal to the sum of any Realized Loss allocated to the Class II-M1 Certificates or Mezzanine Components on such Distribution Date and any Allocated Realized Loss Amount for the Class II-M1 Certificates or the Mezzanine Components from the previous Distribution Date that has not been reimbursed.

The “Certificate Principal Balance” of any Class A Certificate, Class II-M1 Certificate or Class P Certificate immediately prior to any Distribution Date will be equal to the Certificate Principal Balance thereof on the Closing Date (the “Original Certificate Principal Balance”) reduced by the sum of all amounts actually distributed in respect of principal of such class and, in the case of a Class II-M1 Certificate, Realized Losses allocated thereto on all prior Distribution Dates. The Certificate Principal Balance of any Mezzanine Certificate, other than the Class II-M1 Certificate, shall be the sum of its related Component Principal Balances.

The “Class I-A Principal Distribution Amount” for any Distribution Date is an amount equal to the excess of (x) the aggregate Certificate Principal Balance of the Class I-A Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 75.50% and (ii) the aggregate Principal Balance of the Group I Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Principal Balance of the Group I Mortgage Loans as of the last day of the related Due Period minus approximately \$2,596,605.

The “Class I-AIO Notional Balance” will equal, for any Distribution Date, the amount set forth below for such Distribution Date:

<u>Distribution Date</u>	<u>Class I-AIO Notional Balance (\$)</u>	<u>Distribution Date</u>	<u>Class I-AIO Notional Balance (\$)</u>
November 2002	88,200,000	February 2004	60,000,000
December 2002	85,900,000	March 2004	58,400,000
January 2003	83,700,000	April 2004	56,900,000
February 2003	81,600,000	May 2004	55,500,000
March 2003	79,500,000	June 2004	54,100,000
April 2003	77,500,000	July 2004	52,700,000
May 2003	75,600,000	August 2004	51,400,000
June 2003	73,600,000	September 2004	50,100,000
July 2003	71,800,000	October 2004	48,800,000
August 2003	70,000,000	November 2004	47,500,000
September 2003	68,200,000	December 2004	46,300,000
October 2003	66,500,000	January 2005	45,200,000
November 2003	64,800,000	February 2005	44,000,000
December 2003	63,100,000	March 2005	42,900,000
January 2004	61,500,000	April 2005	41,800,000

On and after the Distribution Date in May 2005, the Class I-AIO Notional Balance will be \$0.

The “Class II-A Principal Distribution Amount” for any Distribution Date is an amount equal to the excess of (x) the aggregate Certificate Principal Balance of the Class II-A Certificates immediately

prior to such Distribution Date over (y) the lesser of (A) the product of (i) 59.70% and (ii) the aggregate Principal Balance of the Group II Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Principal Balance of the Group II Mortgage Loans as of the last day of the related Due Period minus approximately \$1,728,594.

The “Class II-AIO Notional Balance” will equal, for any Distribution Date, the amount set forth below for such Distribution Date:

<u>Distribution Date</u>	<u>Class II-AIO Notional Balance (\$)</u>	<u>Distribution Date</u>	<u>Class II-AIO Notional Balance (\$)</u>
November 2002	61,800,000	February 2004	42,100,000
December 2002	60,300,000	March 2004	41,000,000
January 2003	58,800,000	April 2004	40,000,000
February 2003	57,300,000	May 2004	38,900,000
March 2003	55,800,000	June 2004	37,900,000
April 2003	54,400,000	July 2004	37,000,000
May 2003	53,000,000	August 2004	36,000,000
June 2003	51,700,000	September 2004	35,100,000
July 2003	50,400,000	October 2004	34,200,000
August 2003	49,100,000	November 2004	33,400,000
September 2003	47,800,000	December 2004	32,500,000
October 2003	46,600,000	January 2005	31,700,000
November 2003	45,400,000	February 2005	30,900,000
December 2003	44,300,000	March 2005	30,100,000
January 2004	43,200,000	April 2005	29,300,000

On and after the Distribution Date in May 2005, the Class II-AIO Notional Balance will be \$0.

The “Class II-M1 Principal Distribution Amount” for any Distribution Date is an amount equal to the excess of (x) the sum of (i) the aggregate Certificate Principal Balance of the Class II-A Certificates (after taking into account the payment of the Class II-A Principal Distribution Amount on such Distribution Date) and (ii) the aggregate Certificate Principal Balance of the Class II-M1 Certificates immediately prior to such Distribution Date over (y) the lesser of (A) the product of (i) 74.20% and (ii) the aggregate Principal Balance of the Group II Mortgage Loans as of the last day of the related Due Period and (B) the aggregate Principal Balance of the Group II Mortgage Loans as of the last day of the related Due Period minus approximately \$1,728,594.

The “Component Principal Balance” of any Mezzanine Component immediately prior to any Distribution Date will be equal to the Component Principal Balance thereof on the Closing Date (the “Original Component Principal Balance”) reduced by the sum of all amounts actually distributed in respect of principal of such component and Realized Losses allocated thereto on all prior Distribution Dates.

A Mortgage Loan is “Delinquent” if any monthly payment due on a Due Date is not made by the close of business on the next scheduled Due Date for such Mortgage Loan. A Mortgage Loan is “30 days Delinquent” if such monthly payment has not been received by the close of business on the corresponding day of the month immediately succeeding the month in which such monthly payment was due or, if there was no such corresponding day (e.g., as when a 30-day month follows a 31-day month in which a

payment was due on the 31st day of such month), then on the last day of such immediately succeeding month; and similarly for “60 days Delinquent” and “90 days Delinquent” etc.

A “Due Period” with respect to any Distribution Date is the period commencing on the second day of the month immediately preceding the month in which such Distribution Date occurs and ending on the first day of the month in which such Distribution Date occurs.

The “Group I Credit Enhancement Percentage” for any Distribution Date is the percentage obtained by dividing (x) the sum of (i) the aggregate Component Principal Balance of the Group I Mezzanine Components (after giving effect to the distribution of the Group I Principal Distribution Amount on such Distribution Date) and (ii) the Group I Overcollateralized Amount by (y) the aggregate Principal Balance of the Group I Mortgage Loans as of the last day of the related Due Period.

The “Group I Interest Remittance Amount” with respect to any Distribution Date is that portion of the Group I Available Funds for such Distribution Date attributable to interest received or advanced with respect to the Group I Mortgage Loans or to Compensating Interest paid by the Servicer with respect to the Group I Mortgage Loans.

The “Group I Net Monthly Excess Cashflow” for any Distribution Date is an amount equal to the sum of (a) any Group I Overcollateralization Release Amount for such Distribution Date and (b) the positive excess of (x) the Group I Available Funds for such Distribution Date over (y) the sum for such Distribution Date of (A) the Monthly Interest Distributable Amounts for the Class I-A Certificates, the Class I-AIO Certificates, the Group I Mezzanine Components and the Class I-BIO Certificates, (B) the Unpaid Interest Shortfall Amounts for the Class I-A Certificates and the Class I-AIO Certificates, (C) the Group I Principal Remittance Amount, (D) the Guarantor Reimbursement Amount and (E) the Guaranty Fee.

A “Group I Overcollateralization Deficiency Amount” with respect to any Distribution Date is the amount, if any, by which the Group I Overcollateralization Target Amount exceeds the Group I Overcollateralized Amount on such Distribution Date (assuming that 100% of the Group I Principal Remittance Amount is applied as a principal payment on such Distribution Date).

The “Group I Overcollateralization Increase Amount” with respect to any Distribution Date is the lesser of (x) the Group I Net Monthly Excess Cashflow for such Distribution Date and (y) the Group I Overcollateralization Deficiency Amount for such Distribution Date.

The “Group I Overcollateralization Release Amount” means, with respect to any Distribution Date, the lesser of (x) the Group I Principal Remittance Amount for such Distribution Date and (y) the excess, if any, of (i) the Group I Overcollateralized Amount for such Distribution Date (assuming that 100% of the Group I Principal Remittance Amount is applied as a principal payment on such Distribution Date) over (ii) the Group I Overcollateralization Target Amount for such Distribution Date.

The “Group I Overcollateralization Target Amount” means with respect to any Distribution Date (i) prior to the Group I Stepdown Date, approximately \$9,088,119, (ii) on or after the Group I Stepdown Date provided a Group I Trigger Event is not in effect, the greater of (x) 3.50% of the aggregate Principal Balance of the Group I Mortgage Loans as of the last day of the related Due Period and (y) approximately \$2,596,605 and (iii) on or after the Group I Stepdown Date if a Group I Trigger Event is in effect, the Group I Overcollateralization Target Amount for the immediately preceding Distribution Date.

The “Group I Overcollateralized Amount” for any Distribution Date is the amount, if any, by which (i) the aggregate Principal Balance of the Group I Mortgage Loans on the last day of the related

Due Period exceeds (ii) the sum of the aggregate Certificate Principal Balances of the Class I-A Certificates and the Class I-P Certificates and the aggregate Component Principal Balances of the Group I Mezzanine Components as of such Distribution Date (after giving effect to distributions of principal to be made on such Distribution Date, other than distributions of the Group I Overcollateralization Increase Amount, if any).

The “Group I Principal Distribution Amount” for any Distribution Date is the lesser of:

- (a) the excess of Group I Available Funds after distribution of interest on the Class I-A Certificates, the Class I-AIO Certificates, the Class I-BIO Certificates and the Group I Mezzanine Components, and
- (b) the sum of:
 - (i) the principal portion of all scheduled monthly payments on the Group I Mortgage Loans due during the related Due Period, whether or not received on or prior to the related Determination Date;
 - (ii) the principal portion of all proceeds received in respect of the repurchase of a Group I Mortgage Loan (or, in the case of a substitution, certain amounts representing a principal adjustment) as required by the Pooling Agreement during the related Prepayment Period;
 - (iii) the principal portion of all unscheduled collections, including insurance proceeds, liquidation proceeds and all full and partial principal prepayments, received during the related Prepayment Period, to the extent applied as recoveries of principal on the Group I Mortgage Loans;
 - (iv) the principal portion of any Realized Losses incurred on any Group I Mortgage Loan during the related Prepayment Period to the extent covered by Group I Net Monthly Excess Cashflow for such Distribution Date; and
 - (v) the amount of any Group I Overcollateralization Increase Amount for such Distribution Date;minus
 - (vii) the amount of any Group I Overcollateralization Release Amount for such Distribution Date.

In no event will the Group I Principal Distribution Amount with respect to any Distribution Date be (x) less than zero or (y) greater than the sum of (A) the outstanding aggregate Certificate Principal Balance of the Class I-A and Class I-P Certificates and (B) the aggregate Component Principal Balance of the Group I Mezzanine Components.

The “Group I Principal Remittance Amount” means with respect to any Distribution Date, the sum of (i) all scheduled payments of principal collected or advanced on the Group I Mortgage Loans by the Servicer that were due during the related Due Period, (ii) all partial and full principal prepayments of the Group I Mortgage Loans applied by the Servicer during the related Prepayment Period, (iii) the principal portion of all Net Liquidation Proceeds and Insurance Proceeds received during the related Prepayment Period with respect to the Group I Mortgage Loans, (iv) that portion of the Purchase Price,

representing principal of any repurchased Group I Mortgage Loan, deposited to the Collection Account during the related Prepayment Period, (v) the principal portion of any Substitution Adjustments deposited in the Collection Account during the related Prepayment Period with respect to the Group I Mortgage Loans, and (vi) on the Distribution Date on which the Trust is to be terminated in accordance with the Pooling Agreement, that portion of the Termination Price representing principal with respect to the Group I Mortgage Loans.

The “Group I Stepdown Date” means the earlier to occur of (1) the Distribution Date on which the aggregate Certificate Principal Balance of the Class I-A Certificates has been reduced to zero and (2) the later to occur of (x) the Distribution Date occurring in November 2005 and (y) the first Distribution Date on which the Group I Credit Enhancement Percentage (calculated for this purpose after giving effect to payments or other recoveries in respect of the Group I Mortgage Loans during the related Due Period but before giving effect to distributions on the Group I Certificates on such Distribution Date) is greater than or equal to 24.50%.

A “Group I Trigger Event” is in effect with respect to any Distribution Date on or after the Group I Stepdown Date if either (i) the percentage obtained by dividing (x) the aggregate Principal Balance of the Group I Mortgage Loans that are 60 days or more Delinquent as of the last day of the prior calendar month by (y) the aggregate Principal Balance of the Group I Mortgage Loans as of the last day of the previous calendar month, exceeds 40% of the Group I Credit Enhancement Percentage or (ii) the cumulative Realized Losses as a percentage of the aggregate principal balance of the Group I Mortgage Loans as of the last day of the previous calendar month is greater than the percentage set forth in the following table:

Range of Distribution Dates	Percentage*
November 2005 – October 2006	2.50%
November 2006 – October 2007	4.25%
November 2007 – October 2008	5.25%
November 2008 – October 2009	6.00%
November 2009 and thereafter	6.75%

* The percentages set forth below are the percentages applicable for the first Distribution Date in the corresponding range of Distribution Dates. The percentage for each succeeding Distribution Date in a range increases to an amount that is greater than the percentage for the preceding Distribution Date but less than the percentage in the table for the succeeding range.

The “Group II Credit Enhancement Percentage” for any Distribution Date is the percentage obtained by dividing (x) the sum of (i) the aggregate Certificate Principal Balance of the Class II-M1 Certificates (after giving effect to the distribution of the Group II Principal Distribution Amount on such Distribution Date), (ii) the aggregate Component Principal Balance of the Group II Mezzanine Components (after giving effect to the distribution of the Group II Principal Distribution Amount on such Distribution Date) and (iii) the Group II Overcollateralized Amount by (y) the aggregate Principal Balance of the Group II Mortgage Loans as of the last day of the related Due Period.

The “Group II Interest Remittance Amount” with respect to any Distribution Date is that portion of the Group II Available Funds for such Distribution Date attributable to interest received or advanced with respect to the Group II Mortgage Loans or to Compensating Interest paid by the Servicer with respect to the Group II Mortgage Loans.

The “Group II Net Monthly Excess Cashflow” for any Distribution Date is an amount equal to the sum of (a) any Group II Overcollateralization Release Amount for such Distribution Date and (b) the

positive excess of (x) the Group II Available Funds for such Distribution Date over (y) the sum for such Distribution Date of (A) the Monthly Interest Distributable Amounts for the Class II-A Certificates, the Class II-AIO Certificates, the Class II-M1 Certificates, the Class II-BIO Certificates and the Group II Mezzanine Components, (B) the Unpaid Interest Shortfall Amounts for the Class II-A Certificates and the Class II-AIO Certificates and (C) the Group II Principal Remittance Amount.

A “Group II Overcollateralization Deficiency Amount” with respect to any Distribution Date equals the amount, if any, by which the Group II Overcollateralization Target Amount exceeds the Group II Overcollateralized Amount on such Distribution Date (assuming that 100% of the Group II Principal Remittance Amount is applied as a principal payment on such Distribution Date).

The “Group II Overcollateralization Increase Amount” with respect to any Distribution Date is the lesser of (x) the Group II Net Monthly Excess Cashflow for such Distribution Date and (y) the Group II Overcollateralization Deficiency Amount for such Distribution Date.

The “Group II Overcollateralization Release Amount” means, with respect to any Distribution Date, the lesser of (x) the Group II Principal Remittance Amount for such Distribution Date and (y) the excess, if any, of (i) the Group II Overcollateralized Amount for such Distribution Date (assuming that 100% of the Group II Principal Remittance Amount is applied as a principal payment on such Distribution Date) over (ii) the Group II Overcollateralization Target Amount for such Distribution Date.

The “Group II Overcollateralization Target Amount” means with respect to any Distribution Date (i) prior to the Group II Stepdown Date, approximately \$7,432,957, (ii) on or after the Group II Stepdown Date provided a Group II Trigger Event is not in effect, the greater of (x) 4.30% of the aggregate Principal Balance of the Group II Mortgage Loans as of the last day of the related Due Period and (y) approximately \$1,728,594 and (iii) on or after the Group II Stepdown Date if a Group II Trigger Event is in effect, the Group II Overcollateralization Target Amount for the immediately preceding Distribution Date.

The “Group II Overcollateralized Amount” for any Distribution Date is the amount, if any, by which (i) the aggregate Principal Balance of the Group II Mortgage Loans on the last day of the related Due Period exceeds (ii) the sum of the aggregate Certificate Principal Balances of the Class II-A Certificates, the Class II-M1 Certificates and the Class II-P Certificates and the aggregate Component Principal Balances of the Group II Mezzanine Components as of such Distribution Date (after giving effect to distributions of principal to be made on such Distribution Date, other than distributions of the Group II Overcollateralization Increase Amount, if any).

The “Group II Principal Distribution Amount” for any Distribution Date is the lesser of:

- (a) the excess of Group II Available Funds after distribution of interest on the Class II-A Certificates, the Class II-AIO Certificates, the Class II-BIO Certificates, the Class II-M1 Certificates and the Group II Mezzanine Components, and
- (b) the sum of:
 - (i) the principal portion of all scheduled monthly payments on the Group II Mortgage Loans due during the related Due Period, whether or not received on or prior to the related Determination Date;
 - (ii) the principal portion of all proceeds received in respect of the repurchase of a Group II Mortgage Loan (or, in the case of a substitution, certain amounts

representing a principal adjustment) as required by the Pooling Agreement during the related Prepayment Period;

- (iii) the principal portion of all unscheduled collections, including insurance proceeds, liquidation proceeds and all full and partial principal prepayments, received during the related Prepayment Period, to the extent applied as recoveries of principal on the Group II Mortgage Loans;
- (iv) the principal portion of any Realized Losses incurred on any Group II Mortgage Loan during the related Prepayment Period to the extent covered by Group II Net Monthly Excess Cashflow for such Distribution Date; and
- (v) the amount of any Group II Overcollateralization Increase Amount for such Distribution Date;

minus

- (vii) the amount of any Group II Overcollateralization Release Amount for such Distribution Date.

In no event will the Group II Principal Distribution Amount with respect to any Distribution Date be (x) less than zero or (y) greater than the sum of (A) the outstanding aggregate Certificate Principal Balance of the Class II-A, Class II-M1 and Class II-P Certificates and (B) the aggregate Component Principal Balance of the Group II Mezzanine Components.

The “Group II Principal Remittance Amount” means with respect to any Distribution Date, the sum of (i) all scheduled payments of principal collected or advanced on the Group II Mortgage Loans by the Servicer that were due during the related Due Period, (ii) all partial and full principal prepayments of the Group II Mortgage Loans applied by the Servicer during the related Prepayment Period, (iii) the principal portion of all Net Liquidation Proceeds and Insurance Proceeds received during the related Prepayment Period with respect to the Group II Mortgage Loans, (iv) that portion of the Purchase Price, representing principal of any repurchased Group II Mortgage Loan, deposited to the Collection Account during the related Prepayment Period, (v) the principal portion of any Substitution Adjustments deposited in the Collection Account during the related Prepayment Period with respect to the Group II Mortgage Loans and (vi) on the Distribution Date on which the Trust is to be terminated in accordance with the Pooling Agreement, that portion of the Termination Price representing principal with respect to the Group II Mortgage Loans.

The “Group II Stepdown Date” means the earlier to occur of (1) the Distribution Date on which the aggregate Certificate Principal Balance of the Class II-A Certificates has been reduced to zero and (2) the later to occur of (x) the Distribution Date occurring in November 2005 and (y) the first Distribution Date on which the Group II Credit Enhancement Percentage (calculated for this purpose after giving effect to payments or other recoveries in respect of the Group II Mortgage Loans during the related Due Period but before giving effect to distributions on the Group II Certificates on such Distribution Date) is greater than or equal to 40.30%.

A “Group II Trigger Event” is in effect with respect to any Distribution Date on or after the Group II Stepdown Date if either (i) the percentage obtained by dividing (x) the aggregate Principal Balance of the Group II Mortgage Loans that are 60 days or more Delinquent as of the last day of the prior calendar month by (y) the aggregate Principal Balance of the Group II Mortgage Loans as of the last day of the previous calendar month, exceeds 40% of the Group II Credit Enhancement Percentage or (ii)

the cumulative Realized Losses as a percentage of the aggregate Principal Balance of the Group II Mortgage Loans as of the last day of the previous calendar month is greater than the percentage set forth in the following table:

Range of Distribution Dates	Percentage*
November 2005 – October 2006	2.25%
November 2006 – October 2007	3.75%
November 2007 – October 2008	4.75%
November 2008 – October 2009	5.50%
November 2009 and thereafter	6.00%

* The percentages set forth below are the percentages applicable for the first Distribution Date in the corresponding range of Distribution Dates. The percentage for each succeeding Distribution Date in a range increases to an amount that is greater than the percentage for the preceding Distribution Date but less than the percentage in the table for the succeeding range.

The “Monthly Interest Distributable Amount” for any Distribution Date and each class of Certificates or component equals the amount of interest accrued during the related Accrual Period at the related Pass-Through Rate on the Certificate Principal Balance or Notional Amount of such class of Certificates or Component Principal Balance of such components immediately prior to such Distribution Date, in each case, reduced by any Net Prepayment Interest Shortfalls allocated to such class of Certificates or component and shortfalls resulting from the application of the Relief Act allocated to such class of certificates or component, in each such case as such shortfall allocations are described under “Allocation of Available Funds—Interest Distributions on the Group I Certificates” and “—Interest Distributions on the Group II Certificates” in this information supplement.

The “Notional Amount” for the Class I-AIO Certificates will equal (x) on or prior to the Distribution Date in April 2005, the lesser of (i) the Class I-AIO Notional Balance and (ii) the aggregate Principal Balance of the Group I Mortgage Loans as of the first day of the month prior to the month of such Distribution Date (after giving effect to scheduled payments of principal due on such date) and (y) on any Distribution Date after the Distribution Date in April 2005, \$0.00. The “Notional Amount” for the Class II-AIO Certificates will equal (x) on or prior to the Distribution Date in April 2005, the lesser of (i) the Class II-AIO Notional Balance and (ii) the aggregate Principal Balance of the Group II Mortgage Loans as of the first day of the month prior to the month of such Distribution Date (after giving effect to scheduled payments of principal due on such date) and (y) on any Distribution Date after the Distribution Date in April 2005, \$0.00. The “Notional Amount” for the Class I-BIO Certificates will equal (x) on or prior to the Distribution Date in April 2004, the lesser of (i) \$54,000,000 and (ii) the aggregate Principal Balance of the Group I Mortgage Loans as of the first day of the month prior to the month of such Distribution Date (after giving effect to scheduled payments of principal due on such date) and (y) on any Distribution Date after the Distribution Date in April 2004, \$0.00. The “Notional Amount” for the Class II-BIO Certificates will equal (x) on or prior to the Distribution Date in April 2004, the lesser of (i) \$36,000,000 and (ii) the aggregate Principal Balance of the Group II Mortgage Loans as of the first day of the month prior to the month of such Distribution Date (after giving effect to scheduled payments of principal due on such date) and (y) on any Distribution Date after the Distribution Date in April 2004, \$0.00.

The “Prepayment Period” for any Distribution Date is the prior calendar month.

“Realized Loss” means, with respect to any defaulted Mortgage Loan that is finally liquidated (a “Liquidated Mortgage Loan”), the amount of loss realized equal to the portion of the Principal Balance remaining unpaid after application of all liquidation proceeds net of amounts reimbursable to the Servicer

for related Advances, Servicing Advances and Servicing Fees (such amount, the “Net Liquidation Proceeds”) in respect of such Mortgage Loan.

A “Stepdown Date” means either the Group I Stepdown Date or the Group II Stepdown Date.

A “Trigger Event” means either the Group I Trigger Event or the Group II Trigger Event.

The “Unpaid Interest Shortfall Amount” means (i) for the first Distribution Date and with respect to the Class A Certificates, the Class AIO Certificates, the Class II-M1 Certificates, the Class BIO Certificates and the Mezzanine Components, zero, and (ii) for such class of Certificates or component and any Distribution Date after the first Distribution Date, the amount, if any, by which (a) the sum of (1) the Monthly Interest Distributable Amount for such class of Certificates or component for the immediately preceding Distribution Date and (2) the outstanding Unpaid Interest Shortfall Amount, if any, for such class of Certificates or component for such preceding Distribution Date exceeds (b) the aggregate amount distributed on such class of Certificates or component in respect of interest pursuant to clause (a) of this definition on such preceding Distribution Date, plus (except with respect to the Class AIO and Class BIO Certificates) interest on the amount of interest due but not paid on the class of Certificates or component on such preceding Distribution Date, to the extent permitted by law, at the Pass-Through Rate on such Distribution Date for such class of Certificates or component for the related Accrual Period.

Allocation of Available Funds

Distributions with respect to the Group I Certificates and the Group I Mezzanine Components will be made on each Distribution Date from “Group I Available Funds.” With respect to any Distribution Date, “Group I Available Funds” will be equal to the sum of the following amounts with respect to the Group I Mortgage Loans, net of amounts reimbursable therefrom to the Servicer and the Trustee:

1. the aggregate amount of scheduled monthly payments on the Group I Mortgage Loans due during the related Due Period and received by the related Determination Date, after deduction of the Servicing Fee with respect to such Group I Mortgage Loans for such Distribution Date and any accrued and unpaid Servicing Fees with respect to such Group I Mortgage Loans in respect of any prior Distribution Dates,
2. unscheduled payments in respect of the Group I Mortgage Loans, including prepayments, insurance proceeds, Net Liquidation Proceeds and proceeds from repurchases of and substitutions for such Group I Mortgage Loans occurring during the related Prepayment Period, excluding prepayment premiums, and
3. payments from the Servicer in connection with Advances and Prepayment Interest Shortfalls in respect of the Group I Mortgage Loans for such Distribution Date.

The holders of the Class I-P Certificates will be entitled to all prepayment premiums or charges received on the Group I Mortgage Loans and such amounts will not be part of Group I Available Funds or available for distribution with respect to the Group I Certificates or the Group I Mezzanine Components.

Distributions with respect to the Group II Certificates and the Group II Mezzanine Components will be made on each Distribution Date from “Group II Available Funds.” With respect to any Distribution Date, “Group II Available Funds” will be equal to the sum of the following amounts with respect to the Group II Mortgage Loans, net of amounts reimbursable therefrom to the Servicer and the Trustee:

1. the aggregate amount of scheduled monthly payments on the Group II Mortgage Loans due during the related Due Period and received by the related Determination Date, after deduction of the Servicing Fee with respect to such Group II Mortgage Loans for such Distribution Date and any accrued and unpaid Servicing Fees with respect to such Group II Mortgage Loans in respect of any prior Distribution Dates,
2. unscheduled payments in respect of the Group II Mortgage Loans, including prepayments, insurance proceeds, Net Liquidation Proceeds and proceeds from repurchases of and substitutions for such Group II Mortgage Loans occurring during the related Prepayment Period, excluding prepayment premiums, and
3. payments from the Servicer in connection with Advances and Prepayment Interest Shortfalls in respect of the Group II Mortgage Loans for such Distribution Date.

The holders of the Class II-P Certificates will be entitled to all prepayment premiums or charges received on the Group II Mortgage Loans and such amounts will not be part of Group II Available Funds or available for distribution with respect to the Group II Certificates or the Group II Mezzanine Components.

Interest Distributions on the Group I Certificates

On each Distribution Date the Trustee will withdraw from the Distribution Account that portion of Group I Available Funds for such Distribution Date consisting of the Group I Interest Remittance Amount for such Distribution Date, and make the following disbursements and transfers in the order of priority described below, in each case to the extent of the Group I Interest Remittance Amount remaining for such Distribution Date:

1. to Fannie Mae, for payment of (i) the Guaranty Fee and (ii) any Guarantor Reimbursement Amount then due;
2. *concurrently*, to the holders of the Class I-A and Class I-AIO Certificates, the related Monthly Interest Distributable Amount for each such class for such Distribution Date, on a pro rata basis based on the entitlement of each such class pursuant to this clause (2);
3. *concurrently*, to the holders of the Class I-A and Class I-AIO Certificates, the related Unpaid Interest Shortfall Amount, if any, for each such class for each such Distribution Date, on a pro rata basis based on the entitlement of each such class pursuant to this clause (3);
4. to the I-M2 Component, the related Monthly Interest Distributable Amount;
5. to the I-M3 Component, the related Monthly Interest Distributable Amount; and
6. *concurrently*, to the I-M4 Component and to the holders of the Class I-BIO Certificates, the related Monthly Interest Distributable Amount for each such component or class for such Distribution Date, on a pro rata basis based on the entitlement of each such component or class pursuant to this clause (6).

Any Group I Interest Remittance Amounts remaining undistributed following these distributions will be used in determining the amount of Group I Net Monthly Excess Cashflow, if any, for such Distribution Date. On any Distribution Date, any shortfalls with respect to the Group I Mortgage Loans

resulting from the application of the Relief Act and any Prepayment Interest Shortfalls to the extent not covered by Compensating Interest paid by the Servicer will first reduce Group I Net Monthly Excess Cashflow and then reduce the Monthly Interest Distributable Amounts with respect to the Group I Certificates and the Group I Mezzanine Components on a pro rata basis based on the respective amounts of interest accrued on such Certificates and components for such Distribution Date.

Interest Distributions on the Group II Certificates

On each Distribution Date the Trustee will withdraw from the Distribution Account that portion of Group II Available Funds for such Distribution Date consisting of the Group II Interest Remittance Amount for such Distribution Date, and make the following disbursements and transfers in the order of priority described below, in each case to the extent of the Group II Interest Remittance Amount remaining for such Distribution Date:

1. *concurrently*, to the holders of the Class II-A and Class II-AIO Certificates, the related Monthly Interest Distributable Amount for each such class for such Distribution Date, on a pro rata basis based on the entitlement of each such class pursuant to this clause (2);
2. *concurrently*, to the holders of the Class II-A and Class II-AIO Certificates, the related Unpaid Interest Shortfall Amount, if any, for each such class for each such Distribution Date, on a pro rata basis based on the entitlement of each such class pursuant to this clause (2);
3. to the holders of the Class II-M1 Certificates, the related Monthly Interest Distributable Amount;
4. to the II-M2 Component, the related Monthly Interest Distributable Amount;
5. to the II-M3 Component, the related Monthly Interest Distributable Amount; and
6. *concurrently*, to the II-M4 Component and to the holders of the Class II-BIO Certificates, the related Monthly Interest Distributable Amount for each such component or class for such Distribution Date, on a pro rata basis based on the entitlement of each such component or class pursuant to this clause (6).

Any Group II Interest Remittance Amounts remaining undistributed following these distributions will be used in determining the amount of Group II Net Monthly Excess Cashflow, if any, for such Distribution Date. On any Distribution Date, any shortfalls with respect to the Group II Mortgage Loans resulting from the application of the Relief Act and any Prepayment Interest Shortfalls to the extent not covered by Compensating Interest paid by the Servicer will first reduce Group II Net Monthly Excess Cashflow and then reduce the Monthly Interest Distributable Amounts with respect to the Group II Certificates and the Group II Mezzanine Components on a pro rata basis based on the respective amounts of interest accrued on such Certificates and components for such Distribution Date.

Principal Distributions on the Group I Certificates

On each Distribution Date (a) prior to the Group I Stepdown Date or (b) on which a Group I Trigger Event is in effect, the Trustee will withdraw from the Distribution Account that portion of Group I Available Funds equal to the Group I Principal Distribution Amount for such Distribution Date, and make the following disbursements and transfers in the order of priority described below, in each case to the extent of the Group I Principal Distribution Amount remaining for such Distribution Date:

1. to Fannie Mae, for payment of (i) the Guaranty Fee and (ii) any Guarantor Reimbursement Amount then due (to the extent not paid from the Group I Interest Remittance Amount for such Distribution Date);
2. to the holders of the Class I-A Certificates, until the Certificate Principal Balance thereof has been reduced to zero;
3. to the I-M2 Component, until the Component Principal Balance thereof has been reduced to zero;
4. to the I-M3 Component, until the Component Principal Balance thereof has been reduced to zero; and
5. to the I-M4 Component, until the Component Principal Balance thereof has been reduced to zero.

On each Distribution Date (a) on or after the Group I Stepdown Date and (b) on which a Group I Trigger Event is not in effect, the Trustee will withdraw from the Distribution Account that portion of Group I Available Funds equal to the Group I Principal Distribution Amount for such Distribution Date, and make the following disbursements and transfers in the order of priority described below, in each case to the extent of the Group I Principal Distribution Amount remaining for such Distribution Date:

1. to Fannie Mae, for payment of (i) the Guaranty Fee and (ii) any Guarantor Reimbursement Amount then due (to the extent not paid from the Group I Interest Remittance Amount for such Distribution Date);
2. to the holders of the Class I-A Certificates, the Class I-A Principal Distribution Amount, until the Certificate Principal Balance thereof has been reduced to zero;
3. to the I-M2 Component, the I-M2 Component Principal Distribution Amount, until the Component Principal Balance thereof has been reduced to zero;
4. to the I-M3 Component, the I-M3 Component Principal Distribution Amount, until the Component Principal Balance thereof has been reduced to zero; and
5. to the I-M4 Component, the I-M4 Component Principal Distribution Amount, until the Component Principal Balance thereof has been reduced to zero.

Any Group I Principal Distribution Amount remaining undistributed following these distributions will be used in determining the amount of Group I Net Monthly Excess Cashflow, if any, for such Distribution Date.

Principal Distributions on the Group II Certificates

On each Distribution Date (a) prior to the Group II Stepdown Date or (b) on which a Group II Trigger Event is in effect, the Trustee will withdraw from the Distribution Account that portion of Group II Available Funds equal to the Group II Principal Distribution Amount for such Distribution Date, and make the following disbursements and transfers in the order of priority described below, in each case to the extent of the Group II Principal Distribution Amount remaining for such Distribution Date:

1. to the holders of the Class II-A Certificates, until the Certificate Principal Balance thereof has been reduced to zero;
2. to the holders of the Class II-M1 Certificates, until the Certificate Principal Balance thereof has been reduced to zero;
3. to the II-M2 Component, until the Component Principal Balance thereof has been reduced to zero;
4. to the II-M3 Component, until the Component Principal Balance thereof has been reduced to zero; and
5. to the II-M4 Component, until the Component Principal Balance thereof has been reduced to zero.

On each Distribution Date (a) on or after the Group II Stepdown Date and (b) on which a Group II Trigger Event is not in effect, the Trustee will withdraw from the Distribution Account that portion of Group II Available Funds equal to the Group II Principal Distribution Amount for such Distribution Date, and make the following disbursements and transfers in the order of priority described below, in each case to the extent of the Group II Principal Distribution Amount remaining for such Distribution Date:

1. to the holders of the Class II-A Certificates, the Class II-A Principal Distribution Amount, until the Certificate Principal Balance thereof has been reduced to zero;
2. to the holders of the Class II-M1 Certificates, the Class II-M1 Principal Distribution Amount, until the Certificate Principal Balance thereof has been reduced to zero;
3. to the II-M2 Component, the II-M2 Component Principal Distribution Amount, until the Component Principal Balance thereof has been reduced to zero;
4. to the II-M3 Component, the II-M3 Component Principal Distribution Amount, until the Component Principal Balance thereof has been reduced to zero; and
5. to the II-M4 Component, the II-M4 Component Principal Distribution Amount, until the Component Principal Balance thereof has been reduced to zero.

Any Group II Principal Distribution Amount remaining undistributed following these distributions will be used in determining the amount of Group II Net Monthly Excess Cashflow, if any, for such Distribution Date.

Credit Enhancement

The credit enhancement provided for the benefit of the holders of the Certificates consists of excess interest, subordination, overcollateralization, cross-collateralization and with respect to the Class I-A and Class I-AIO Certificates, the Fannie Mae guaranty.

The rights of the holders of the Class BIO Certificates and Mezzanine Certificates to receive distributions will be subordinated, to the extent described in this information supplement, to the rights of the holders of the related Class A and Class AIO Certificates. This subordination is intended to enhance the likelihood of regular receipt by the holders of the Class A and Class AIO Certificates of the full

amount of their scheduled monthly payments of interest and principal, as applicable, and to afford such holders protection against Realized Losses.

The protection afforded to the Class I-A Certificates and the Class I-AIO Certificates by means of the subordination of the Class I-BIO Certificates and the Group I Mezzanine Components will be accomplished by (i) the preferential right of the Class I-A Certificates to receive on any Distribution Date, prior to distributions on the Class I-BIO Certificates and the Group I Mezzanine Components, distributions in respect of interest and principal, and the preferential right of the Class I-AIO Certificates to receive on any Distribution Date, prior to distributions on the Class I-BIO Certificates and the Group I Mezzanine Components, distributions of interest, in each case subject to funds available for such distributions, and (ii) if necessary, the right of the Class I-A Certificates and the Class I-AIO Certificates to receive future distributions of amounts that would otherwise be payable to the Class I-BIO Certificates and the Group I Mezzanine Components.

The protection afforded to the Class II-A Certificates and the Class II-AIO Certificates by means of the subordination of the Class II-M1 Certificates, Class II-BIO Certificates and the Group II Mezzanine Components will be accomplished by (i) the preferential right of the Class II-A Certificates to receive on any Distribution Date, prior to distributions on the Class II-M1 Certificates, Class II-BIO Certificates and the Group II Mezzanine Components, distributions in respect of interest and principal, and the preferential right of the Class II-AIO Certificates to receive on any Distribution Date, prior to distributions on the Class II-M1 Certificates, Class II-BIO Certificates and the Group II Mezzanine Components, distributions of interest, in each case subject to funds available for such distributions, and (ii) if necessary, the right of the holders of the Class II-A Certificates and the Class II-AIO Certificates to receive future distributions of amounts that would otherwise be payable to the Class II-M1 Certificates, Class II-BIO Certificates and the Group II Mezzanine Components.

In addition, the I-M2 Component, the I-M3 Component and the I-M4 Component will have the right to receive distributions in respect of the Group I Mortgage Loans in that order, and the Class II-M1 Certificates, the II-M2 Component, the II-M3 Component and the II-M4 Component will have the right to receive distributions in respect of the Group II Mortgage Loans in that order. This subordination is intended to enhance the likelihood of regular receipt by the more senior classes of Certificates and components of distributions in respect of interest and principal and to afford such classes of Certificates and components protection against Realized Losses.

Overcollateralization and Cross-Collateralization Provisions

The weighted average net Loan Rate for the Group I Mortgage Loans and Group II Mortgage Loans is generally expected to be higher than the weighted average of the Pass-Through Rates on the Group I Certificates and Group I Mezzanine Components and the Group II Certificates and the Group II Mezzanine Components, respectively. As a result, interest collections on the Mortgage Loans in a Loan Group are expected to be generated in excess of the amount of interest payable to the Group I Certificates and Group I Mezzanine Components and the Group II Certificates and the Group II Mezzanine Components, respectively, and the fees and expenses payable by the Trust. The Pooling Agreement requires that on each Distribution Date commencing with the December 2002 Distribution Date, the Group I Net Monthly Excess Cashflow and the Group II Net Monthly Excess Cashflow, if any, be applied on such Distribution Date as (i) an accelerated payment of principal on the related class or classes of Certificates and Components then entitled to receive distributions in respect of principal and (ii) a payment of principal in an amount equal to the Group I Overcollateralization Deficiency Amount or Group II Overcollateralization Deficiency Amount, as applicable, to the class or classes of Certificates and Components of the other Loan Group then entitled to receive distributions in respect of principal, but, in each case, only to the limited extent hereafter described.

With respect to any Distribution Date, any Group I Net Monthly Excess Cashflow will be paid as follows:

1. to the Group I Certificates and the Group I Mezzanine Components then entitled to receive distributions in respect of principal, in an amount equal to the principal portion of any Realized Losses incurred on the Group I Mortgage Loans during the related Prepayment Period, payable to such class or components as part of the Group I Principal Distribution Amount as described under “—Allocation of Available Funds—Principal Distributions on the Group I Certificates” above;
2. on and after the Distribution Date in December 2002, to the Group I Certificates and the Group I Mezzanine Components then entitled to receive distributions in respect of principal, in an amount equal to any Group I Overcollateralization Increase Amount, payable to such class or component as part of the Group I Principal Distribution Amount as described under “—Allocation of Available Funds—Principal Distributions on the Group I Certificates” above;
3. on and after the Distribution Date in December 2002, to the Group II Certificates and the Group II Mezzanine Components then entitled to receive distributions in respect of principal, in an amount equal to any positive excess of the Group II Overcollateralization Deficiency Amount over the Group II Net Monthly Excess Cashflow for such Distribution Date, allocated among such Group II Certificates and Group II Mezzanine Components (after giving effect to the distribution of the Group II Principal Distribution Amount to be made on such Distribution Date) as described under “—Allocation of Available Funds—Principal Distributions on the Group II Certificates” above;
4. to the I-M2 Component, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such component for such Distribution Date;
5. to the I-M2 Component, in an amount equal to the Allocated Realized Loss Amount allocable to such component for such Distribution Date;
6. to the I-M3 Component, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such component for such Distribution Date;
7. to the I-M3 Component, in an amount equal to the Allocated Realized Loss Amount allocable to such component for such Distribution Date;
8. *concurrently*, to the I-M4 Component and the holders of the Class I-BIO Certificates, in an amount equal to the Unpaid Interest Shortfall Amount allocable to each such component and class for such Distribution Date, allocated pro rata based on their respective entitlements;
9. to the I-M4 Component, in an amount equal to the Allocated Realized Loss Amount allocable to such component for such Distribution Date;
10. *concurrently*, to the holders of the Class I-A and Class I-AIO Certificates, in an amount equal to each such class’ previously allocated share of any Prepayment Interest Shortfalls and any shortfalls resulting from the application of the Relief Act, if any, allocated pro rata based on their respective entitlements;

11. to the I-M2 Component, in an amount equal to such component's previously allocated share of any Prepayment Interest Shortfalls and any shortfalls resulting from the application of the Relief Act, if any;
12. to the I-M3 Component, in an amount equal to such component's previously allocated share of any Prepayment Interest Shortfalls and any shortfalls resulting from the application of the Relief Act, if any;
13. *concurrently*, to the I-M4 Component and Class I-BIO Certificates, in an amount equal to each such component's or class' previously allocated share of any Prepayment Interest Shortfalls and any shortfalls resulting from the application of the Relief Act, if any, allocated pro rata based on their respective entitlements;
14. to the Group I Net WAC Reserve Fund for distribution to the holders of the Class I-A Certificates and to the I-M2, I-M3 and I-M4 Components, an amount equal to any Net WAC Carryover Amount for such class or component for such Distribution Date, in the order and priority described in "—Net WAC Reserve Funds" below;
15. to the holders of the Class I-X Certificates as provided in the Pooling Agreement; and
16. to the holders of the Residual Certificates, any remaining amounts.

On the first Distribution Date on which the aggregate Certificate Principal Balance of the Class I-A Certificates and the aggregate Component Principal Balance of the Group I Mezzanine Components have each been reduced to zero, the Class I-P Certificates shall be entitled to its Certificate Principal Balance prior to any distributions of Group I Net Monthly Excess Cashflow described above.

With respect to any Distribution Date, any Group II Net Monthly Excess Cashflow will be paid as follows:

1. to the Group II Certificates and the Group II Mezzanine Components then entitled to receive distributions in respect of principal, in an amount equal to the principal portion of any Realized Losses incurred on the Group II Mortgage Loans during the related Prepayment Period, payable to such holders as part of the Group II Principal Distribution Amount as described under "—Allocation of Available Funds—Principal Distributions on the Group II Certificates" above;
2. on and after the Distribution Date in December 2002, to the Group II Certificates and the Group II Mezzanine Components then entitled to receive distributions in respect of principal, in an amount equal to any Group II Overcollateralization Increase Amount, payable to such class or component as part of the Group II Principal Distribution Amount as described under "—Allocation of Available Funds—Principal Distributions on the Group II Certificates" above;
3. on and after the Distribution Date in December 2002, to the Group I Certificates and the Group I Mezzanine Components then entitled to receive distributions in respect of principal, in an amount equal to any positive excess of the Group I Overcollateralization Deficiency Amount over the Group I Net Monthly Excess Cashflow for such Distribution Date, allocated among such Group I Certificates and Group I Mezzanine Components (after giving effect to the distribution of the Group I Principal Distribution Amount to be

made on such Distribution Date) as described under “—Allocation of Available Funds—Principal Distributions on the Group I Certificates” above;

4. to the Class II-M1 Certificates, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such class for such Distribution Date;
5. to the Class II-M1 Certificates, in an amount equal to the Allocated Realized Loss Amount allocable to such class for such Distribution Date;
6. to the II-M2 Component, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such component for such Distribution Date;
7. to the II-M2 Component, in an amount equal to the Allocated Realized Loss Amount allocable to such component for such Distribution Date;
8. to the II-M3 Component, in an amount equal to the Unpaid Interest Shortfall Amount allocable to such component for such Distribution Date;
9. to the II-M3 Component, in an amount equal to the Allocated Realized Loss Amount allocable to such component for such Distribution Date;
10. *concurrently*, to the II-M4 Component and the holders of the Class II-BIO Certificates, in an amount equal to the Unpaid Interest Shortfall Amount allocable to each such component and class for such Distribution Date, allocated pro rata based on their respective entitlements;
11. to the II-M4 Component, in an amount equal to the Allocated Realized Loss Amount allocable to such component for such Distribution Date;
12. *concurrently*, to the holders of the Class II-A and Class II-AIO Certificates, in an amount equal to each such class’ previously allocated share of any Prepayment Interest Shortfalls and any shortfalls resulting from the application of the Relief Act, if any, allocated pro rata based on their respective entitlements;
13. to the Class II-M1 Certificates, in an amount equal to such class’ previously allocated share of any Prepayment Interest Shortfalls and any shortfalls resulting from the application of the Relief Act, if any;
14. to the II-M2 Component, in an amount equal to such component’s previously allocated share of any Prepayment Interest Shortfalls and any shortfalls resulting from the application of the Relief Act, if any;
15. to the II-M3 Component, in an amount equal to such component’s previously allocated share of any Prepayment Interest Shortfalls and any shortfalls resulting from the application of the Relief Act, if any;
16. *concurrently*, to the II-M4 Component and Class II-BIO Certificates, in an amount equal to each such component’s or class’ previously allocated share of any Prepayment Interest Shortfalls and any shortfalls resulting from the application of the Relief Act, if any, allocated pro rata based on their respective entitlements;

17. to the Group II Net WAC Reserve Fund for distribution to the holders of the Class II-A and Class II-M1 Certificates and to the II-M2, II-M3 and II-M4 Components, an amount equal to any Net WAC Carryover Amount for such class or component for such Distribution Date, in the order and priority described in “—Net WAC Reserve Funds” below;
18. to the holders of the Class II-X Certificates as provided in the Pooling Agreement; and
19. to the holders of the Residual Certificates, any remaining amounts.

On the first Distribution Date on which the aggregate Certificate Principal Balance of the Class II-A Certificates and the aggregate Component Principal Balance of the Group II Mezzanine Components have each been reduced to zero, the Class II-P Certificates shall be entitled to its Certificate Principal Balance prior to any distributions of Group II Net Monthly Excess Cashflow described above.

Fannie Mae Guaranty

On each Distribution Date, Fannie Mae, as Guarantor, will be entitled to receive the Guaranty Fee payable primarily from interest collections on the Group I Mortgage Loans with respect to such Distribution Date. The Guarantor, in consideration of the payment of the Guaranty Fee, will guarantee (the “Guaranty”) the timely payment of interest due on the Class I-A and Class I-AIO Certificates (the “Guaranteed Certificates”), subject to the limitations described below, and the ultimate payment of principal on the Class I-A Certificates. On each applicable Distribution Date, a draw will be made on the Guaranty equal to the sum of the Guaranteed Interest Distribution Amount, if any, and the Guaranteed Principal Distribution Amount, if any. The Guaranty will not cover any Net WAC Rate Carryover Amount with respect to the Class I-A Certificates, although it will cover Net Prepayment Interest Shortfalls and shortfalls resulting from application of the Relief Act.

In addition to the Guaranty Fee, Fannie Mae will be entitled to the Guarantor Reimbursement Amount relating to all Guaranteed Interest Distribution Amounts and Guaranteed Principal Distribution Amounts paid by it. The Guaranty Fee and Guarantor Reimbursement Amounts will be paid from the Group I Interest Remittance Amount and the Group I Principal Distribution Amount prior to any other distributions from the Group I Interest Remittance Amount or the Group I Principal Distribution Amount.

The “Guaranty Fee” for any Distribution Date and with respect to the Guaranteed Certificates, is the fee payable to the Guarantor in respect of its services as guarantor that accrues at the applicable Guaranty Fee Rate for the Guaranteed Certificates on a balance equal to the aggregate Certificate Principal Balance of the Class I-A Certificates immediately prior to such Distribution Date.

The “Guaranty Fee Rate” is a rate per annum specified in a side letter of the Guarantor addressed to the Trustee, the Depositor, the Seller and the Servicer.

The “Guaranteed Interest Distribution Amount” for any Distribution Date and the Guaranteed Certificates is the amount, if any, by which the (i) sum of (x) the Monthly Interest Distributable Amount and the Unpaid Interest Shortfall Amount payable on the Guaranteed Certificates for such Distribution Date and (y) the Net Prepayment Interest Shortfalls and Relief Act Interest Shortfalls allocated to the Guaranteed Certificates for such Distribution Date, exceeds (ii) the amount of interest actually paid to the holders of the Guaranteed Certificates on such Distribution Date.

The “Guaranteed Principal Distribution Amount” with respect to any Distribution Date is the amount, if any, by which (i) the aggregate Certificate Principal Balance of the Class I-A Certificates (after

giving effect to all amounts distributable and allocable to principal on such Class I-A Certificates but prior to giving effect to any Guarantor Payment on such Distribution Date) exceeds (ii) the aggregate Principal Balance of the Group I Mortgage Loans (after giving effect to the principal portion of monthly payments due during the related Due Period, to the extent received or advanced, and unscheduled collections of principal received during the related Prepayment Period) as of the last day of the related Due Period.

The “Guarantor Interest Reimbursement Amount” with respect to any Distribution Date is (i) the sum of any accrued but unpaid Guaranty Fees, including the Guaranty Fee due on such Distribution Date, and (ii) the sum of all amounts paid by the Guarantor in respect of Guaranteed Interest Distribution Amounts on all prior Distribution Dates to the extent not previously reimbursed.

A “Guarantor Payment” is any payment made by the Guarantor in respect of a Guaranteed Interest Distribution Amount or a Guaranteed Principal Distribution Amount.

The “Guarantor Principal Reimbursement Amount” with respect to any Distribution Date is the sum of all amounts paid by the Guarantor in respect of Guaranteed Principal Distribution Amounts on all prior Distribution Dates to the extent not previously reimbursed.

The “Guarantor Reimbursement Amount” with respect to any Distribution Date is the sum of the Guarantor Interest Reimbursement Amount and the Guarantor Principal Reimbursement Amount.

Allocation of Losses; Subordination

Any Realized Losses on the Group I Mortgage Loans on any Distribution Date will reduce amounts distributable in respect of, first, the Class I-X Certificates (through the reduction of the Group I Net Monthly Excess Cashflow resulting both from a reduction in the Group I Overcollateralization Release Amount which reduces the amount of the Group I Net Monthly Excess Cashflow and the application of the Group I Net Monthly Excess Cashflow to fund the amount of the Group I Overcollateralization Deficiency Amount, if any, caused by such Realized Losses); second, the I-M4 Component; third, the I-M3 Component; and fourth, the I-M2 Component. Any Realized Losses on the Group II Mortgage Loans on any Distribution Date will reduce amounts distributable in respect of, first, the Class II-X Certificates (through the reduction of the Group II Net Monthly Excess Cashflow resulting both from a reduction in the Group II Overcollateralization Release Amount which reduces the amount of the Group II Net Monthly Excess Cashflow and the application of the Group II Net Monthly Excess Cashflow to fund the amount of the Group II Overcollateralization Deficiency Amount, if any, caused by such Realized Losses); second, the II-M4 Component; third, the II-M3 Component; fourth, the II-M2 Component; and fifth, the Class II-M1 Certificates.

If Realized Losses occur, such Realized Losses will reduce the aggregate Principal Balance of the Mortgage Loans in the related Loan Group. Such a reduction may reduce the Group I Overcollateralized Amount or the Group II Overcollateralized Amount, as applicable, and may result in a Group I Overcollateralization Deficiency Amount or a Group II Overcollateralization Deficiency Amount. If on any Distribution Date after giving effect to all Realized Losses incurred with respect to the Group I Mortgage Loans during the related Due Period and distributions of principal with respect to the Class I-A Certificates and the Group I Mezzanine Components on such Distribution Date, a Group I Overcollateralization Deficiency Amount exists and such amount exceeds the Group I Net Monthly Excess Cashflow available to absorb Realized Losses, the Realized Losses equal to the amount of such excess will be allocated to the Group I Mezzanine Components in the following order: first to the I-M4 Component, until the Component Principal Balance thereof has been reduced to zero, second, to the I-M3

Component, until the Component Principal Balance thereof has been reduced to zero, and third, to the I-M2 Component until the Component Principal Balance thereof has been reduced to zero.

If on any Distribution Date after giving effect to all Realized Losses incurred with respect to the Group II Mortgage Loans during the related Due Period and distributions of principal with respect to the Class II-A Certificates, the Class II-M1 Certificates and the Group II Mezzanine Components on such Distribution Date, a Group II Overcollateralization Deficiency Amount exists and such amount exceeds the Group II Net Monthly Excess Cashflow available to absorb Realized Losses, the Realized Losses equal to the amount of such excess will be allocated to the Class II-M1 Certificates and the Group II Mezzanine Components in the following order: first to the II-M4 Component, until the Component Principal Balance thereof has been reduced to zero, second to the II-M3 Component, until the Component Principal Balance thereof has been reduced to zero, third to the II-M2 Component until the Component Principal Balance thereof has been reduced to zero, and fourth to the Class II-M1 Certificates until the Certificate Principal Balance thereof has been reduced to zero.

Any allocation of Realized Losses to the Class II-M1 Certificates or the Mezzanine Components will be made by reducing the Certificate Principal Balance or Component Principal Balance thereof by the amount so allocated as of the Distribution Date in the month following the calendar month in which such Realized Loss was incurred. Notwithstanding anything to the contrary in this information supplement, in no event will the Certificate Principal Balance or Component Principal Balance of any Class II-M1 Certificate or Mezzanine Component be reduced more than once in respect of any particular amount both (i) allocable to such Class II-M1 Certificate or Mezzanine Component in respect of Realized Losses and (ii) payable as principal to the holder of such Class II-M1 Certificate or Mezzanine Component from Group I Net Monthly Excess Cashflow or Group II Net Monthly Excess Cashflow, as the case may be.

The Pooling Agreement does not permit the allocation of Realized Losses to the Class A Certificates, the Class AIO Certificates or the Class P Certificates. Investors in the Class A Certificates should note that although Realized Losses cannot be allocated to the Class A Certificates, under certain loss scenarios there will not be enough principal and interest on the related Mortgage Loans on a Distribution Date to pay the Class A Certificates all interest and principal amounts, as applicable, to which they are then entitled.

Once Realized Losses have been allocated to the Class II-M1 Certificates or the Mezzanine Components, such amounts with respect to such Certificates or components will no longer accrue interest nor will such amounts be reinstated thereafter. However, Allocated Realized Loss Amounts may be paid to the Group I Mezzanine Components from the Group I Net Monthly Excess Cashflow and to the Class II-M1 Certificates and the Group II Mezzanine Components from Group II Net Monthly Excess Cashflow, as the case may be, according to the priorities set forth under “—Overcollateralization and Cross-Collateralization Provisions” above.

Pass-Through Rates

The “Pass-Through Rate” on any Distribution Date with respect to the Class A Certificates, the Class II-M1 Certificates and the Mezzanine Components will equal the lesser of (a) the related Formula Rate and (b) the related Net WAC Rate for such Distribution Date. With respect to the Class A Certificates, the Class II-M1 Certificates and the Mezzanine Components, interest in respect of any Distribution Date will accrue during the related Accrual Period on the basis of a 360-day year and the actual number of days elapsed.

On or prior to the Distribution Date in April 2005, the Pass-Through Rate for the Class I-AIO Certificates will equal the lesser of (a) 5.25% per annum and (b) the Class I-AIO Net WAC Rate for such Distribution Date. After the Distribution Date in April 2005, the Pass-Through Rate for the Class I-AIO Certificates will be 0.00% per annum, and such class will cease to accrue interest. With respect to the Class I-AIO Certificates, interest in respect of any Distribution Date will accrue during the related Accrual Period on the basis of a 360-day year consisting of twelve 30-day months.

On or prior to the Distribution Date in April 2005, the Pass-Through Rate for the Class II-AIO Certificates will equal the lesser of (a) 5.00% per annum and (b) the Class II-AIO Net WAC Rate for such Distribution Date. After the Distribution Date in April 2005, the Pass-Through Rate for the Class II-AIO Certificates will be 0.00% per annum, and such class will cease to accrue interest. With respect to the Class II-AIO Certificates, interest in respect of any Distribution Date will accrue during the related Accrual Period on the basis of a 360-day year consisting of twelve 30-day months.

The Pass-Through Rate for the Class I-BIO Certificates for each Distribution Date on or prior to the Distribution Date in April 2004 will be a per annum rate equal to the lesser of (a) 3.50% and (b) the Class I-BIO Cap Rate for such Distribution Date. After the Distribution Date in April 2004, the Pass-Through Rate for the Class I-BIO Certificates will be 0.00% per annum, and such class will cease to accrue interest. With respect to the Class I-BIO Certificates, interest in respect of any Distribution Date will accrue during the related Accrual Period on the basis of a 360-day year consisting of twelve 30-day months.

The Pass-Through Rate for the Class II-BIO Certificates for each Distribution Date on or prior to the Distribution Date in April 2004 will be a per annum rate equal to the lesser of (a) 3.50% and (b) the Class II-BIO Cap Rate for such Distribution Date. After the Distribution Date in April 2004, the Pass-Through Rate for the Class II-BIO Certificates will be 0.00% per annum, and such class will cease to accrue interest. With respect to the Class II-BIO Certificates, interest in respect of any Distribution Date will accrue during the related Accrual Period on the basis of a 360-day year consisting of twelve 30-day months.

The “Net WAC Rate” for any Distribution Date with respect to the Class I-A Certificates and the Group I Mezzanine Components shall be a per annum rate (subject to adjustment based on the actual number of days elapsed in the related Accrual Period) equal to the difference between (A) the weighted average of the Loan Rates of the Group I Mortgage Loans as of the first day of the month preceding the month of such Distribution Date, weighted on the basis of the related Principal Balances as of such date and (B) the sum of (1) the Servicing Fee Rate for the Group I Mortgage Loans, (2) the Guaranty Fee for such Distribution Date, multiplied by a fraction, the numerator of which is twelve and the denominator of which is the aggregate outstanding Principal Balance of the Group I Mortgage Loans as of the first day of the month preceding the month of such Distribution Date (expressed as a percentage) and (3) the aggregate of the Monthly Interest Distributable Amounts for the Class I-AIO and Class I-BIO Certificates for such Distribution Date, multiplied by a fraction, the numerator of which is twelve and the denominator of which is the aggregate outstanding Principal Balance of the Group I Mortgage Loans as of the first day of the month preceding the month of such Distribution Date (expressed as a percentage). The “Net WAC Rate” for any Distribution Date with respect to the Class II-A Certificates, the Class II-M1 Certificates and the Group II Mezzanine Components shall be a per annum rate (subject to adjustment based on the actual number of days elapsed in the related Accrual Period) equal to the difference between (A) the weighted average of the Loan Rates of the Group II Mortgage Loans as of the first day of the month preceding the month of such Distribution Date, weighted on the basis of the related Principal Balances as of such date and (B) the sum of (1) the Servicing Fee Rate for the Group II Mortgage Loans and (2) the aggregate of the Monthly Interest Distributable Amounts for the Class II-AIO and Class II-BIO Certificates for such Distribution Date, multiplied by a fraction, the numerator of which is twelve and the

denominator of which is the aggregate outstanding Principal Balance of the Group II Mortgage Loans as of the first day of the month preceding the month of such Distribution Date (expressed as a percentage).

The “Class I-AIO Net WAC Rate” for any Distribution Date on or prior to the Distribution Date in April 2005, shall be a per annum rate equal to the difference between (A) the weighted average of the Loan Rates of the Group I Mortgage Loans as of the first day of the month preceding the month of such Distribution Date, weighted on the basis of the related Principal Balances as of such date and (B) the sum of (1) the Servicing Fee Rate for the Group I Mortgage Loans and (2) the Guaranty Fee for such Distribution Date, multiplied by a fraction, the numerator of which is twelve and the denominator of which is the aggregate outstanding Principal Balance of the Group I Mortgage Loans as of the first day of the month preceding the month of such Distribution Date (expressed as a percentage).

The “Class II-AIO Net WAC Rate” for any Distribution Date on or prior to the Distribution Date in April 2005, shall be a per annum rate equal to the difference between (A) the weighted average of the Loan Rates of the Group II Mortgage Loans as of the first day of the month preceding the month of such Distribution Date, weighted on the basis of the related Principal Balances as of such date and (B) the Servicing Fee Rate for the Group II Mortgage Loans.

The “Class I-BIO Cap Rate” for any Distribution Date on or prior to the Distribution Date in April 2004 shall be a per annum rate equal to the difference between (A) the weighted average of the Loan Rates of the Group I Mortgage Loans as of the first day of the month preceding the month of such Distribution Date, weighted on the basis of the related Principal Balances as of such date and (B) the sum of (1) the Servicing Fee Rate for the Group I Mortgage Loans, (2) the Guaranty Fee for such Distribution Date, multiplied by a fraction, the numerator of which is twelve and the denominator of which is the aggregate outstanding Principal Balance of the Group I Mortgage Loans as of the first day of the month preceding the month of such Distribution Date (expressed as a percentage) and (3) the Monthly Interest Distributable Amount for the Class I-AIO Certificates for such Distribution Date, multiplied by a fraction, the numerator of which is twelve and the denominator of which is the aggregate outstanding Principal Balance of the Group I Mortgage Loans as of the first day of the month preceding the month of such Distribution Date (expressed as a percentage), subject to adjustment on the first Accrual Period based on the actual number of days elapsed during the first Accrual Period.

The “Class II-BIO Cap Rate” for any Distribution Date on or prior to the Distribution Date in April 2004 shall be a per annum rate equal to the difference between (A) the weighted average of the Loan Rates of the Group II Mortgage Loans as of the first day of the month preceding the month of such Distribution Date, weighted on the basis of the related Principal Balances as of such date and (B) the sum of (1) the Servicing Fee Rate for the Group II Mortgage Loans and (2) the Monthly Interest Distributable Amount for the Class II-AIO Certificates for such Distribution Date, multiplied by a fraction, the numerator of which is twelve and the denominator of which is the aggregate outstanding Principal Balance of the Group II Mortgage Loans as of the first day of the month preceding the month of such Distribution Date (expressed as a percentage), subject to adjustment on the first Accrual Period based on the actual number of days elapsed during the first Accrual Period.

The “Formula Rate” for the Class A Certificates, the Class II-M1 Certificates and the Mezzanine Components is the sum of the interbank offered rate for one-month United States dollar deposits in the London market (the “Certificate Index”) as of the related LIBOR Determination Date (as defined herein) plus a related margin (the “Certificate Margin”). The Certificate Margins with respect to the Class A Certificates, the Class II-M1 Certificates and the Mezzanine Components on each Distribution Date will be as follows:

Class of Certificates or Component	Certificate Margin to and Including the Optional Termination Date	Certificate Margin after the Optional Termination Date
Class I-A	0.160%	0.320%
Class II-A	0.400%	0.800%
Class II-M1	0.850%	1.275%
I-M2 and II-M2	1.550%	2.325%
I-M3 and II-M3	2.450%	3.675%
I-M4 and II-M4	3.000%	4.500%

Net WAC Reserve Funds

On the Closing Date, the Trustee will establish a Group I Net WAC Reserve Fund account (the “Group I Net WAC Reserve Fund”) and a Group II Net WAC Reserve Fund account (the “Group II Net WAC Reserve Fund” and together, with the Group I Net WAC Reserve Fund, the “Net WAC Reserve Funds”) from which payments in respect of Net WAC Rate Carryover Amounts (as defined below) on the related Class A Certificates, Class II-M1 Certificates and Mezzanine Components will be made. The Net WAC Reserve Funds will be an asset of the Trust but not of any REMIC. On each Distribution Date, following the distribution of the Group I Available Funds and Group II Available Funds as described under “—Overcollateralization and Cross-Collateralization Provisions” above, the Trustee will withdraw from amounts in the Group I Net WAC Reserve Fund and the Group II Net WAC Reserve Fund to pay (a) the Class I-A Certificates and the Group I Mezzanine Components and (b) the Class II-A Certificates, the Class II-M1 Certificates and the Group II Mezzanine Components, respectively, any Net WAC Rate Carryover Amounts.

Amounts in the Group I Net WAC Reserve Fund will be distributed in the following order of priority to the extent of amounts remaining in the Group I Net WAC Reserve Fund:

- (1) to the Class I-A Certificates, the Net WAC Rate Carryover Amount for such class;
- (2) to the I-M2 Component, the Net WAC Rate Carryover Amount for such component;
- (3) to the I-M3 Component, the Net WAC Rate Carryover Amount for such component; and
- (4) to the I-M4 Component, the Net WAC Rate Carryover Amount for such component.

Amounts in the Group II Net WAC Reserve Fund will be distributed in the following order of priority to the extent of amounts remaining in the Group II Net WAC Reserve Fund:

- (1) to the Class II-A Certificates, the Net WAC Rate Carryover Amount for such class;
- (2) to the Class II-M1 Certificates, the Net WAC Rate Carryover Amount for such class;
- (3) to the II-M2 Component, the Net WAC Rate Carryover Amount for such component;
- (4) to the II-M3 Component, the Net WAC Rate Carryover Amount for such component; and
- (5) to the II-M4 Component, the Net WAC Rate Carryover Amount for such component.

If on any Distribution Date, the Pass-Through Rate for the Class A Certificates, the Class II-M1 Certificates or any of the Mezzanine Components is the related Net WAC Rate, then the “Net WAC Rate Carryover Amount” for such class or component for such Distribution Date is an amount equal to the sum of (i) the excess of (x) the amount of interest such class or component accrued for such Distribution Date at the related Formula Rate, over (y) the amount of interest such class or component accrued for such Distribution Date at the related Net WAC Rate and (ii) the unpaid portion of any Net WAC Rate Carryover Amount from the prior Distribution Date together with interest accrued on such unpaid portion for the most recently ended Accrual Period at the Formula Rate applicable for such class or component for such Accrual Period. Any Net WAC Rate Carryover Amount on the Class A Certificates, the Class II-M1 Certificates or any of the Mezzanine Components will be paid on that Distribution Date to the extent of funds available therefor in accordance with the priorities described above.

Calculation of One-Month LIBOR

On the second LIBOR Business Day (as defined below) preceding the commencement of each Accrual Period for the LIBOR Certificates (each such date, a “LIBOR Determination Date”), the Trustee will determine the Certificate Index for such Accrual Period for the LIBOR Certificates on the basis of the London interbank offered rate for one-month United States dollar deposits, as such rates appear on the Telerate Page 3750, as of 11:00 a.m. (London time) on such LIBOR Determination Date. If such rate does not appear on Telerate Page 3750, the rate for that day will be determined on the basis of the offered rates of the Reference Banks (as defined herein) for one-month United States dollar deposits, as of 11:00 a.m. (London time) on such LIBOR Determination Date. The Trustee will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If on such LIBOR Determination Date two or more Reference Banks provide such offered quotations, the Certificate Index for the related Accrual Period will be the arithmetic mean of such offered quotations (rounded upwards if necessary to the nearest whole multiple of 0.0625%). If on such LIBOR Determination Date fewer than two Reference Banks provide such offered quotations, the Certificate Index for the related Accrual Period shall be the higher of (x) the Certificate Index as determined on the previous LIBOR Determination Date and (y) the Reserve Interest Rate (as defined herein).

As used in this section, “LIBOR Business Day” means a day on which banks are open for dealing in foreign currency and exchange in London and New York City; “Telerate Page 3750” means the display page currently so designated on the Dow Jones Telerate Capital Markets Report (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices); “Reference Banks” means leading banks selected by the Trustee and engaged in transactions in Eurodollar deposits in the international Eurocurrency market (1) with an established place of business in London, (2) which have been designated as such by the Trustee and (3) not controlling, controlled by or under common control with, the Depositor, the Servicer or any successor servicer or the Originator; and “Reserve Interest Rate” shall be the rate per annum that the Trustee determines to be either (x) the arithmetic mean (rounded upwards if necessary to the nearest whole multiple of 0.0625%) of the one-month United States dollar lending rates which New York City banks selected by the Trustee are quoting on the relevant LIBOR Determination Date to the principal London offices of leading banks in the London interbank market or (y) in the event that the Trustee can determine no such arithmetic mean, the lowest one-month United States dollar lending rate which New York City banks selected by the Trustee are quoting on such LIBOR Determination Date to leading European banks.

The establishment of the Certificate Index on each LIBOR Determination Date by the Trustee and its calculation of the rates of interest applicable to the Class A Certificates, the Class II-M1 Certificates and the Mezzanine Components for the related Accrual Period will (in the absence of manifest error) be final and binding.

Reports to Certificateholders

On each Distribution Date, the Trustee will provide or make available to each holder of a Certificate and the Rating Agencies a statement (based solely on information received from the Servicer) setting forth, among other things:

- (i) the amount of distributions with respect to each class of Certificates and components;
- (ii) the amount of such distributions set forth in clause (i) allocable to principal, separately identifying the aggregate amount of any principal prepayments or other unscheduled recoveries of principal included therein;
- (iii) the amount of such distributions set forth in clause (i) allocable to interest and the calculation thereof;
- (iv) the amount of any Net WAC Rate Carryover Amounts or Unpaid Interest Shortfall Amounts;
- (v) the Group I Interest Remittance Amount and the Group II Interest Remittance Amount and the Group I Principal Remittance Amount and Group II Principal Remittance Amount for such Distribution Date;
- (vi) cumulative Guarantor Payments under the Guaranty after giving effect to distributions to be made on such Distribution Date;
- (vii) any Guarantor Reimbursement Amount paid to the Guarantor and the amount, if any, allocable to principal and interest;
- (viii) the Certificate Principal Balance of each class of Certificates and the component Principal Balance of each component after giving effect to the distribution of principal on such Distribution Date;
- (ix) the aggregate Principal Balance for the Group I Mortgage Loans and the Group II Mortgage Loans at the end of the related Due Period;
- (x) by Loan Group and in the aggregate, the amounts of Servicing Fees paid to or retained by the Servicer;
- (xi) by Loan Group and in the aggregate, the amount of Advances made by the Servicer for the related Due Period, the amount of unrecovered Advances (after giving effect to Advances made on the Distribution Date) outstanding, and the aggregate amount of non-recoverable Advances for such Distribution Date;
- (xii) by Loan Group and in the aggregate, the number and aggregate Principal Balance of Mortgage Loans that were (A) delinquent (exclusive of Mortgage Loans in bankruptcy or foreclosure or REO Properties) (1) 30 to 59 days, (2) 60 to 89 days and (3) 90 or more days, as of the last day of the calendar month, (B) in foreclosure, (C) in bankruptcy and (D) REO Properties;
- (xiii) the aggregate Principal Balance of all Mortgage Loans with respect to which the related Mortgaged Property was acquired by the Trust in foreclosure or by deed in lieu of

foreclosure (any such mortgaged property, an “REO Property”) as of the close of business on the last day of the related Prepayment Period;

(xiv) by Loan Group and in the aggregate, the amount of Realized Losses incurred during the related Prepayment Period and the cumulative amount of Realized Losses;

(xv) by Loan Group and in the aggregate, the amount of any Net Prepayment Interest Shortfalls for such Distribution Date to the extent not covered by the Servicer and the amount of any Relief Act Interest Shortfalls for such Distribution Date;

(xvi) any Group I Overcollateralization Deficiency Amount or Group II Overcollateralization Deficiency Amount (in each case, after giving effect to distribution of principal on such Distribution Date);

(xvii) by Loan Group and in the aggregate, the aggregate Principal Balance of Mortgage Loans repurchased by the Originator;

(xviii) the date when a Stepdown Date or a Trigger Event has occurred; and

(xix) the Group I Overcollateralization Target Amount and the Group II Overcollateralization Target Amount as of such Distribution Date.

The Trustee will make the statement (and, at its option, any additional files containing the same information in an alternative format) available each month via the Trustee’s website. The Trustee’s website will initially be located at www.usbank.com/abs. The fax on demand service can be obtained by calling the Trustee’s customer service desk at (800) 934-6802. Parties that are unable to use the above distribution option are entitled to have a paper copy mailed to them via first class mail by calling the customer service desk and so indicating. The Trustee shall have the right to change the way statements are distributed in order to make such distribution more convenient and/or more accessible to the above parties and the Trustee shall provide timely and adequate notification to all above parties regarding any such changes.

In addition, within a reasonable period of time after the end of each calendar year, the Trustee will prepare and deliver to each holder of a Certificate of record during the previous calendar year a statement containing information necessary to enable holders of the certificates to prepare their tax returns. Such statements will not have been examined and reported upon by an independent public accountant.

THE POOLING AGREEMENT

General

The Certificates will be issued pursuant to the Pooling Agreement among the Depositor, the Seller, the Servicer, Fannie Mae, as Guarantor and the Trustee. The Trust created under the Pooling Agreement will consist of (i) all of the Depositor's right, title and interest in the Mortgage Loans, the related mortgage notes, mortgages and other related documents, (ii) all payments on or collections in respect of the Mortgage Loans due after the Cut-off Date, together with any proceeds thereof, (iii) any Mortgaged Properties acquired on behalf of certificateholders by foreclosure or by deed in lieu of foreclosure, and any revenues received thereon, (iv) the rights of the Trustee under the Guaranty and all insurance policies required to be maintained pursuant to the Pooling Agreement, (v) the Net WAC Reserve Funds and (vi) the rights of the Seller under the Mortgage Loan Purchase Agreement. The Certificates will be transferable and exchangeable at the corporate trust offices of the Trustee.

Fannie Mae, as a party to the Pooling Agreement, will have certain rights thereunder, including, among other things, the right to be reimbursed for payments made on the Guaranty and voting rights with respect to the Fannie Mae Certificates. The Certificates, other than the Class I-A and Class I-AIO Certificates, will not be guaranteed by Fannie Mae.

Assignment of the Mortgage Loans

On the Closing Date, the Depositor will transfer to the Trust all of its right, title and interest in and to each Mortgage Loan, the related mortgage note, mortgage, assignment of mortgage in recordable form to the Trustee and other related documents (collectively, the "Related Documents"), including all scheduled payments with respect to each such Mortgage Loan due after the Cut-off Date. The Trustee, concurrently with such transfer, will deliver the Certificates to the Depositor. Each Mortgage Loan transferred to the Trust will be identified on a schedule (the "Mortgage Loan Schedule") delivered to the Trustee pursuant to the Pooling Agreement. Such schedule will include information such as the Principal Balance of each Mortgage Loan as of the Cut-off Date and its Loan Rate as well as other information.

The Pooling Agreement will require that, within the time period specified therein, the Depositor will deliver or cause to be delivered to the Trustee (or a custodian, as the Trustee's agent for such purpose) the mortgage notes endorsed in blank or to the Trustee on behalf of the certificateholders and the Related Documents. In lieu of delivery of original mortgages or mortgage notes, if such original is not available or lost, the Depositor may deliver or cause to be delivered true and correct copies thereof, or, with respect to a lost mortgage note, a lost note affidavit executed by the Originator. The assignments of mortgage are generally required to be recorded by or on behalf of the Trust in the appropriate offices for real property records. Any cost associated with the recording of such assignments of mortgage will not be an expense of the Trust or the Trustee.

Within 45 days of the Closing Date, the Trustee (or a custodian) will review the Mortgage Loans and the Related Documents pursuant to the Pooling Agreement and if any Mortgage Loan or Related Document is found to be defective in any material respect and such defect is not cured within 90 days following notification thereof to the Originator, the Originator will be obligated to either (x) substitute for such Mortgage Loan one or more Qualified Substitute Mortgage Loans; however, such substitution is permitted only within two years of the Closing Date and may not be made unless an opinion of counsel is provided to the effect that such substitution will not disqualify any of the REMICs as a REMIC or result in a prohibited transaction tax under the Internal Revenue Code or (y) purchase such Mortgage Loan at a price (the "Purchase Price") equal to the outstanding Principal Balance of such Mortgage Loan as of the date of purchase, plus all accrued and unpaid interest thereon, computed at the Loan Rate through the end

of the calendar month in which the purchase is effected, plus the amount of any unreimbursed Advances and Servicing Advances made by the Servicer. The Purchase Price will be deposited in the Distribution Account on or prior to the next succeeding Determination Date after such obligation arises. The obligation of the Originator to repurchase or substitute for a Deleted Mortgage Loan is the sole remedy regarding any defects in the Mortgage Loans and Related Documents available to the Trustee or the certificateholders.

In connection with the substitution of a Qualified Substitute Mortgage Loan, the Originator will be required to deposit or cause to be deposited in the Collection Account on or prior to the next succeeding Determination Date after such obligation arises an amount (the "Substitution Adjustment") equal to the excess of the Principal Balance of the related Deleted Mortgage Loan over the Principal Balance of such Qualified Substitute Mortgage Loan.

A "Qualified Substitute Mortgage Loan" is a mortgage loan substituted by the Originator for a Deleted Mortgage Loan which must, on the date of such substitution, (i) have an outstanding Principal Balance (or in the case of a substitution of more than one Mortgage Loan for a Deleted Mortgage Loan, an aggregate Principal Balance), not in excess of, and not more than 5% less than, the Principal Balance of the Deleted Mortgage Loan; (ii) have a Loan Rate not less than the Loan Rate of the Deleted Mortgage Loan and not more than 1% in excess of the Loan Rate of such Deleted Mortgage Loan; (iii) if an adjustable-rate mortgage loan, have a Maximum Loan Rate and Minimum Loan Rate not less than the Maximum Loan Rate and Minimum Loan Rate for the Deleted Mortgage Loan and have a Gross Margin equal to or greater than the Deleted Mortgage Loan, and have the same Index and Adjustment Date frequency as the Deleted Mortgage Loan; (iv) have the same Due Date as the Deleted Mortgage Loan; (v) have a remaining term to maturity not more than one year earlier and not later than the remaining term to maturity of the Deleted Mortgage Loan; (vi) comply with each representation and warranty as to the Mortgage Loans set forth in the related mortgage loan purchase agreement (deemed to be made as of the date of substitution); (vii) have been underwritten or reunderwritten by the Originator in accordance with the same underwriting criteria and guidelines as the Mortgage Loans being replaced; (viii) be of the same or better credit quality as the Mortgage Loan being replaced; (ix) if such Deleted Mortgage Loan is a Group I Mortgage Loan, be acceptable to Fannie Mae; and (x) satisfy certain other conditions specified in the Pooling Agreement.

The Originator will make certain representations and warranties as to the accuracy in all material respects of certain information furnished to the Trustee with respect to each Mortgage Loan (e.g., Cut-off Date Principal Balance and the Loan Rate). The Originator will also represent and warrant with respect to each Mortgage Loan that (i) all of the prepayment penalties on Mortgage Loans with prepayment penalties expire no later than three years following the origination of the related Mortgage Loan, (ii) no Mortgage Loan will be subject to the Home Ownership and Equity Protection Act of 1994 or any comparable state law and (iii) no proceeds from any Mortgage Loan were used to finance single-premium credit insurance policies. In addition, the Originator will represent and warrant, with respect to each Mortgage Loan as of the Closing Date, that, among other things: (i) at the time of transfer to the Seller, the Originator has transferred or assigned all of its right, title and interest in each Mortgage Loan and the Related Documents, free of any lien and (ii) each Mortgage Loan complied, at the time of origination, in all material respects with applicable state and federal laws. Upon discovery of a breach of any such representation and warranty which materially and adversely affects the interests of the certificateholders in the related Mortgage Loan and Related Documents, the Originator will have a period of 90 days after discovery or notice of the breach to effect a cure. If the breach cannot be cured within the 90-day period, the Originator will be obligated to (x) substitute for such Deleted Mortgage Loan a Qualified Substitute Mortgage Loan or (y) purchase such Deleted Mortgage Loan from the Trust. The same procedure and limitations that are set forth above for the substitution or purchase of Deleted Mortgage Loans as a result of deficient documentation relating thereto will apply to the substitution or purchase of a Deleted

Mortgage Loan as a result of a breach of a representation or warranty in the Mortgage Loan Purchase Agreement that materially and adversely affects the interests of the certificateholders.

Mortgage Loans required to be purchased or substituted by the Originator as described in the preceding paragraphs are referred to as “Deleted Mortgage Loans.”

Pursuant to the Pooling Agreement, the Servicer will service and administer the Mortgage Loans as more fully set forth therein.

Payments on Mortgage Loans; Deposits to Collection Account and Distribution Account

The Servicer shall establish and maintain or cause to be maintained a separate trust account (the “Collection Account”) for the benefit of the certificateholders. The Collection Account will be an Eligible Account (as defined in the Pooling Agreement). Upon receipt by the Servicer of amounts in respect of the Mortgage Loans (excluding amounts representing the Servicing Fee or other servicing compensation, reimbursement for Advances and Servicing Advances (each, as defined below) and insurance proceeds to be applied to the restoration or repair of a Mortgaged Property or similar items), the Servicer will deposit such amounts in the Collection Account. Amounts so deposited may be invested in Eligible Investments (as described in the Pooling Agreement) maturing no later than one business day prior to the date on which the amount on deposit therein is required to be deposited in the Distribution Account. The Trustee will establish an account (the “Distribution Account”) into which will be deposited amounts withdrawn from the Collection Account on the Servicer Remittance Date (as defined below) and deposited to the Distribution Account for distribution to certificateholders on a Distribution Date. The Distribution Account will be an Eligible Account, and amounts on deposit therein may be invested in Permitted Investments (as described in the Pooling Agreement) maturing no later than the related Distribution Date.

Advances

Subject to the following limitations, the Servicer will be obligated to advance or cause to be advanced on or before each Distribution Date its own funds, or funds in the Collection Account that are not included in the Available Funds for such Distribution Date, or both (each, an “Advance”), in an amount equal to the aggregate of all payments of principal and interest (net of Servicing Fees) that were due during the related Due Period on the Mortgage Loans and that were delinquent on the related Determination Date, plus certain amounts representing assumed payments not covered by any current net income on the Mortgage Properties acquired by foreclosure or deed in lieu of foreclosure.

Advances are required to be made only to the extent they are deemed by the Servicer to be recoverable from related late collections, insurance proceeds, condemnation proceeds or liquidation proceeds. The purpose of making such Advances is to maintain a regular cash flow to the certificateholders, rather than to guarantee or insure against losses. The Servicer will not be required, however, to make any Advances with respect to reductions in the amount of the monthly payments on the Mortgage Loans due to bankruptcy proceedings or the application of the Relief Act. Subject to the recoverability standard above, the Servicer’s obligation to make Advances as to any Mortgage Loan will continue until the Mortgage Loan is paid in full or until the recovery of all Liquidation Proceeds thereon.

All Advances will be reimbursable to the Servicer from late collections, insurance proceeds, condemnation proceeds and liquidation proceeds from the Mortgage Loan as to which such unreimbursed Advance was made, unless such amounts are deemed to be nonrecoverable by the Servicer, in which case reimbursement will be made to the Servicer from the general funds in the Collection Account. The Servicer may recover from amounts in the Collection Account the amount of any Advance that remains

unreimbursed to the Servicer from the related liquidation proceeds after the final liquidation of the related Mortgage Loan, and such reimbursement amount will not be available for remittance to the Trustee for distribution on the Certificates. In the event the Servicer fails in its obligation to make any required Advance, the Trustee, in its capacity as successor servicer, will be obligated to make any such Advance, to the extent required in the Pooling Agreement.

In the course of performing its servicing obligations, the Servicer will pay all reasonable and customary “out-of-pocket” costs and expenses (including reasonable attorneys’ fees and disbursements) incurred in the performance of its servicing obligations, including, but not limited to, the cost of (i) the preservation, restoration, inspection and protection of the Mortgaged Properties, (ii) any enforcement or judicial proceedings, including foreclosures, and (iii) the management and liquidation of Mortgaged Properties acquired in satisfaction of the related mortgage. Each such expenditure will constitute a “Servicing Advance.” The Servicer is obligated to pay certain insurance premiums and certain ongoing expenses associated with the Mortgage Loans and incurred by the Servicer in connection with its responsibilities under the Pooling Agreement and is entitled to reimbursement therefor as provided in the Pooling Agreement. The Servicer is required to make a Servicing Advance only to the extent it is deemed by the Servicer to be recoverable from late collections, insurance proceeds, condemnation proceeds or liquidation proceeds.

The Servicer is also obligated to accurately and fully report its borrower credit files to all three credit repositories in a timely manner.

The Servicer’s right to reimbursement for Servicing Advances is limited to late collections on the related Mortgage Loan, including liquidation proceeds, condemnation proceeds, released Mortgaged Property proceeds, insurance proceeds and such other amounts as may be collected by the Servicer from the related Mortgagor or otherwise relating to the Mortgage Loan in respect of which such unreimbursed amounts are owed, unless such amounts are deemed to be nonrecoverable by the Servicer, in which event reimbursement will be made to the Servicer from general funds in the Collection Account.

Servicing and Other Compensation and Payment of Expenses

The principal compensation to be paid to the Servicer in respect of its servicing activities (the “Servicing Fee”) will be at the “Servicing Fee Rate” of 0.50% per annum on the Principal Balance of each Mortgage Loan. As additional servicing compensation, the Servicer is entitled to retain all service-related fees, including assumption fees, modification fees, extension fees, late payment charges and other ancillary fees (but not prepayment premiums, which will be distributed to the holders of the Class P Certificates), to the extent collected from mortgagors and non-sufficient fund fees, together with any interest or other income earned on funds held in the Collection Account. The Servicer is obligated to deposit into the Collection Account the amount of any Prepayment Interest Shortfall (payments made by the Servicer in satisfaction of such obligation, “Compensating Interest”) but only in an amount up to its Servicing Fee for the related Distribution Date. A “Net Prepayment Interest Shortfall” occurs when, with respect to any Distribution Date, the amount of Prepayment Interest Shortfalls exceeds the amount the Servicer is obligated to remit as Compensating Interest. The Servicer shall not be obligated to pay Compensating Interest with respect to any interest shortfalls due to application of the Relief Act.

The “Servicer Remittance Date” is the second business day prior to each Distribution Date. The “Determination Date” with respect to any Distribution Date, will be the fifth business day immediately preceding such Distribution Date. With respect to any Determination Date and each Mortgage Loan as to which a principal prepayment was applied during the related Prepayment Period (as defined below) the “Prepayment Interest Shortfall” is an amount equal to the interest at the applicable Loan Rate (net of the

Servicing Fee) on the amount of such principal prepayment for the number of days from the date on which the principal prepayment is applied through the last day of the Prepayment Period.

Optional Purchase of Defaulted Loans

As to any Mortgage Loan which is delinquent in payment by 90 days or more, the Servicer may, at its option, purchase such Mortgage Loan from the Trust at the Purchase Price for such Mortgage Loan; provided, however, that the Servicer must first purchase the Mortgage Loan that, as of the time of such purchase, has been delinquent for the greatest period before purchasing Mortgage Loans that have been delinquent lesser periods. If the Servicer does not exercise its option to purchase from the Trust any such delinquent Group I Mortgage Loan prior to the expiration of such option, the Guarantor may exercise such option with respect to such Group I Mortgage Loan at any time thereafter.

The Trustee

U.S. Bank National Association will be the Trustee under the Pooling Agreement. The Depositor and the Servicer may maintain other banking relationships in the ordinary course of business with the Trustee and its affiliates. Certificates may be surrendered at the corporate trust office of the Trustee located for certificate transfer purposes at 180 East Fifth Street, St. Paul, Minnesota 55101, attention: Structured Finance, Reference: ABSC 2002-HE3, or at other addresses as the Trustee may designate from time to time. In the event the Trustee advises the Depositor and the Servicer that it is unable to continue to perform its obligations under the terms of the Pooling Agreement prior to the appointment of a successor, the Trustee is obligated to perform these obligations until a new trustee is appointed.

Certain Matters Regarding the Trustee

The principal compensation to be paid to the Trustee in respect of its respective obligations under the Pooling Agreement will be equal to certain investment earnings on the amounts on deposit in the Distribution Account. The Pooling Agreement will provide that each of the Trustee and any director, officer, employee or agent of the Trustee will be indemnified by the Trust up to the level specified in the Pooling Agreement and will be held harmless against any loss, liability or expense (not including expenses, disbursements and advances incurred or made by the Trustee, including the compensation and the expenses and disbursements of its agents and counsel, in the ordinary course of its performance in accordance with the provisions of the Pooling Agreement) incurred by the Trustee arising out of or in connection with the acceptance or administration of its obligations and duties under the Pooling Agreement, other than any loss, liability or expense (x) that constitutes a specific liability of the Trustee under the Pooling Agreement or (y) incurred by reason of willful misfeasance, bad faith or negligence in the performance of its respective duties under the Pooling Agreement or as a result of a breach, or by reason of reckless disregard, of its respective obligations and duties under the Pooling Agreement. The Pooling Agreement will provide that the Trustee may withdraw amounts owing to it under the Pooling Agreement prior to distributions to certificateholders.

Voting Rights

At all times 91% of all voting rights will be allocated among the holders of the LIBOR Certificates in proportion to the then outstanding Certificate Principal Balances or aggregate Component Principal Balances of their respective Certificates or components. At all times 1% of all voting rights will be allocated to the holders of the Class AIO Certificates, 1% of all voting rights will be allocated to the holders of the Class BIO Certificates, 1% of all voting rights will be allocated to the holders of the Class X Certificates, 1% of all voting rights will be allocated to the holders of the Class P Certificates and 1% of all voting rights will be allocated to the holders of the Class R Certificates. The voting rights allocated

to any class of Certificates will be allocated among all certificateholders of such class in proportion to the outstanding Percentage Interests.

Servicer Events of Default

As provided in the Pooling Agreement, the Servicer may be removed as the servicer of the mortgage loans if there is a Servicer Event of Default. The Servicer Events of Default include the following events with respect to the Servicer:

1. any failure by the Servicer to remit to the Trustee for distribution to the certificateholders any payment (other than Advances that are required to be made from its own funds) which continues unremedied for a period of one business day after the date upon which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by the Depositor or the Trustee, or to the Servicer, the Depositor and the Trustee by the Guarantor or the holders of Certificates entitled to at least 25% of the voting rights; or
2. any failure on the part of the Servicer duly to observe or perform in any material respect any of the covenants or agreements on the part of the Servicer contained in the Pooling Agreement which continues unremedied for a period of 45 days after the earlier of (x) the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by the Depositor or the Trustee, or to the Servicer, the Depositor and the Trustee by the Guarantor or the holders of Certificates entitled to at least 25% of the voting rights and (y) actual knowledge of such failure by a Servicing Officer of the Servicer; or
3. a decree or order of a court or agency or supervisory authority having jurisdiction in the premises in an involuntary case under any present or future federal or state bankruptcy, insolvency or similar law or the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceeding, or for the winding-up or liquidation of its affairs, shall have been entered against the Servicer and if such proceeding is being contested by the Servicer in good faith, such decree or order shall have remained in force undischarged or unstayed for a period of 60 days or results in the entry of an order for relief or any such adjudication or appointment; or
4. the Servicer shall consent to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to it or of or relating to all or substantially all of its property; or
5. the Servicer shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable insolvency or reorganization statute, make an assignment for the benefit of its creditors, or voluntarily suspend payment of its obligations; or
6. any failure by the Servicer of the Servicer Termination Test (as set forth in the Pooling Agreement); or
7. any failure of the Servicer to make any Advances when due and that continue unremedied until 3:00 p.m. New York time on the first business day after the date upon which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by the Depositor or the Trustee; or
8. the Servicer shall cease to an approved seller or servicer of Fannie Mae.

If a Servicer Event of Default described in clauses 1. through 6. occurs, then, so long as the Servicer Event of Default shall not have been remedied, the Depositor or the Trustee may, and at the written direction of the Guarantor or the holders of Certificates entitled to at least 51% of voting rights, the Trustee shall, by notice in writing to the Guarantor and the Servicer (and to the Depositor if given by the Trustee or to the Trustee if given by the Depositor), terminate all of the rights and obligations of the Servicer in its capacity as the Servicer under the Pooling Agreement. If a Servicer Event of Default described in clause 7. or 8. occurs, the Trustee shall, by notice in writing to the Servicer, the Guarantor and the Depositor, terminate all of the rights and obligations of the Servicer in its capacity as the servicer under the Pooling Agreement.

No assurance can be given that termination of the rights and obligations of the Servicer under the Pooling Agreement would not adversely affect the servicing of the Mortgage Loans, including the delinquency experience of the Mortgage Loans. In the event the Trustee is required to act as successor servicer, it will act to become the successor servicer within 90 days of the Servicer's termination. During this 90-day period, the terminated Servicer will continue to service the Mortgage Loans, although the Trustee will be obligated to make all Advances required in respect of the Mortgage Loans.

Termination

The Servicer will have the right to repurchase all of the Mortgage Loans and thereby effect the early retirement of the certificates, on any Distribution Date on which the aggregate Principal Balance of the Mortgage Loans and REO Properties in the Trust is equal to or less than 10% of the aggregate Principal Balance of the Mortgage Loans as of the Cut-off Date. The first Distribution Date on which such option could be exercised is referred to herein as the "Optional Termination Date." In the event that the option is exercised, the repurchase will be made at a price (the "Termination Price") generally equal to the sum of (i) 100% of the aggregate outstanding Principal Balance of the Mortgage Loans plus accrued interest thereon at the applicable Loan Rate to the date of purchase, (ii) the fair market value of all other property of the Trust and (iii) any unreimbursed Advances and Servicing Fees and other amounts payable to the Servicer, Fannie Mae and the Trustee. If such option is exercised by the Servicer, the Trust will be terminated effecting an early retirement of the certificates. Distributions on the Certificates relating to any optional termination will first be paid to the Class A and Class AIO Certificates and then to the Mezzanine Certificates. The proceeds from that distribution may not be sufficient to distribute the full amount to which each class of Certificates is entitled.

Amendment

The Pooling Agreement may be amended by the Depositor, the Servicer, the Guarantor and the Trustee, without the consent of any of the certificateholders, to cure any ambiguity, to correct, modify or supplement any provision in the Pooling Agreement, to make any other provisions with respect to matters or questions arising under the Pooling Agreement which are not inconsistent with the provisions of the Pooling Agreement, or to maintain the qualification of the trust fund as a REMIC, provided that the action will not adversely affect in any material respect the interests of any certificateholder. The Pooling Agreement may also be amended by the Depositor, the Servicer, the Guarantor and the Trustee, with the consent of the holders of Certificates evidencing not less than 66% of the voting rights for any purpose, but that no amendment may:

- reduce in any manner the amount of or delay the timing of, payments received on the Mortgage Loans which are required to be distributed on any Certificate without the consent of the holder of the Certificate,

- adversely affect in any material respect the interests of the holders of any class of Certificates in a manner other than as described in the preceding bullet point, without the consent of the holders of Certificates of that class evidencing not less than 66% of the aggregate voting rights of that class, or
- reduce the percentage of voting rights required by the preceding bullet point for the consent to any amendment without the consent of the holders of all Certificates covered by the Pooling Agreement then outstanding.

However, the Trustee need not consent to any amendment of the Pooling Agreement unless it shall first have received an opinion of counsel to the effect that the amendment will not cause the Trust to fail to qualify as a REMIC at any time that the related Certificates are outstanding.

Servicer Alternatives to Foreclosure

The Servicer may foreclose on any delinquent Mortgage Loan or, subject to certain limitations set forth in the Pooling Agreement, work out an agreement with the mortgagor, which may involve waiving or modifying any term of the Mortgage Loan; provided that in the judgment of the Servicer, any such modification or waiver could reasonably be expected to result in collections and other recoveries in respect of such Mortgage Loan in excess of Net Liquidation Proceeds that would be recovered upon the foreclosure of, or other realization upon, such Mortgage Loan. If the Servicer extends the payment period or accepts a lesser amount than stated in the mortgage note in satisfaction of the mortgage note, your yield may be reduced.

YIELD, PREPAYMENT AND MATURITY CONSIDERATIONS

The yields to maturity of the Certificates will be sensitive to defaults on the related Mortgage Loans. If a purchaser of a Certificate calculates its anticipated yield based on an assumed rate of default and amount of losses that is lower than the default rate and amount of losses actually incurred, its actual yield to maturity will be lower than that so calculated. In general, the earlier a loss occurs, the greater is the effect on an investor's yield to maturity. There can be no assurance as to the delinquency, foreclosure or loss experience with respect to the related Mortgage Loans. Because the Originator underwrites mortgage loans based on its underwriting standards and does not determine whether such mortgage loans would be acceptable for purchase by Fannie Mae, the risk of delinquencies with respect to, and losses on, the Mortgage Loans will be greater than that of mortgage loans underwritten in a more traditional manner.

The rate of principal payments, the aggregate amount of distributions and the yields to maturity of the Certificates will be affected by the rate and timing of payments of principal on the Mortgage Loans. In particular, the yields to maturity of each class of Class A Certificates will be most affected by the rate and timing of payments of principal on the Mortgage Loans in the related loan group. The rate of principal payments on the Mortgage Loans will in turn be affected by the amortization schedules of the Mortgage Loans and by the rate of principal prepayments (including for this purpose prepayments resulting from refinancing, liquidations of the Mortgage Loans due to defaults, casualties or condemnations and purchases by the Originator or the Servicer). Because certain of the Mortgage Loans contain prepayment premiums, the rate of principal payments may be less than the rate of principal payments for mortgage loans that did not have prepayment premiums. The Mortgage Loans are subject to the "due-on-sale" provisions included therein that provide that the Mortgage Loan is assumable by a creditworthy purchaser of the related Mortgaged Property. See "The Mortgage Pool" herein.

Prepayments, liquidations and purchases of the Mortgage Loans (including any optional purchase) will result in distributions on the Certificates of principal amounts that would otherwise be

distributed over the remaining terms of the Mortgage Loans. Since the rate of payment of principal on the Mortgage Loans will depend on future events and a variety of other factors, no assurance can be given as to such rate or the rate of principal prepayments. The extent to which the yield to maturity of a class of Certificates may vary from the anticipated yield will depend upon the degree to which such class of Certificates is purchased at a discount or premium. Further, an investor should consider the risk that, in the case of any Certificate purchased at a discount, a slower than anticipated rate of principal payments (including prepayments) on the Mortgage Loans could result in an actual yield to such investor that is lower than the anticipated yield and, in the case of any Certificate purchased at a premium, a faster than anticipated rate of principal payments on the Mortgage Loans could result in an actual yield to such investor that is lower than the anticipated yield.

The rate of principal payments (including prepayments) on pools of mortgage loans may vary significantly over time and may be influenced by a variety of economic, geographic, social and other factors, including changes in mortgagors' housing needs, job transfers, unemployment, mortgagors' net equity in the mortgaged properties and servicing decisions. In general, if prevailing interest rates were to fall significantly below the Loan Rates on the Mortgage Loans, such Mortgage Loans could be subject to higher prepayment rates than if prevailing interest rates were to remain at or above the Loan Rates on such Mortgage Loans. Conversely, if prevailing interest rates were to rise significantly, the rate of prepayments on such Mortgage Loans would generally be expected to decrease. The Mortgage Loans may be subject to a greater rate of principal prepayments in a low interest rate environment. For example, if prevailing interest rates were to fall, mortgagors may be inclined to refinance their Mortgage Loans with a fixed-rate loan to "lock in" a lower interest rate or to refinance their Mortgage Loans with other more competitive adjustable-rate mortgage loans. The existence of the applicable Periodic Rate Cap and Maximum Rate with respect to the adjustable-rate Mortgage Loans also may affect the likelihood of prepayments resulting from refinancings. No assurances can be given as to the rate of prepayments on the Mortgage Loans in stable or changing interest rate environments. In addition, substantially all of the adjustable-rate Mortgage Loans will not have their initial Adjustment Date for two, three or five years after the date of origination of such Mortgage Loans. The prepayment experience of these delayed first adjustment Mortgage Loans may differ from that of the other Mortgage Loans. These delayed first adjustment Mortgage Loans may be subject to greater rates of prepayments as they approach their initial Adjustment Dates even if market interest rates are only slightly higher or lower than the Loan Rates on such Mortgage Loans as borrowers seek to avoid changes in their monthly payments.

Approximately 88.12% of the Group I Mortgage Loans and 80.66% of the Group II Mortgage Loans provide for payment by the borrower of a prepayment premium in limited circumstances on certain prepayments. The holders of the Class P Certificates will be entitled to all prepayment premiums received on the related Mortgage Loans, and such amounts will not be available for distribution on the other classes of Certificates. Under certain circumstances, as described in the Pooling Agreement, the Servicer may waive the payment of any otherwise applicable prepayment premium. Investors should conduct their own analysis of the effect, if any, that the prepayment premiums, and decisions by the Servicer with respect to the waiver thereof, may have on the prepayment performance of the Mortgage Loans. The Depositor makes no representations as to the effect that the prepayment premiums, and decisions by the Servicer with respect to the waiver thereof, may have on the prepayment performance of the Mortgage Loans.

To the extent the related Net WAC Rate is paid on the Class A Certificates, Class II-M1 Certificates and the Mezzanine Components, a shortfall in interest equal to the Net WAC Rate Carryover Amount will occur. Such shortfall will be payable only from amounts available from Group I Net Monthly Excess Cashflow or Group II Net Monthly Excess Cashflow, as applicable, and only to the extent that the related Overcollateralization Target Amount has been reached or maintained and certain

other amounts have been paid. See “Description of the Certificates – Overcollateralization and Cross-Collateralization Provisions” in this information supplement.

Weighted Average Lives

The timing of changes in the rate of principal prepayments on the Mortgage Loans may significantly affect an investor’s actual yield to maturity, even if the average rate of principal prepayments is consistent with such investor’s expectation. In general, the earlier a principal prepayment on the Mortgage Loans occurs, the greater the effect of such principal prepayment on an investor’s yield to maturity. The effect on an investor’s yield of principal prepayments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the issuance of the Fannie Mae Certificates may not be offset by a subsequent like decrease (or increase) in the rate of principal prepayments.

The weighted average life of a Class I-A Certificate is the average amount of time that will elapse from the Closing Date, until each dollar of principal is repaid to the investor in such Class I-A Certificate. Because it is expected that there will be prepayments and defaults on the Mortgage Loans, the actual weighted average lives of the Class I-A Certificates are expected to vary substantially from the weighted average remaining terms to stated maturity of the Mortgage Loans as set forth herein under “The Mortgage Pool.”

The Assumed Final Distribution Date for the Certificates is as set forth in this information supplement under “Description of the Certificates—General.” The weighted average lives of the Certificates are likely to be shorter than would be the case if payments actually made on the Mortgage Loans conformed to the foregoing assumptions, and the final Distribution Date with respect to the Certificates could occur significantly earlier than the Assumed Final Distribution Date because

- prepayments are likely to occur,
- excess cashflow, if any, will be applied as principal of the Class A Certificates and the Mezzanine Certificates as described herein,
- the Overcollateralization Target Amount may change as described in the Pooling Agreement and
- the Servicer may cause a termination of the Trust as provided herein.

Prepayments of mortgage loans are commonly measured relative to a prepayment standard or model. The model used in this information supplement (the “Prepayment Assumption”) assumes:

- (i) In the case of the fixed-rate Mortgage Loans, 115% PPC. In the case of the fixed-rate Mortgage Loans, “PPC” means a constant prepayment rate (“CPR”) of 4.00% per annum of the then unpaid principal balance of such Mortgage Loans in the first month of the life of such Mortgage Loans and an additional approximately 1.4545% (precisely 16/11 expressed as a percentage) per annum in each month thereafter until the 12th month, and then beginning in the 12th month and in each month thereafter during the life of such Mortgage Loans, a CPR of 20% per annum.
- (ii) In the case of the adjustable-rate Mortgage Loans, a CPR of 26% per annum.

CPR is a prepayment assumption that represents a constant assumed rate of prepayment each month relative to the then outstanding principal balance of a pool of mortgage loans for the life of such mortgage loans. The model 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 mortgage loans, including the Mortgage Loans to be included in the Trust. Each of the “Prepayment Scenarios” in the table below assumes the respective percentages of CPR or PPC, as applicable, indicated for such scenario.

The table entitled “Percent of Original Certificate Principal Balance Outstanding” was prepared on the basis of the assumptions in the following paragraph and the table set forth below. There are certain differences between the loan characteristics included in such assumptions and the characteristics of the actual Mortgage Loans. Any such discrepancy may have an effect upon the percentages of Original Certificate Principal Balances outstanding and weighted average lives of the Certificates set forth in that table. In addition, since the actual Mortgage Loans in the Trust will have characteristics that differ from those assumed in preparing the tables set forth below, the distributions of principal of the Certificates may be made earlier or later than indicated in the table.

The percentages and weighted average lives in the table entitled “Percent of Original Certificate Principal Balance Outstanding” were determined assuming that (the “Structuring Assumptions”):

- the Mortgage Loans have the characteristics set forth in the tables below,
- the closing date for the Certificates occurs on October 25, 2002 and the Certificates were sold to investors on such date,
- distributions on the Certificates are made on the 15th day of each month regardless of the day on which the Distribution Date actually occurs, commencing in November 2002, in accordance with the allocation of Available Funds set forth above under “Description of the Certificates—Allocation of Available Funds,”
- the prepayment rates are those indicated in the “Prepayment Scenarios” table below,
- the Originator is not required to substitute or repurchase any or all of the Mortgage Loans pursuant to the Pooling Agreement and no optional termination is exercised, except with respect to the entries identified by the row captioned “Weighted Average Life (years) to Optional Termination” in the tables below,
- the related Overcollateralization Target Amount is as set forth in this information supplement,
- scheduled payments for all Mortgage Loans are received on the first day of each month commencing in November 2002, the principal portion of such payments is computed prior to giving effect to prepayments received in such month and there are no losses or delinquencies with respect to such Mortgage Loans,
- all related Mortgage Loans prepay at the same rate and all such payments are treated as prepayments in full of individual Mortgage Loans, with no shortfalls in collection of interest,
- such prepayments are received on the last day of each month commencing in the month of the Closing Date,

- One-Month LIBOR is at all times equal to 1.810%,
- the Pass-Through Rates for the Certificates are as set forth herein,
- the Loan Rate for each adjustable-rate Mortgage Loan is adjusted on its next Adjustment Date (and on subsequent Adjustment Dates, if necessary) to equal the sum of (a) the assumed level of the Certificate Index and (b) the respective Gross Margin (such sum being subject to the applicable Periodic Rate Caps, Minimum Loan Rates and Maximum Loan Rates),
- Six-Month LIBOR is at all times equal to 1.750%,
- the Net Loan Rate is equal to the Loan Rate minus the Servicing Fee Rate,
- the Servicing Fee Rate for each Mortgage Loan is 0.50% per annum, and
- the Guaranty Fee is paid on each Distribution Date until the date on which the Class I-A Certificates have been paid in full.

Nothing contained in the foregoing assumptions should be construed as a representation that the Mortgage Loans will not experience delinquencies or losses.

Based on the foregoing assumptions, the following table entitled “Percent of Original Certificate Principal Balance Outstanding” indicates the percentages of the Original Certificate Principal Balance of the Class I-A Certificates that would be outstanding after each of the dates shown, at various Prepayment Scenarios and the corresponding weighted average lives.

Prepayment Scenarios

	<u>Scenario I</u>	<u>Scenario II</u>	<u>Scenario III</u>	<u>Scenario IV</u>	<u>Scenario V</u>	<u>Scenario VI</u>	<u>Scenario VII</u>
Fixed-Rate Mortgage Loans ⁽¹⁾	0%	50%	85%	115%	150%	175%	200%
Adjustable-Rate Mortgage Loans ⁽²⁾	0%	15%	21%	26%	35%	40%	45%

⁽¹⁾ Percentage per annum (PPC).

⁽²⁾ Percentage per annum (CPR).

Assumed Mortgage Loan Characteristics

Group I Mortgage Loans

Description	Loan Balance (\$)	Gross Loan Rate (%)	Net Loan Rate (%)	Original Amortization Terms	Original Term to Stated Maturity (months)	Remaining Term to Stated Maturity (months)	Gross Margin (%)	Min. Rate (%)	Max. Rate (%)	Initial Periodic Cap (%)	Periodic Cap (%)	Months to Next Adjustment Date
Adjustable Rate 2/28	42,995,870	9.392	8.892	360	360	357	5.230	9.392	15.392	1.000	1.000	21
	12,154,914	9.110	8.610	360	360	357	5.487	9.110	15.110	1.000	1.000	21
	612,698	10.482	9.982	360	360	357	6.002	10.482	16.482	1.000	1.000	21
	242,871,352	8.945	8.445	360	360	357	5.558	8.945	14.949	1.015	1.000	21
	10,392,064	9.996	9.496	360	360	357	5.949	9.996	15.996	1.000	1.000	21
	110,226,046	9.526	9.026	360	360	357	5.804	9.526	15.531	1.019	1.000	21
	23,636,834	10.482	9.982	360	360	357	6.108	10.482	16.486	1.007	1.000	21

Description	Loan Balance (\$)	Gross Loan Rate (%)	Net Loan Rate (%)	Original Amortization Terms	Original Term to Stated Maturity (months)	Remaining Term to Stated Maturity (months)	Gross Margin (%)	Min. Rate (%)	Max. Rate (%)	Initial Periodic Cap (%)	Periodic Cap (%)	Months to Next Adjustment Date
Adjustable Rate 3/27	421,742	10.962	10.462	360	360	357	6.151	10.962	16.962	3.000	1.000	33
	405,017	8.325	7.825	360	360	357	5.279	8.325	14.325	3.000	1.000	33
	1,595,412	9.122	8.622	360	360	357	5.485	9.122	15.122	3.000	1.000	33
	19,021,495	9.623	9.123	360	360	357	5.759	9.623	15.626	3.000	1.000	34
	770,568	11.110	10.610	360	360	357	5.988	11.110	17.110	3.000	1.000	35

Description	Loan Balance (\$)	Gross Loan Rate (%)	Net Loan Rate (%)	Original Amortization Terms	Original Term to Stated Maturity (months)	Remaining Term to Stated Maturity (months)	Gross Margin (%)	Min. Rate (%)	Max. Rate (%)	Initial Periodic Cap (%)	Periodic Cap (%)	Months to Next Adjustment Date
Fixed Rate	18,292,495	8.696	8.196	336	336	334	N/A	N/A	N/A	N/A	N/A	N/A
	1,897,189	8.262	7.762	345	345	342	N/A	N/A	N/A	N/A	N/A	N/A
	2,336,366	8.853	8.353	349	349	347	N/A	N/A	N/A	N/A	N/A	N/A
	29,526,688	8.658	8.158	352	352	349	N/A	N/A	N/A	N/A	N/A	N/A
	2,164,379	9.690	9.190	341	341	338	N/A	N/A	N/A	N/A	N/A	N/A

Group II Mortgage Loans

Description	Loan Balance (\$)	Gross Loan Rate (%)	Net Loan Rate (%)	Original Amortization Terms	Original Term to Stated Maturity (months)	Remaining Term to Stated Maturity (months)	Gross Margin (%)	Min. Rate (%)	Max. Rate (%)	Initial Periodic Cap (%)	Periodic Cap (%)	Months to Next Adjustment Date
Adjustable Rate 2/28	24,882,682	9.419	8.919	360	360	357	5.353	9.419	15.419	1.000	1.000	21
	12,903,711	8.401	7.901	360	360	357	5.387	8.401	14.427	1.000	1.000	20
	209,900	9.700	9.200	360	360	358	5.750	9.700	15.700	1.000	1.000	22
	159,973,306	8.363	7.863	360	360	357	5.389	8.363	14.366	1.005	1.000	21
	5,128,251	8.679	8.179	360	360	357	5.563	8.679	14.679	1.000	1.000	21
	52,621,918	8.836	8.336	360	360	357	5.606	8.836	14.853	1.033	1.000	21
	12,110,473	9.767	9.267	360	360	357	5.847	9.767	15.767	1.000	1.000	21
Description	Loan Balance (\$)	Gross Loan Rate (%)	Net Loan Rate (%)	Original Amortization Terms	Original Term to Stated Maturity (months)	Remaining Term to Stated Maturity (months)	Gross Margin (%)	Min. Rate (%)	Max. Rate (%)	Initial Periodic Cap (%)	Periodic Cap (%)	Months to Next Adjustment Date
Adjustable Rate 3/27	255,088	10.088	9.588	360	360	357	5.912	10.088	16.088	3.000	1.000	33
	896,834	7.442	6.942	360	360	357	5.172	7.442	13.442	3.000	1.000	33
	301,626	10.350	9.850	360	360	358	5.750	10.350	16.350	3.000	1.000	34
	11,530,848	8.385	7.885	360	360	357	5.483	8.385	14.421	2.957	1.000	35
	334,894	9.484	8.984	360	360	358	5.915	9.484	15.484	3.000	1.000	34
Description	Loan Balance (\$)	Gross Loan Rate (%)	Net Loan Rate (%)	Original Amortization Terms	Original Term to Stated Maturity (months)	Remaining Term to Stated Maturity (months)	Gross Margin (%)	Min. Rate (%)	Max. Rate (%)	Initial Periodic Cap (%)	Periodic Cap (%)	Months to Next Adjustment Date
Fixed Rate	41,709,140	10.633	10.133	261	261	258	N/A	N/A	N/A	N/A	N/A	N/A
	1,975,248	8.638	8.138	347	347	345	N/A	N/A	N/A	N/A	N/A	N/A
	2,716,652	7.669	7.169	350	350	348	N/A	N/A	N/A	N/A	N/A	N/A
	17,696,732	7.745	7.245	338	338	335	N/A	N/A	N/A	N/A	N/A	N/A
	471,613	10.036	9.536	360	360	357	N/A	N/A	N/A	N/A	N/A	N/A

Percent of Original Certificate Principal Balance Outstanding⁽¹⁾

**Class I-A
Prepayment Scenario**

	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V	Scenario VI	Scenario VII
Distribution Date							
Initial Percentage.....	100%	100%	100%	100%	100%	100%	100%
October 15, 2003.....	97	81	75	69	60	54	49
October 15, 2004.....	96	67	56	48	34	27	21
October 15, 2005.....	96	55	41	32	17	11	5
October 15, 2006.....	95	45	33	25	15	11	5
October 15, 2007.....	93	37	26	19	10	7	4
October 15, 2008.....	92	32	20	14	6	4	2
October 15, 2009.....	91	27	16	10	4	2	1
October 15, 2010.....	89	23	12	7	3	1	*
October 15, 2011.....	88	19	10	5	2	1	0
October 15, 2012.....	86	16	8	4	1	*	0
October 15, 2013.....	84	14	6	3	*	0	0
October 15, 2014.....	82	11	5	2	*	0	0
October 15, 2015.....	80	10	4	1	0	0	0
October 15, 2016.....	77	8	3	1	0	0	0
October 15, 2017.....	75	7	2	*	0	0	0
October 15, 2018.....	72	6	2	*	0	0	0
October 15, 2019.....	68	5	1	0	0	0	0
October 15, 2020.....	65	4	1	0	0	0	0
October 15, 2021.....	61	3	*	0	0	0	0
October 15, 2022.....	56	2	*	0	0	0	0
October 15, 2023.....	52	2	0	0	0	0	0
October 15, 2024.....	46	2	0	0	0	0	0
October 15, 2025.....	41	1	0	0	0	0	0
October 15, 2026.....	36	1	0	0	0	0	0
October 15, 2027.....	31	*	0	0	0	0	0
October 15, 2028.....	26	*	0	0	0	0	0
October 15, 2029.....	19	0	0	0	0	0	0
October 15, 2030.....	13	0	0	0	0	0	0
October 15, 2031.....	5	0	0	0	0	0	0
October 15, 2032.....	0	0	0	0	0	0	0
Weighted Average Life to Maturity (in years)(2)	19.64	5.25	3.70	2.90	2.02	1.66	1.36
Weighted Average Life to Call (in years)(2)(3)	19.59	4.87	3.40	2.66	1.85	1.51	1.25

* Greater than zero but less than 0.5%.

(1) Rounded to the nearest whole percentage.

(2) The weighted average life of any class of Certificates is determined by (i) multiplying the assumed net reduction, if any, in the principal amount on each Distribution Date on such class of Certificates by the number of years from the date of issuance of the Certificates to the related Distribution Date, (ii) summing the results, and (iii) dividing the sum by the aggregate amount of the assumed net reductions in principal amount on such class of Certificates.

(3) Calculated pursuant to footnote (2) but assumes the Optional Termination is exercised on the earliest possible Distribution Date on which the Servicer is permitted to exercise such option.

Sensitivity of the Class I-AIO Certificates

As indicated in the table below, the yield to investors on the Class I-AIO Certificates will be sensitive to the rate of principal payments (including prepayments) of the Group I Mortgage Loans. The Mortgage Loans generally can be prepaid at any time. On the basis of the assumptions described below, the yield to maturity on the Class I-AIO Certificates would be approximately 0% if prepayments were to occur at approximately 71.00% CPR (assuming optional termination is not exercised). If the actual prepayment rate of the related Mortgage Loans were to exceed the applicable level for as little as one month while equaling such level for the remaining months, the investors in the Class I-AIO Certificates would not fully recoup their initial investments.

The information set forth in the following table has been prepared on the basis of the Structuring Assumptions (which assume no Realized Losses), and on the assumption that the purchase price (expressed as a percentage of its initial Notional Amount) of the Class I-AIO Certificates is as follows:

<u>Class of Certificates</u>	<u>Price*</u>
Class I-AIO	8.55%

* 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 Class I-AIO Certificates to Prepayments (Pre-Tax Yields)

CLASS I-AIO	Prepayment Scenario						
	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V	Scenario VI	Scenario VII
Optional Termination Not Exercised	3.67	3.67	3.67	3.67	3.67	3.67	3.67
Optional Termination Exercised	3.67	3.67	3.67	3.67	3.67	3.67	3.67

It is highly unlikely that all of the related Mortgage Loans will have the characteristics assumed or that the Group I Mortgage Loans will prepay at any constant rate until maturity or that all of the Group I Mortgage Loans will prepay at the same rate or time. As a result of these factors, the pre-tax yields on the Class I-AIO Certificates are likely to differ from those shown in the table above, even if all of the Group I Mortgage Loans prepay at the indicated Prepayment Scenarios. No representation is made as to the actual rate of principal payments on the Group I Mortgage Loans for any period or over the lives of the Class I-AIO Certificates or as to the yield on the Class I-AIO Certificates. Investors must make their own decisions as to the appropriate prepayment assumptions to be used in deciding whether to purchase the Class I-AIO Certificates.

USE OF PROCEEDS

The Depositor will apply the net proceeds of the sale of the Class I-A, Class I-AIO, Class II-A, Class II-AIO, Class II-M1, Class M2, Class M3 and Class M4 Certificates against the purchase price of the Mortgage Loans transferred to the Trust on the Closing Date.

FEDERAL INCOME TAX CONSEQUENCES

The following is a general discussion of certain anticipated material federal income tax consequences of the purchase, ownership and disposition of the Fannie Mae Certificates. This discussion has been prepared with the advice of McKee Nelson LLP, special counsel to the depositor. This discussion is based on authorities that are subject to change or differing interpretations. Any such change

or differing interpretation could be applied retroactively. No rulings have been or will be sought from the IRS with respect to any of the matters discussed below, and no assurance can be given that the views of the IRS with respect to those matters will not differ from that described below.

This discussion is directed solely to certificateholders that purchase Fannie Mae Certificates at issuance and hold them as “capital assets” within the meaning of Section 1221 of the Code. The discussion does not purport to cover all federal income tax consequences applicable to particular investors, some of which may be subject to special rules. Investors subject to such special rules include dealers in securities, certain traders in securities, financial institutions, tax-exempt organizations, insurance companies, persons who hold Fannie Mae Certificates as part of a hedging transaction or as a position in a straddle or conversion transaction, persons whose functional currency is not the U.S. dollar, or persons who elect to treat gain recognized on the disposition of a Fannie Mae Certificate as investment income under Section 163(d)(4)(B)(iii) of the Code.

In addition, this discussion does not address the state, local or other tax consequences of the purchase, ownership, and disposition of the Fannie Mae Certificates. We recommend that you consult your own tax advisor in determining the state, local and other tax consequences of the purchase, ownership, and disposition of Fannie Mae Certificates.

In this discussion, when we use the term:

- “certificateholder,” we mean any person holding a beneficial ownership interest in a Class I-A Certificate or Class I-AIO Certificate, as applicable;
- “Code,” we mean the Internal Revenue Code of 1986, as amended;
- “IRS,” we mean the Internal Revenue Service;
- “AFR,” we mean the applicable federal rate, which is an average of current yields for U.S. Treasury securities with specified ranges of maturities and which is computed and published monthly by the IRS for use in various tax calculations;
- “Foreign Person,” we mean any person other than a U.S. Person; and
- “U.S. Person,” we mean (i) a citizen or resident of the United States; (ii) a corporation (or entity treated as a corporation for tax purposes) created or organized in the United States or under the laws of the United States or of any state thereof, including, for this purpose, the District of Columbia; (iii) a partnership (or entity treated as a partnership for tax purposes) organized in the United States or under the laws of the United States or of any state thereof, including, for this purpose, the District of Columbia (unless provided otherwise by future Treasury regulations); (iv) an estate whose income is includible in gross income for United States income tax purposes regardless of its source; or (v) a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. Persons have authority to control all substantial decisions of the trust. Notwithstanding the preceding clause, to the extent provided in Treasury regulations, certain trusts that were in existence on August 20, 1996, that were treated as U.S. Persons prior to such date, and that elect to continue to be treated as U.S. Persons, also are U.S. Persons.

REMIC Elections

The Pooling Agreement provides that the trust, exclusive of the assets held in the Net WAC Reserve Funds, will comprise a tiered REMIC structure. The Pooling Agreement will designate a single class of interest in each of the REMICs as the residual interest in that REMIC. The Class R Certificates will represent ownership of the residual interest in each of the REMICs.

Upon the issuance of the Class I-A and Class I-AIO Certificates, McKee Nelson LLP will deliver its opinion to the effect that, assuming compliance with the Pooling Agreement, each of the portions of the trust (exclusive of the assets held in the Net WAC Reserve Funds) designated as a REMIC in the Pooling Agreement will qualify as a REMIC within the meaning of Section 860D of the Code. In addition, McKee Nelson LLP will deliver its opinion to the effect that the Net WAC Reserve Funds are “outside reserve funds” for purposes of the Treasury regulations promulgated under the REMIC provisions of the Code.

Tax Treatment of the Class I-A Certificates

For federal income tax information reporting purposes, the Trustee will treat each holder of a Class I-A Certificate (i) as holding an undivided interest in a REMIC regular interest (the “REMIC regular interest component”) and (ii) as having entered into a limited recourse interest rate cap contract (the “Cap Contract”). For this purpose, the REMIC regular interest component will be entitled to receive interest and principal payments at the times and in the amounts equal to those made on the Class I-A Certificates, except that the interest payments will be determined without regard to any payments of Net WAC Carryover Amount. Any payment on a Class I-A Certificate of Net WAC Carryover Amount will be deemed to have been paid pursuant to the Cap Contract. Consequently, each holder of a Class I-A Certificate will be required to report income accruing with respect to the REMIC regular interest component as discussed under “—Taxation of the REMIC Regular Interests” below. In addition, each holder of a Class I-A Certificate will be required to report net income with respect to the Cap Contract component and will be permitted to recognize a net deduction with respect to the Cap Contract component, subject to the discussion under “—The Cap Contract Component” below. Prospective investors should consult their own tax advisors regarding the consequences to them in light of their own particular circumstances of taxing separately the two components constituting each Class I-A Certificate.

The remaining portion of this discussion assumes that the rights of the certificateholders to receive payments of Net WAC Carryover Amounts will be treated as rights under a notional principal contract rather than as a partnership for federal income tax purposes. Treatment of such rights as a partnership interest could result in differing timing and character consequences to certificateholders and withholding tax consequences for certificateholders who are non-U.S. Persons. Prospective investors should consult their tax advisors regarding the appropriate tax treatment of the right to receive payments of Net WAC Carryover Amounts.

Allocations with Respect to the Class I-A Certificates

A certificateholder must allocate its purchase price for a Class I-A Certificate between its components—the REMIC regular interest component and the Cap Contract component. In addition, upon the sale, exchange, or other disposition of a Class I-A Certificate, the certificateholder must allocate the amount realized between the components of the Certificate based on the relative fair market values of those components at the time of sale and must treat the sale, exchange or other disposition as a sale, exchange or disposition of the REMIC regular interest component and the Cap Contract component.

For information reporting purposes the Trustee will treat the Cap Contract component as having nominal value. The Cap Contract component is difficult to value, and the IRS could assert that the value of the Cap Contract component as of the Closing Date is greater than the value used for information reporting purposes. Prospective investors should consider the tax consequences to them if the IRS were to assert a different value for the Cap Contract component.

Taxation of the REMIC Regular Interests.

This discussion is based in part on the regulations applicable to original issue discount (the “OID Regulations”) and in part on the provisions of the Tax Reform Act of 1986 (the “1986 Act”). Prospective investors should be aware, however, that the OID Regulations do not adequately address certain issues relevant to prepayable securities, such as the Fannie Mae Certificates. To the extent that those issues are not addressed in the OID Regulations, the Trustee intends to apply the methodology described in the Conference Committee Report to the 1986 Act. No assurance can be provided that the IRS will not take a different position as to those matters not currently addressed by the OID Regulations. Moreover, the OID Regulations include an anti-abuse rule allowing the IRS to apply or depart from the OID Regulations where necessary or appropriate to ensure a reasonable tax result because of the applicable statutory provisions. A tax result will not be considered unreasonable under the anti-abuse rule in the absence of a substantial effect on the present value of a taxpayer’s tax liability. Prospective investors are advised to consult their own tax advisors as to the discussion therein and the appropriate method for reporting interest and original issue discount (“OID”) with respect to the Fannie Mae Certificates.

Interest Income and OID. A REMIC regular interest generally is treated for federal income tax purposes as a debt instrument. You should be aware, however, that although you normally would take interest income on a debt instrument into account under your regular method of accounting, you must include interest accrued on the Class I-AIO Certificates and the REMIC regular interest component of the Class I-A Certificates in income under the accrual method of accounting regardless of the method of accounting you otherwise use for tax purposes.

A REMIC regular interest may be treated as having been issued with OID. A debt instrument is issued with OID to the extent its stated redemption price at maturity exceeds its issue price by more than a *de minimis* amount. Although not clear, the *de minimis* amount for REMIC regular interest would appear to equal the product of (1) 0.25 percent, (2) the stated redemption price at maturity of such component and (3) the weighted average maturity of such component, computed by taking into account the prepayment assumption discussed below. A beneficial owner of a REMIC regular interest generally must report *de minimis* OID with respect to that component pro rata as principal payments are received, and that income will be capital gain if the REMIC regular interest is held as a capital asset.

For OID purposes, the issue price of a Class I-AIO Certificate and the REMIC regular interest component of a Class I-A Certificate generally will be (i) the first price at which a substantial amount of each such Fannie Mae Certificate is sold to the public (excluding bond houses, brokers and underwriters) less (ii) in the case of the Class I-A Certificates, the amount of such price allocable to the Cap Contract component.

The stated redemption price at maturity of a debt instrument includes all payments, other than interest unconditionally payable at fixed intervals of one year or less at either a fixed rate or a variable rate (“Qualified Stated Interest”). Interest is unconditionally payable only if either (1) reasonable legal remedies exist to compel the timely payment of interest or (2) the terms or conditions under which the debt instrument is issued make the late payment or nonpayment of interest a remote likelihood. It is possible that some or all of the interest payable on the REMIC regular interest component of a Class I-A Certificate may not be treated as unconditionally payable. Nevertheless, for tax information reporting

purposes, the Trustee will treat all stated interest on the REMIC regular interest component of a Class I-A Certificate as Qualified Stated Interest. If, however, all or a portion of the stated interest payable on the REMIC regular interest component of a Class I-A Certificate is not Qualified Stated Interest, then the stated interest, or portion thereof, would be included in the stated redemption price at maturity of that component. Qualified Stated Interest payable on the REMIC regular interest must be included in the income of the certificateholder under an accrual method of accounting, regardless of the method otherwise used by the certificateholder. Although the tax treatment is not entirely certain, the Trustee will treat the Class I-AIO Certificates as having been issued with OID for federal income tax purposes equal to the excess of all expected payments of interest on the certificates over their issue price. Although unclear, a holder of a Class I-AIO Certificate may be entitled to deduct a loss to the extent that its remaining basis exceeds the maximum amount of future payments to which such Certificates would be entitled if there were no further prepayments of the mortgage loans.

If the REMIC regular interest component of a Class I-A Certificate is issued with OID, a certificateholder will be required to include in income, as ordinary income, the daily portion of such OID attributable to each day it holds such Class I-A Certificate. The Trustee's treatment of the Class I-AIO Certificates as not having any Qualified Stated Interest means such certificateholders will be required to include in income, as ordinary income, the daily portion of the OID with which such Certificates are treated as issued. The requirement to accrue OID generally will result in the accrual of income before the receipt of cash attributable to that income.

The daily portion of such OID will be determined on a constant yield to maturity basis in accordance with Section 1272(a)(6) of the Code (the "PAC Method"). Under the PAC Method, the amount of OID allocable to any accrual period for a REMIC regular interest will equal the sum of (i) the present value as of the end of the accrual period, of all of the remaining distributions remaining to be made on that REMIC regular interest, if any, in future periods and, (ii) any payments made on that REMIC regular interest during the accrual period of amounts included in the stated redemption price at maturity of that REMIC regular interest, minus the adjusted issue price of that component at the beginning of the accrual period. The OID so determined is allocated ratably among the days in the accrual period to determine the daily portion for each such day. The Trustee will treat the monthly period (or shorter period from the date of original issue) ending on the day before each Distribution Date as the accrual period.

The adjusted issue price of the Class I-AIO Certificates and the REMIC regular interest component of the Class I-A Certificates at the beginning of its first accrual period will be its issue price. The adjusted issue price at the end of any accrual period (and, therefore, at the beginning of the subsequent accrual period) is determined by discounting the remaining payments due on the Class I-AIO Certificates or the REMIC regular interest component of the Class I-A Certificates at its yield to maturity. The remaining payments due are determined based on the prepayment assumption made in pricing these Fannie Mae Certificates, but are adjusted to take into account the effect of payments actually made on the Trust's assets.

For this purpose, the yield to maturity of the Class I-AIO Certificates and the REMIC regular interest component of the Class I-A Certificates is determined by projecting payments due on that interest based on a prepayment assumption made with respect to the trust's assets. The yield to maturity is the discount rate that, when applied to the stream of payments projected to be made on that Certificate (or the REMIC regular interest component of the Class I-A Certificate) as of the issue date, produces a present value equal to the issue price of that Certificate (or the REMIC regular interest component of the Class I-A Certificate). The Code requires that the prepayment assumption be determined in the manner prescribed in Treasury Department regulations. To date, no such regulations have been issued. 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. The prepayment assumption to be used for tax reporting purposes with respect to the Fannie Mae Certificates is 115% PPC with respect to the fixed-rate mortgage loans and 26% CPR with respect to the adjustable-rate mortgage loans. No representation, however, is made as to the rate at which payments on the Mortgage Loans will occur.

Under the PAC Method, accruals of OID will increase or decrease (but never below zero) to reflect the fact that payments on the trust's assets are occurring at a rate that is faster or slower than that assumed under the prepayment assumption. If the OID accruing on the Class I-AIO Certificates or the REMIC regular interest component of the Class I-A Certificates is negative for any period, a certificateholder will be entitled to offset such negative accruals only against future positive OID accruals on that Certificate.

Acquisition Premium. If a certificateholder is treated as having purchased a Class I-AIO Certificate or a REMIC regular interest component of a Class I-A Certificate for a price that is greater than its adjusted issue price but less than its stated redemption price at maturity, such certificateholder will have acquired the REMIC regular interest at an "acquisition premium" as that term is defined in Section 1272(a)(7) of the Code. The certificateholder must reduce future accruals of OID on the REMIC regular interest by the amount of the acquisition premium. Specifically, such certificateholder must reduce each future accrual of OID on such Class I-AIO Certificate or such REMIC regular interest component of a Class I-A Certificate by an amount equal to the product of the OID accrual and a fixed fraction, the numerator of which is the amount of the acquisition premium and the denominator of which is the OID remaining to be accrued on the REMIC regular interest at the time such certificateholder purchased such Class I-A Certificate or Class I-AIO Certificate. Certificateholders should be aware that this fixed fraction methodology will not always produce the appropriate recovery of acquisition premium in situations where stated interest on the REMIC regular interest component is included in the REMIC regular interest's stated redemption price at maturity because the total amount of OID remaining to be accrued on the REMIC regular interest at the time of purchase is not fixed.

Market Discount. If a purchaser is treated as having acquired a Class I-AIO Certificate or the REMIC regular interest component of a Class I-A Certificate at a discount from its outstanding principal amount (or, if the REMIC regular interest component of such Class I-A Certificate is issued with OID, its adjusted issue price), the purchaser will acquire such Class I-AIO Certificate or such REMIC regular interest component of a Class I-A Certificate with market discount (a "market discount bond"). If the market discount is less than a statutorily defined *de minimis* amount (presumably equal to the product of (i) 0.25 percent, (ii) the remaining stated redemption price at maturity of such Class I-AIO Certificate or such REMIC regular interest component of a Class I-A Certificate and (iii) the remaining weighted average maturity of that REMIC regular interest), the market discount will be considered to be zero. It appears that *de minimis* market discount would be reported in a manner similar to *de minimis* OID. See "—Interest Income and OID" above.

Treasury regulations interpreting the market discount rules have not yet been issued; therefore, we recommend that prospective investors consult their own tax advisors regarding the application of those rules and the advisability of making any of the elections described below.

Unless the beneficial owner of a market discount bond elects under Section 1278(b) of the Code to include market discount in income as it accrues, any principal payment (whether a scheduled payment or a prepayment) or any gain on disposition of the market discount bond will be treated as ordinary income to the extent that it does not exceed the accrued market discount at the time of such payment. If the beneficial owner makes the election under Section 1278(b) of the Code, the election will apply to all market discount bonds acquired by the beneficial owner at the beginning of the first taxable year to which

the election applies and all market discount bonds thereafter acquired by it. The election may be revoked only with the consent of the IRS.

The Code grants the Treasury Department authority to issue regulations providing for the computation of accrued market discount on debt instruments, such as REMIC regular interests, the principal of which is payable in more than one installment, but no regulations have been issued. The relevant legislative history provides that, until such regulations are issued, the beneficial owner of a market discount bond may elect to accrue market discount either on the basis of a constant interest rate or according to a pro rata method described in the legislative history. Under that method, the amount of market discount that accrues in any accrual period in the case of a REMIC regular interest issued with OID equals the product of (i) the market discount that remains to be accrued as of the beginning of the accrual period and (ii) a fraction, the numerator of which is the OID accrued during the accrual period and the denominator of which is the sum of the OID accrued during the accrual period and the amount of OID remaining to be accrued as of the end of the accrual period. In the case of a REMIC regular interest that was issued without OID, the amount of market discount that accrues in any accrual period will equal the product of (i) the market discount that remains to be accrued as of the beginning of the accrual period and (ii) a fraction, the numerator of which is the amount of stated interest accrued during the accrual period and the denominator of which is the total amount of stated interest remaining to be accrued at the beginning of the accrual period. For purposes of determining the amount of OID or interest remaining to be accrued with respect to a REMIC regular interest, the prepayment assumption applicable to calculating the accrual of OID on such REMIC regular interest applies.

If a beneficial owner of a REMIC regular interest incurred or continues indebtedness to purchase or hold REMIC regular interests with market discount, the beneficial owner may be required to defer a portion of its interest deductions for the taxable year attributable to any such indebtedness. Any such deferred interest expense would not exceed the market discount that accrues during such taxable year and is, in general, allowed as a deduction not later than the year in which such market discount is includible in income. If such beneficial owner elects to include market discount in income currently as it accrues under Section 1278(b) of the Code, the interest deferral rule will not apply.

Amortizable Bond Premium. A purchaser of a Class I-A Certificate that is treated as having purchased the REMIC regular interest component of such Class I-A Certificate for an amount (net of accrued interest) greater than its stated redemption price at maturity will have premium with respect to that component in the amount of the excess. Such a purchaser need not include in income any remaining OID with respect to that component and may elect to amortize the premium under Section 171 of the Code. If such certificateholder makes this election, the amount of any interest payment that must be included in the certificateholder's income for each period will be reduced by a portion of the premium allocable to the period based on a constant yield method. In addition, the relevant legislative history states that premium should be amortized in the same manner as market discount. The election under Section 171 of the Code also will apply to all debt instruments (the interest on which is not excludable from gross income) held by the certificateholder at the beginning of the first taxable year to which the election applies and to all such taxable debt instruments thereafter acquired by it. The election may be revoked only with the consent of the IRS.

Election to Treat All Interest as OID. The OID Regulations permit a certificateholder to elect to accrue all interest, discount (including *de minimis* OID and *de minimis* market discount), and premium with respect to the REMIC regular interest in income as interest, based on a constant yield method (a "constant yield election"). It is unclear whether, for this purpose, the initial prepayment assumption would continue to apply or if a new prepayment assumption as of the date of the certificateholder's acquisition would apply. If such an election were to be made and the REMIC regular component of the Class I-A Certificates were acquired at a premium, such a certificateholder would be deemed to have

made an election to amortize bond premium under Section 171 of the Code, which is described above. Similarly, if the certificateholder were treated as having acquired the REMIC regular interest component of the Class I-A Certificate with market discount, the certificateholder would be considered to have made the election in Section 1278(b) of the Code, which is described above. A constant yield election may be revoked only with the consent of the IRS.

Sale or Other Disposition. If a certificateholder sells, exchanges or otherwise disposes of the Certificate, or the Certificate is redeemed, the certificateholder will recognize gain or loss with respect to the REMIC regular interest in an amount equal to the difference between the amount realized by the certificateholder upon the sale, exchange, redemption or other disposition and the certificateholder's adjusted tax basis in the REMIC regular interest. The adjusted tax basis of a REMIC regular interest to a particular certificateholder generally will equal the certificateholder's cost for the REMIC regular interest, increased by any market discount and OID previously included by such beneficial owner in income with respect to that REMIC regular interest and decreased by the amount of bond premium, if any, previously amortized and by the amount of payments that are part of the REMIC regular interest's stated redemption price at maturity previously received by such certificateholder. Any such gain or loss will be capital gain or loss if the REMIC regular interest was held as a capital asset, except for gain representing accrued interest and accrued market discount not previously included in income. Capital losses generally may be used only to offset capital gains.

Gain from the sale of a REMIC regular interest that might otherwise be treated as capital gain will be treated as ordinary income to the extent that such gain does not exceed the excess of (1) the amount that would have been includible in the certificateholder's income had the income accrued at a rate equal to 110 percent of the AFR as of the date of purchase, over (2) the amount actually includible in such certificateholder's income.

The Cap Contract Component

The portion of the overall purchase price of a Class I-A Certificate attributable to the Cap Contract component must be amortized over the life of such Class I-A Certificate, taking into account the declining balance of the REMIC regular interest component. Treasury regulations concerning notional principal contracts provide alternative methods for amortizing the purchase price of an interest rate cap contract. Under one method—the level yield constant interest method—the price paid for an interest rate cap is amortized over the life of the cap as though it were the principal amount of a loan bearing interest at a reasonable rate. Prospective investors are urged to consult their tax advisors concerning the methods that can be employed to amortize the portion of the purchase price paid for the Cap Contract component of a Class I-A Certificate.

Any payments made to a certificateholder of Net WAC Carryover Amounts will be treated by the Trustee as periodic payments on an interest rate cap contract. To the extent the sum of such periodic payments for any year exceeds that year's amortized cost of the Cap Contract component, such excess represents net income for that year. Conversely, to the extent that the amount of that year's amortized cost exceeds the sum of the period payments, such excess shall represent a net deduction for that year. Although not clear, net income or a net deduction should be treated as ordinary income or as an ordinary deduction.

The ability of a holder of a Class I-A Certificate to recognize a net deduction with respect to the Cap Contract component may be limited in the case of (i) estates and trusts and (ii) individuals owning an interest in such component directly or through a "pass-through entity" (other than in connection with such individual's trade or business). Pass-through entities include partnerships, S corporations, grantor trusts and non-publicly offered regulated investment companies, but do not include estates, nongrantor trusts,

cooperatives, real estate investment trusts and publicly offered regulated investment companies. Further, such a certificateholder will not be able to recognize a net deduction with respect to the Cap Contract component in computing the certificateholder's alternative minimum tax liability.

Assuming that the Class I-A Certificate is held as a "capital asset" within the meaning of section 1221 of the Code, gain or loss on the disposition of an interest in the Cap Contract component should be capital gain or loss.

Foreign Persons

Interest (including OID) paid to or accrued by a certificateholder who is a Foreign Person generally will not be subject to United States federal income tax or withholding tax, provided the interest from the Fannie Mae Certificate is not effectively connected with the conduct of a trade or business within the United States by the Foreign Person and the Foreign Person (i) is not actually or constructively a 10 percent shareholder of the Residual Owner or a controlled foreign corporation with respect to which the Residual Owner is a related person (all within the meaning of the Code) and (ii) provides the Trustee or other person who is otherwise required to withhold U.S. tax with respect to the REMIC regular certificates (the "withholding agent") with an appropriate certification. For beneficial owners that are individuals and entities that are treated as corporations for U.S. federal income tax purposes the certification requirement is satisfied by completing (and updating as required) a Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding). If a Fannie Mae Certificate is held through a securities clearing organization or certain other financial institutions, the organization or institution may provide the relevant signed statement to the withholding agent; in that case, however, the signed statement must be accompanied by a Form W-8BEN provided by the Foreign Person that owns the Fannie Mae Certificate. If the information shown on Form W-8BEN changes, a new Form W-8BEN must be filed. More complex rules may apply to Fannie Mae Certificates that are held through nominees and entities treated as foreign partnerships. If the foregoing requirements are not met, then interest (including OID) on the Fannie Mae Certificates will be subject to United States federal income and withholding tax at a rate of 30 percent, unless reduced or eliminated pursuant to an applicable tax treaty.

Under Treasury regulations relating to withholding obligations, a payment to a foreign partnership is treated, with some exceptions, as a payment directly to the partners, so that the partnership is required to provide certifications from its partners as well as certain other information relating to the allocation of income to its partners, and update such information as it becomes incorrect. We recommend that Foreign Persons that intend to hold a Fannie Mae Certificate through a partnership or other pass-through entity consult their own tax advisors regarding the application of those Treasury regulations to an investment in a Fannie Mae Certificate.

Any capital gain realized on the sale, redemption, retirement or other taxable disposition of a Fannie Mae Certificate by a Foreign Person will be exempt from United States federal income and withholding tax, provided that (i) such gain is not effectively connected with the conduct of a trade or business in the United States by the Foreign Person and (ii) in the case of a Foreign Person who is an individual, the Foreign Person is not present in the United States for 183 days or more in the taxable year.

Information Reporting

Payments of interest (including OID, if any) on a Fannie Mae Certificate held by a U.S. Person other than a corporation or other exempt holder are required to be reported to the IRS. Moreover, the trust is required to make available to certificateholders information concerning the amount of OID and Qualified Stated Interest accrued for each accrual period for which the Fannie Mae Certificates are

outstanding, the adjusted issue price of the Class I-AIO Certificates or the REMIC regular interest component of the Class I-A Certificates as of the end of each accrual period, and information to enable a certificateholder to compute accruals of market discount or bond premium using the pro rata method described under “— Market Discount” above.

Payments of interest (including OID, if any) on a Fannie Mae Certificate held by a Foreign Person are required to be reported annually on IRS Form 1042-S, which the withholding agent must file with the IRS and furnish to the recipient of the income.

Backup Withholding

Distributions on the Fannie Mae Certificates, as well as payment of proceeds from the sale of Fannie Mae Certificates, may be subject to the backup withholding tax under Section 3406 of the Code if recipients fail to furnish certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from 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 that is required to supply information but that does not do so in the manner required.

Taxes on a REMIC

A REMIC is subject to tax at a rate of 100 percent on the net income the REMIC derives 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 income from a source other than a qualified mortgage or certain other permitted investments, the receipt of compensation for services, or gain from the disposition of an asset purchased with the payments on the qualified mortgages for temporary investment pending distribution on the REMIC certificates. The Code also imposes a 100 percent tax on the value of any contribution of assets to the REMIC after the closing date other than pursuant to specified exceptions, and subjects “net income from foreclosure property” to tax at the highest corporate rate. We do not anticipate that any REMIC formed pursuant to the Pooling Agreement will engage in any such transactions or receive any such income.

If an entity elects to be treated as a REMIC but fails to comply with one or more of the ongoing requirements of the Code for REMIC status during any taxable year, the entity will not qualify as a REMIC for such year and thereafter. In this event, the entity may be subject to taxation as a separate corporation, and the certificates issued by the entity may not be accorded the status described under “— Special Tax Attributes” below. In the case of an inadvertent termination of REMIC status, the Treasury Department has authority to issue regulations providing relief; however, sanctions, such as the imposition of a corporate tax on all or a portion of the entity’s income for the period during which the requirements for REMIC status are not satisfied, may accompany any such relief.

Special Tax Attributes

The Class I-AIO Certificates and the REMIC regular interest component of the Class I-A Certificates held by a domestic building and loan association will constitute “regular or residual interests in a REMIC” within the meaning of Section 7701(a)(19)(C)(xi) of the Code in proportion to the assets of the REMIC that are described in Section 7701(a)(19)(C)(i) through (x). If, however, at least 95% of the assets of the REMIC are described in Section 7701(a)(19)(C)(i) through (x), all the REMIC certificates in that REMIC will so qualify.

In addition, the Class I-AIO Certificates and the REMIC regular interest component of the Class I-A Certificates held by a REIT will constitute “real estate assets” within the meaning of Section 856(c)(5)(B) of the Code. If at any time during a calendar year less than 95 percent of the assets of a REMIC consist of “real estate assets,” then the portion of the Class I-AIO Certificates and the REMIC regular interest component of the Class I-A Certificates that are real estate assets under Section 856(c)(5)(B) during the calendar year will be limited to the portion of the assets of the REMIC that are real estate assets. Similarly, income on the Class I-AIO Certificates and the REMIC regular interest component of the Class I-A 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.

The Class I-AIO Certificates and the REMIC regular interest component of the Class I-A Certificates also will be “qualified mortgages” within the meaning of Section 860G(a)(3) of the Code with respect to other REMICs, provided they are transferred to the other REMIC within the periods required by the Code, and will be “permitted assets” within the meaning of Section 860L(c)(1) of the Code with respect to FASITs.

The determination as to the percentage of the REMIC’s assets that constitute assets described in the foregoing sections of the Code will be made for each calendar quarter based on the average adjusted basis of each category of the assets held by the REMIC during that calendar quarter. The REMIC will report those determinations in the manner and at the times required by applicable Treasury regulations. The Small Business Job Protection Act of 1996 (the “SBJPA of 1996”) repealed the reserve method for bad debts of domestic building and loan associations and mutual savings banks, and thus has eliminated the asset category of “qualifying real property loans” in former Section 593(d) of the Code for taxable years beginning after December 31, 1995. The requirements in the SBJPA of 1996 that these institutions must “recapture” a portion of their existing bad debt reserves is suspended if a certain portion of their assets are maintained in “residential loans” under Section 7701(a)(19)(C)(v) of the Code, but only if those loans were made to acquire, construct or improve the related real property and not for the purpose of refinancing. However, no effort will be made to identify the portion of the Mortgage Loans meeting this requirement, and no representation is made in this regard.

The assets of the REMIC will include, in addition to Mortgage Loans, payments on Mortgage Loans held pending distribution and property acquired by foreclosure held pending sale, and may include amounts in reserve accounts. It is unclear whether property acquired by foreclosure held pending sale and amounts in reserve accounts would be considered to be part of the Mortgage Loans, or whether those assets (to the extent not invested in assets described in the foregoing sections) otherwise would receive the same treatment as the mortgage loans for purposes of all of the foregoing sections. Under the regulations applicable to REITs, however, mortgage loan payments held by a REMIC pending distribution are real estate assets for purposes of Section 856(c)(5)(B) of the Code. Furthermore, foreclosure property generally will qualify as real estate assets under Section 856(c)(5)(B) of the Code.

Solely for purposes of determining whether the Class I-AIO Certificates and the REMIC regular interest component of the Class I-A Certificates will be “real estate assets” within the meaning of Section 856(c)(5)(B) of the Code and “loans secured by an interest in real property” under Section 7701(a)(19)(C) of the Code, and whether the income on those Securities is interest described in Section 856(c)(3)(B) of the Code, all the REMICs in the tiered structure will be treated as one REMIC.

Notwithstanding the treatment of REMIC regular interest component under the foregoing sections of the Code, the Cap Contract components of the Class I-A Certificates will not qualify as assets described in Section 7701(a)(19)(C) of the Code, as real estate assets under Section 856(c)(5)(B) of the Code, or as qualified mortgages within the meaning of Section 860G(a)(3) of the Code, and any income

attributable to the Cap Contract components will not qualify as “interest on obligations secured by mortgages on real property” within the meaning of Section 856(c)(3)(B) of the Code .

CERTAIN STATE TAX CONSIDERATIONS

Because the income tax laws of the states vary, it is impractical to predict the income tax consequences to the certificateholders in all of the state taxing jurisdictions in which they are subject to tax. Certificateholders are urged to consult their own tax advisors with respect to state and local income and franchise taxes.

CERTAIN LEGAL ASPECTS OF THE MORTGAGE LOANS

The following discussion contains summaries of some of the legal aspects of mortgage loans which are general in nature. Because these legal aspects are governed by applicable state law, which laws may differ substantially, the summaries do not purport to be complete nor to reflect the laws of any particular state, nor to encompass the laws of all states in which the Mortgaged Property is located. The summaries are qualified in their entirety by reference to the applicable federal and state laws governing the Mortgage Loans.

The Mortgage Loans

The Mortgage Loans will be secured by either first or second mortgages or deeds of trust, depending upon the prevailing practice in the state in which the underlying property is located. The filing of a mortgage, deed of trust or deed to secure debt creates a lien or title interest upon the real property covered by the instrument and represents the security for the repayment of an obligation that is customarily evidenced by a promissory note. It is not prior to the lien for real estate taxes and assessments or other charges imposed under governmental police powers. Priority with respect to the instruments depends on their terms, the knowledge of the parties to the mortgage and generally on the order of recording with the applicable state, county or municipal office. There are two parties to a mortgage: the mortgagor, who is the borrower and homeowner, and the mortgagee, who is the lender. In a mortgage state, the mortgagor delivers to the mortgagee a note or bond evidencing the loan and the mortgage. Although a deed of trust is similar to a mortgage, a deed of trust has three parties: the borrower-homeowner called the trustor, similar to a mortgagor, a lender called the beneficiary, similar to a mortgagee, and a third-party grantee called the trustee. Under a deed of trust, the borrower grants the property, irrevocably until the debt is paid, in trust, generally with a power of sale, to the trustee to secure payment of the loan. The trustee’s authority under a deed of trust and the mortgagee’s authority under a mortgage are governed by the express provisions of the deed of trust or mortgage, applicable law and, in some cases, with respect to the deed of trust, the directions of the beneficiary.

Foreclosure

Foreclosure of a mortgage is generally accomplished by judicial action. Generally, the action is initiated by the service of legal pleadings upon all parties having an interest of record in the real property. Delays in completion of the foreclosure occasionally may result from difficulties in locating necessary parties defendant. When the mortgagee’s right to foreclosure is contested, the legal proceedings necessary to resolve the issue can be time-consuming. After the completion of a judicial foreclosure proceeding, the court may issue a judgment of foreclosure and appoint a receiver or other officer to conduct the sale of the property. In some states, mortgages may also be foreclosed by advertisement, pursuant to a power of sale provided in the mortgage. Foreclosure of a mortgage by advertisement is essentially similar to foreclosure of a deed of trust by non-judicial power of sale.

Though a deed of trust may also be foreclosed by judicial action, foreclosure of a deed of trust is generally accomplished by a non-judicial trustee's sale under a specific provision in the deed of trust that authorizes the trustee to sell the property upon a default by the borrower under the terms of the note or deed of trust. In some states, the trustee must record a notice of default and send a copy to the borrower-trustor and to any person who has recorded a request for a copy of a notice of default and notice of sale. In addition, the trustee must provide notice in some states to any other individual having an interest in the real property, including any junior lienholders. If the loan is not reinstated within any applicable cure period, a notice of sale must be posted in a public place and, in most states, published for a specified period of time in one or more newspapers. In addition, some state laws require that a copy of the notice of sale be posted on the property and sent to all parties having an interest of record in the property.

In some states, the borrower-trustor has the right to reinstate the loan at any time following default until shortly before the trustee's sale. In general, the borrower, or any other person having a junior encumbrance on the real estate, may, during a reinstatement period, cure the default by paying the entire amount in arrears plus the costs and expenses incurred in enforcing the obligation. Particular state laws control the amount of foreclosure expenses and costs, including attorneys' fees, which may be recovered by a lender.

In case of foreclosure under either a mortgage or a deed of trust, the sale by the receiver or other designated officer, or by the trustee, is a public sale. However, because of a number of factors, including the difficulty a potential buyer at the sale would have in determining the exact status of title and the fact that the physical condition of the property may have deteriorated during the foreclosure proceedings, it is uncommon for a third party to purchase the property at the foreclosure sale. Rather, it is common for the lender to purchase the property from the trustee or receiver for a credit bid less than or equal to the unpaid principal amount of the note, accrued and unpaid interest and the expenses of foreclosure. Subsequently, subject to the right of the borrower in some states to remain in possession during the redemption period, the lender will assume the burdens of ownership, including obtaining hazard insurance and making the repairs at its own expense as are necessary to render the property suitable for sale. The lender commonly will obtain the services of a real estate broker and pay the broker a commission in connection with the sale of the property. Depending upon market conditions, the ultimate proceeds of the sale of the property may not equal the lender's investment in the property. Any loss may be reduced by the receipt of mortgage insurance proceeds.

A junior mortgagee may not foreclose on the property securing a junior mortgage unless it forecloses subject to the senior mortgages, in which case it must either pay the entire amount due on the senior mortgages to the senior mortgagees prior to or at the time of the foreclosure sale or undertake the obligation to make payments on the senior mortgages if the mortgagor is in default thereunder. In either event the amounts expended will be added to the balance due on the junior loan, and may be subrogated to the rights of the senior mortgagees. In addition, if the foreclosure of a junior mortgage triggers the enforcement of a due-on-sale clause in a senior mortgage, the junior mortgagee may be required to pay the full amount of the senior mortgages to the senior mortgagees. Accordingly, with respect to those Mortgage Loans which are junior mortgage loans, if the lender purchases the property, the lender's title will be subject to all senior liens and claims and some governmental liens. The proceeds received by the referee or trustee from the sale are applied first to the costs, fees and expenses of sale, real estate taxes and then in satisfaction of the indebtedness secured by the mortgage or deed of trust under which the sale was conducted. Any remaining proceeds are generally payable to the holders of junior mortgages or deeds of trust and other liens and claims in order of their priority, whether or not the borrower is in default. Any additional proceeds are generally payable to the mortgagor or trustor. The payment of the proceeds to the holders of junior mortgages may occur in the foreclosure action of the senior mortgagee or may require the institution of separate legal proceedings.

If the Servicer were to foreclose on any junior lien it would do so subject to any related senior lien. In order for the debt related to the junior Mortgage Loan to be paid in full at the sale, a bidder at the foreclosure sale of the junior Mortgage Loan would have to bid an amount sufficient to pay off all sums due under the junior Mortgage Loan and the senior lien or purchase the mortgaged property subject to the senior lien. If proceeds from a foreclosure or similar sale of the mortgaged property are insufficient to satisfy all senior liens and the junior Mortgage Loan in the aggregate, the trust fund as the holder of the junior lien and, accordingly, holders of one or more classes of related securities bear (1) the risk of delay in distributions while a deficiency judgment against the borrower is obtained and (2) the risk of loss if the deficiency judgment is not realized upon. Moreover, deficiency judgments may not be available in a jurisdiction. In addition, liquidation expenses with respect to defaulted junior Mortgage Loans do not vary directly with the outstanding principal balance of the loans at the time of default. Therefore, assuming that the Servicer took the same steps in realizing upon a defaulted junior Mortgage Loan having a small remaining principal balance as it would in the case of a defaulted junior Mortgage Loan having a large remaining principal balance, the amount realized after expenses of liquidation would be smaller as a percentage of the outstanding principal balance of the small junior Mortgage Loan than would be the case with the defaulted junior Mortgage Loan having a large remaining principal balance.

In foreclosure, courts have imposed general equitable principles. The equitable principles are generally designed to relieve the borrower from the legal effect of its defaults under the loan documents. Examples of judicial remedies that have been fashioned include judicial requirements that the lender undertake affirmative and expensive actions to determine the causes for the borrower's default and the likelihood that the borrower will be able to reinstate the loan. In a few cases, courts have substituted their judgment for the lender's judgment and have required that lenders reinstate loans or recast payment schedules in order to accommodate borrowers who are suffering from temporary financial disability. In other cases, courts have limited the right of a lender to foreclose if the default under the mortgage instrument is not monetary, for example, the borrower's failure to adequately maintain the property or the borrower's execution of a second mortgage or deed of trust affecting the property. Finally, a few courts have been faced with the issue of whether or not federal or state constitutional provisions reflecting due process concerns for adequate notice require that borrowers under deeds of trust or mortgages receive notices in addition to the statutorily-prescribed minimums. For the most part, these cases have upheld the notice provisions as being reasonable or have found that the sale by a trustee under a deed of trust, or under a mortgage having a power of sale, does not involve sufficient state action to afford constitutional protection to the borrower.

Rights of Redemption

In some states, after a sale pursuant to a deed of trust or foreclosure of a mortgage, the borrower and particular foreclosed junior lienors are given a statutory period in which to redeem the property from the foreclosure sale. In other states, this right of redemption applies only to a sale following judicial foreclosure, and not a sale pursuant to a non-judicial power of sale. In most states where the right of redemption is available, statutory redemption may occur upon payment of the foreclosure purchase price, accrued interest and taxes. In some states, the right to redeem is an equitable right. The effect of a statutory right of redemption is to diminish the ability of the lender to sell the foreclosed property. The exercise of a right of redemption would defeat the title of any purchaser from the lender subsequent to foreclosure or sale under a deed of trust. Consequently, the practical effect of the redemption right is to force the lender to retain the property and pay the expenses of ownership until the redemption period has run.

Anti-Deficiency Legislation and Other Limitations on Lenders

Some states have imposed statutory restrictions that limit the remedies of a beneficiary under a deed of trust or a mortgagee under a mortgage. In some states, statutes limit the right of the beneficiary or mortgagee to obtain a deficiency judgment against the borrower following foreclosure or a non-judicial sale under a deed of trust. A deficiency judgment is a personal judgment against the former borrower equal in most cases to the difference between the amount due to the lender and the net amount realized upon the foreclosure sale. Other statutes prohibit a deficiency judgment where the loan proceeds were used to purchase a dwelling occupied by the borrower.

Some state statutes may require the beneficiary or mortgagee to exhaust the security afforded under a deed of trust or mortgage by foreclosure in an attempt to satisfy the full debt before bringing a personal action against the borrower. In other states, the lender has the option of bringing a personal action against the borrower on the debt without first exhausting the security; however, in some of these states, the lender, following judgment on the personal action, may be deemed to have elected a remedy and may be precluded from exercising remedies with respect to the security. Consequently, the practical effect of the election requirement, when applicable, is that lenders will usually proceed first against the security rather than bringing a personal action against the borrower.

Other statutory provisions may limit any deficiency judgment against the former borrower following a foreclosure sale to the excess of the outstanding debt over the fair market value of the property at the time of the sale. The purpose of these statutes is to prevent a beneficiary or a mortgagee from obtaining a large deficiency judgment against the former borrower as a result of low or no bids at the foreclosure sale.

In some states, exceptions to the anti-deficiency statutes are provided for in some instances where the value of the lender's security has been impaired by acts or omissions of the borrower, for example, in the event of waste of the property.

In addition to anti-deficiency and related legislation, numerous other federal and state statutory provisions, including the federal bankruptcy laws, the federal Soldiers' and Sailors' Civil Relief Act of 1940 and state laws affording relief to debtors, may interfere with or affect the ability of a secured mortgage lender to realize upon its security. For example, in a Chapter 13 proceeding under the federal Bankruptcy Code, when a court determines that the value of a home is less than the principal balance of the loan, the court may prevent a lender from foreclosing on the home, and, as part of the rehabilitation plan, reduce the amount of the secured indebtedness to the value of the home as it exists at the time of the proceeding, leaving the lender as a general unsecured creditor for the difference between that value and the amount of outstanding indebtedness. A bankruptcy court may grant the debtor a reasonable time to cure a payment default, and in the case of a mortgage loan not secured by the debtor's principal residence, also may reduce the monthly payments due under the mortgage loan, change the rate of interest and alter the mortgage loan repayment schedule. Particular court decisions have applied the relief to claims secured by the debtor's principal residence.

The Code provides priority to particular tax liens over the lien of the mortgage or deed of trust. The laws of some states provide priority to particular tax liens over the lien of the mortgage or deed of trust. Numerous federal and some state consumer protection laws impose substantive requirements upon mortgage lenders in connection with the origination, servicing and the enforcement of mortgage loans. These laws include the federal Truth in Lending Act, Real Estate Settlement Procedures Act, Equal Credit Opportunity Act, Fair Credit Billing Act, Fair Credit Reporting Act, and related statutes and regulations. These federal laws and state laws impose specific statutory liabilities upon lenders who originate or

service mortgage loans and who fail to comply with the provisions of the law. In some cases, this liability may affect assignees of the mortgage loans.

“Due-On-Sale” Clauses

The forms of note, mortgage and deed of trust relating to conventional Mortgage Loans may contain a “due-on-sale” clause permitting acceleration of the maturity of a loan if the borrower transfers its interest in the property. The enforceability of these clauses has been subject of legislation or litigation in many states, and in some cases the enforceability of these clauses was limited or denied. However, the Garn-St Germain Depository Institutions Act of 1982 (the “Garn-St Germain Act”) preempts state constitutional, statutory and case law that prohibits the enforcement of due-on-sale clauses and permits lenders to enforce these clauses in accordance with their terms, subject to limited exceptions. The Garn-St Germain Act does “encourage” lenders to permit assumption of loans at the original rate of interest or at some other rate less than the average of the original rate and the market rate.

The Garn-St Germain Act also sets forth nine specific instances in which a mortgage lender covered by the Garn-St Germain Act may not exercise a due-on-sale clause, notwithstanding the fact that a transfer of the property may have occurred. These include intra-family transfers, particular transfers by operation of law, leases of fewer than three years and the creation of a junior encumbrance. Regulations promulgated under the Garn-St Germain Act also prohibit the imposition of prepayment penalty upon the acceleration of a loan pursuant to a due-on-sale clause.

The inability to enforce a due-on-sale clause may result in a mortgage loan bearing an interest rate below the current market rate being assumed by a new home buyer rather than being paid off, which may have an impact upon the average life of the Mortgage Loans and the number of Mortgage Loans which may be outstanding until maturity.

Enforceability of Certain Provisions

Standard forms of note, mortgage and deed of trust generally contain provisions obligating the borrower to pay a late charge if payments are not timely made and in some circumstances may provide for prepayment fees or penalties if the obligation is paid prior to maturity. In some states, there are or may be specific limitations upon late charges which a lender may collect from a borrower for delinquent payments. State and federal statutes or regulations may also limit a lender’s right to collect a prepayment penalty when the prepayment is caused by the lender’s acceleration of the loan pursuant to a due-on-sale clause. Some states also limit the amounts that a lender may collect from a borrower as an additional charge if the loan is prepaid. Under the Pooling Agreement, late charges, to the extent permitted by law and not waived by the Servicer, will be retained by the Servicer as additional servicing compensation.

Courts have imposed general equitable principles upon foreclosure. These equitable principles are generally designed to relieve the borrower from the legal effect of defaults under the loan documents. Examples of judicial remedies that may be fashioned include judicial requirements that the lender undertake affirmative and sometimes expensive actions to determine the causes for the borrower’s default and the likelihood that the borrower will be able to reinstate the loan. In some cases, courts have substituted their judgment for the lender’s judgment and have required lenders to reinstate loans or recast payment schedules to accommodate borrowers who are suffering from temporary financial disability. In some cases, courts have limited the right of lenders to foreclose if the default under the mortgage instrument is not monetary, for example, the borrower failing to adequately maintain or insure the property or the borrower executing a second mortgage or deed of trust affecting the property. In other cases, some courts have been faced with the issue whether federal or state constitutional provisions reflecting due process concerns for adequate notice require that borrowers under the deeds of trust receive

notices in addition to the statutorily-prescribed minimum requirements. For the most part, these cases have upheld the notice provisions as being reasonable or have found that the sale by a trustee under a deed of trust or under a mortgage having a power of sale does not involve sufficient state action to afford constitutional protections to the borrower.

Alternative Mortgage Instruments

Adjustable-rate mortgage loans and home equity revolving credit loans originated by non-federally chartered lenders have historically been subject to a variety of restrictions. These restrictions differed from state to state, resulting in difficulties in determining whether a particular alternative mortgage instrument originated by a state-chartered lender complied with applicable law. These difficulties were simplified substantially as a result of the enactment of Title VIII of the Garn-St. Germain Act. Title VIII provides that, notwithstanding any state law to the contrary,

- state-chartered banks may originate alternative mortgage instruments, including adjustable-rate mortgage loans, in accordance with regulations promulgated by the Comptroller of the Currency with respect to origination of alternative mortgage instruments by national banks,
- state-chartered credit unions may originate alternative mortgage instruments in accordance with regulations promulgated by the National Credit Union Administration with respect to origination of alternative mortgage instruments by federal credit unions, and
- all other non-federally chartered housing creditors, including, without limitation, state-chartered savings and loan associations, savings banks and mutual savings banks and mortgage banking companies may originate alternative mortgage instruments in accordance with the regulations promulgated by the Federal Home Loan Bank Board, predecessor to the OTS with respect to origination of alternative mortgage instruments by federal savings and loan associations.

Title VIII further provides that any state may reject applicability of the provisions of Title VIII by adopting prior to October 15, 1985 a law or constitutional provision expressly rejecting the applicability of these provisions. Several states have taken this type of action.

Soldiers' and Sailors' Civil Relief Act of 1940

Under the terms of the Relief Act, a borrower who enters military service after the origination of that borrower's mortgage loan, including a borrower who was in reserve status and is called to active duty after origination of the mortgage loan, may not be charged interest, including fees and charges, above an annual rate of 6% during the period of that borrower's active duty status unless a court orders otherwise upon application of the lender. The Relief Act applies to borrowers who are members of the Army, Navy, Air Force, Marines, National Guard, Reserves, Coast Guard, and officers of the U.S. Public Health Service assigned to duty with the military. Because the Relief Act applies to borrowers who enter military service, including reservists who are called to active duty, after origination of the related mortgage loan no information can be provided as to the number of loans that may be affected by the Relief Act. Application of the Relief Act would adversely affect, for an indeterminate period of time, the ability of the Master Servicer to collect full amounts of interest on the applicable mortgage loans. Any Relief Act Interest Shortfalls could result in losses to the certificateholders. However, the Fannie Mae Guaranty will cover such shortfalls. The Relief Act also imposes limitations that would impair the ability of the Servicer to foreclose on an affected Mortgage Loan during the borrower's period of active duty

status, and, sometimes, during an additional three month period thereafter. Thus, if the Relief Act applies to any Mortgage Loan that goes into default, there may be delays in payment and losses occasioned by the inability to realize upon the mortgaged property in a timely fashion.

Environmental Risks

Under the federal Comprehensive Environmental Response, Compensation and Liability Act, as amended, and under several state laws, a secured party which takes a deed-in-lieu of foreclosure, purchases a mortgaged property at a foreclosure sale, or operates a mortgaged property may become liable for the costs of cleaning up hazardous substances regardless of whether they have contaminated the property. CERCLA imposes strict as well as joint and several liability on several classes of potentially responsible parties, including current owners and operators of the property who did not cause or contribute to the contamination. Furthermore, liability under CERCLA is not limited to the original or unamortized principal balance of a loan or to the value of the property securing a loan. Lenders may be held liable under CERCLA as owners or operators unless they qualify for the secured creditor exemption to CERCLA. This exemption exempts from the definition of owners and operators those who, without participating in the management of a facility, hold indicia of ownership primarily to protect a security interest in the facility. What constitutes sufficient participation in the management of a property securing a loan or the business of a borrower to render the exemption unavailable to a lender has been a matter of interpretation by the courts. CERCLA has been interpreted to impose liability on a secured party even absent foreclosure where the party participated in the financial management of the borrower's business to a degree indicating a capacity to influence waste disposal decisions. However, court interpretations of the secured creditor exemption have been inconsistent. In addition, when lenders foreclose and become owners of collateral property, courts are inconsistent as to whether that ownership renders the secured creditor exemption unavailable. Other federal and state laws may impose liability on a secured party which takes a deed-in-lieu of foreclosure, purchases a mortgaged property at a foreclosure sale, or operates a mortgaged property on which contaminants other than CERCLA hazardous substances are present, including petroleum, agricultural chemicals, hazardous wastes, asbestos, radon, and lead-based paint. Environmental cleanup costs may be substantial. It is possible that the cleanup costs could become a liability of the Trust fund and reduce the amounts otherwise distributable to the certificateholders. Moreover, there are federal statutes and state statutes that impose an environmental lien for any cleanup costs incurred by the state on the property that is the subject of the cleanup costs. All subsequent liens on a property generally are subordinated to an environmental lien and in some states even prior recorded liens are subordinated to environmental liens. In the latter states, the security interest of the trust fund in a related parcel of real property that is subject to an environmental lien could be adversely affected.

Traditionally, many residential mortgage lenders have not taken steps to evaluate whether contaminants are present with respect to any mortgaged property prior to the origination of the mortgage loan or prior to foreclosure or accepting a deed-in-lieu of foreclosure. Accordingly, the Originator has not made and will not make these kinds of evaluations prior to the origination of the Mortgage Loans. Neither the Servicer nor any replacement servicer will be required by any servicing agreement to undertake any environmental evaluations prior to foreclosure or accepting a deed-in-lieu of foreclosure. The Servicer will not make any representations or warranties or assume any liability with respect to the absence or effect of contaminants on any related real property or any casualty resulting from the presence or effect of contaminants. The Servicer will not be obligated to foreclose on related real property or accept a deed-in-lieu of foreclosure if it knows or reasonably believes that there are material contaminated conditions on a property. A failure so to foreclose may reduce the amounts otherwise available to certificateholders.

Forfeitures in Drug and RICO Proceedings

Federal law provides that property owned by persons convicted of drug-related crimes or of criminal violations of the Racketeer Influenced and Corrupt Organizations statute can be seized by the government if the property was used in or purchased with the proceeds of these crimes. Under procedures contained in the Comprehensive Crime Control Act of 1984 the government may seize the property even before conviction. The government must publish notice of the forfeiture proceeding and may give notice to all parties “known to have an alleged interest in the property,” including the holders of mortgage loans.

A lender may avoid forfeiture of its interest in the property if it establishes that: (1) its mortgage was executed and recorded before commission of the crime upon which the forfeiture is based, or (2) the lender was at the time of execution of the mortgage “reasonably without cause to believe” that the property was used in or purchased with the proceeds of illegal drug or RICO activities.

LEGAL MATTERS

Certain legal matters with respect to the Certificates will be passed upon for the Depositor by McKee Nelson LLP, New York, New York.

INDEX OF DEFINED TERMS

1986 Act.....	116	Garn-St Germain Act.....	128
Accrual Period.....	71	Gross Margin.....	25
Adjustment Date.....	25	Group I Available Funds.....	80
Advance.....	100	Group I Certificates.....	67
AFR.....	114	Group I Credit Enhancement Percentage.....	74
Allocated Realized Loss Amount.....	72	Group I Interest Remittance Amount.....	74
Alt-A Mortgage Loans.....	61	Group I Mezzanine Components.....	66
Assumed Final Distribution Date.....	67	Group I Mortgage Loans.....	24
beneficial owner.....	68	Group I Net Monthly Excess Cashflow.....	74
Book-Entry Certificates.....	68	Group I Net WAC Reserve Fund.....	94
Cap Contract.....	115	Group I Overcollateralization Deficiency Amount.....	74
Certificate Index.....	93	Group I Overcollateralization Increase Amount.....	74
Certificate Margin.....	93	Group I Overcollateralization Release Amount.....	74
Certificate Owner.....	68	Group I Overcollateralization Target Amount.....	74
Certificate Principal Balance.....	72	Group I Overcollateralized Amount.....	74
certificateholder.....	114	Group I Principal Distribution Amount.....	75
Certificates.....	66	Group I Principal Remittance Amount.....	75
Class AIO Certificates.....	66	Group I Stepdown Date.....	76
Class BIO Certificates.....	66	Group I Trigger Event.....	76
Class I-A Principal Distribution Amount.....	72	Group II Available Funds.....	80
Class I-AIO Net WAC Rate.....	93	Group II Certificates.....	67
Class I-AIO Notional Balance.....	72	Group II Credit Enhancement Percentage.....	76
Class I-BIO Cap Rate.....	93	Group II Interest Remittance Amount.....	76
Class II-A Principal Distribution Amount.....	72	Group II Mezzanine Components.....	66
Class II-AIO Net WAC Rate.....	93	Group II Mortgage Loans.....	24
Class II-AIO Notional Balance.....	73	Group II Net Monthly Excess Cashflow.....	76
Class II-BIO Cap Rate.....	93	Group II Net WAC Reserve Fund.....	94
Class II-M1 Principal Distribution Amount.....	73	Group II Overcollateralization Deficiency Amount.....	77
Class P Certificates.....	66	Group II Overcollateralization Increase Amount.....	77
Class X Certificates.....	66	Group II Overcollateralization Release Amount.....	77
Code.....	114	Group II Overcollateralization Target Amount.....	77
Collection Account.....	100	Group II Overcollateralized Amount.....	77
Compensating Interest.....	101	Group II Principal Distribution Amount.....	77
Component Principal Balance.....	67	Group II Principal Remittance Amount.....	78
Conforming Alt-A Mortgage Loans.....	61	Group II Stepdown Date.....	78
CPR.....	107	Group II Trigger Event.....	78
Cut-off Date.....	24	Guaranteed Certificates.....	89
Cut-off Date Pool Principal Balance.....	24	Guaranteed Interest Distribution Amount.....	89
Cut-off Date Principal Balance.....	24	Guaranteed Principal Distribution Amount.....	89
Definitive Certificate.....	68	Guarantor.....	3
Deleted Mortgage Loans.....	100	Guarantor Interest Reimbursement Amount.....	90
Delinquent.....	73	Guarantor Payment.....	90
Determination Date.....	101	Guarantor Principal Reimbursement Amount.....	90
Distribution Date.....	68	Guarantor Reimbursement Amount.....	90
DTC.....	68	Guaranty.....	89
Due Date.....	25	Guaranty Fee.....	89
Due Period.....	74	Guaranty Fee Rate.....	89
Fannie Mae.....	3	II-M2 Component Principal Distribution Amount.....	71
Fannie Mae Certificates.....	67	II-M3 Component Principal Distribution Amount.....	71
Financial Intermediary.....	68	II-M4 Component Principal Distribution Amount.....	71
Foreign Person.....	114	I-M2 Component Principal Distribution Amount.....	70
Formula Rate.....	93	I-M3 Component Principal Distribution Amount.....	70
Full Doc.....	58	I-M4 Component Principal Distribution Amount.....	70

Index	54	Prepayment Scenarios	108
Initial Periodic Rate Cap	25	Principal Balance	24
IRS	114	Purchase Price	98
LIBOR Business Day	95	Qualified Stated Interest	116
LIBOR Certificates	67	Qualified Substitute Mortgage Loan	99
LIBOR Determination Date	95	Realized Loss	79
Limited Doc	58	Reconstitution Agreement	24
Long Beach	22	Record Date	68
LTV	26	Reference Banks	95
Maximum Loan Rate	25	Related Documents	98
Mezzanine Certificates	66	Relief Act	19
Mezzanine Components	66	Relief Act Interest Shortfalls	19
Minimum Loan Rate	25	REMIC regular interest component	115
Monthly Interest Distributable Amount	79	Reserve Interest Rate	95
Mortgage	25	Residual Certificates	66
Mortgage Loan Purchase Agreement	24	Rules	68
Mortgage Loan Schedule	98	SBJPA of 1996	123
Mortgage Loans	24	Senior Mortgage Loan	25
Mortgage Pool	24	Servicer Remittance Date	101
Mortgaged Property	25	Servicing Advance	101
Net Liquidation Proceeds	80	Servicing Fee	101
Net Prepayment Interest Shortfall	101	Servicing Fee Rate	101
Net WAC Rate	92	Six Month LIBOR	54
Net WAC Rate Carryover Amount	95	Stated Income	58
Net WAC Reserve Funds	94	Stepdown Date	80
Non-Conforming Alt-A Mortgage Loans	61	Structuring Assumptions	108
Notional Amount	79	Subordinate Certificates	66
OID	116	Subservicing Agreement	56
OID Regulations	116	Substitution Adjustment	99
Optional Termination Date	104	Telerate Page 3750	95
Original Certificate Principal Balance	72	Termination Price	104
Original Component Principal Balance	73	Trigger Event	80
PAC Method	117	Trust	24
Pass-Through Rate	91	U.S. Person	114
Periodic Rate Cap	25	Unpaid Interest Shortfall Amount	80
Pool Balance	24	WAMU Loans	58
Pooling Agreement	24	withholding agent	121
PPC	107	WM	55
Prepayment Assumption	107	WMB	58
Prepayment Interest Shortfall	101	WMB fsb	58
Prepayment Period	79	WMBFA	15

\$464,790,000 (Approximate)

Asset Backed Securities Corporation

Depositor

Long Beach Mortgage Company

Servicer

**Asset Backed Securities Corporation
Home Equity Loan Trust, Series 2002-HE3**

Issuer

**Asset Backed Pass-Through Certificates, Series 2002-HE3
Class I-A and Class I-AIO Certificates**

INFORMATION SUPPLEMENT

You should rely only on the information contained or incorporated by reference in this information supplement. We have not authorized anyone to provide you with different information.

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No one is authorized to give information or to make representations in connection with this offering other than those contained in this Prospectus and the other Disclosure Documents. You must not rely on any unauthorized information or representation. This Prospectus and the other Disclosure Documents do not constitute an offer or solicitation with regard to the Certificates if it is illegal to make such an offer or solicitation to you under state law. By delivering this Prospectus and the other Disclosure Documents at any time, no one implies that the information contained in these documents is correct after their dates.

The Securities and Exchange Commission has not approved or disapproved the Certificates or determined if this Prospectus is truthful and complete. Any representation to the contrary is a criminal offense.

\$464,790,000
(Approximate)



**Guaranteed
Grantor Trust Pass-Through
Certificates**

Fannie Mae Grantor Trust 2002-T14

PROSPECTUS

TABLE OF CONTENTS

	<u>Page</u>
Additional Information	3
Reference Sheet	4
Risk Factors	6
Description of the Certificates	10
The Trust Agreement	15
Certain Federal Income Tax Consequences ..	17
Legal Investment Considerations	20
Legal Opinion	20
ERISA Considerations	20
Plan of Distribution	21
Legal Matters	21
Index of Defined Terms	22

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October 17, 2002
