

\$1,276,575,538 (Approximate)



## Guaranteed Pass-Through Certificates Fannie Mae Trust 2003-W8

**Carefully consider the risk factors beginning on page 9 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 (“Fannie Mae”), will issue and guarantee the certificates listed in the chart on this page. The certificates will represent beneficial ownership interests in the trust assets.

### Payments to Certificateholders

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

- interest to the extent accrued as described in this prospectus, and
- principal to the extent available for payment as described in this prospectus.

### The Fannie Mae Guaranty

We will guarantee that the payments of monthly interest and principal described above are paid to investors on time and that any outstanding principal balance of each class of certificates is paid on the final distribution date.

### The Trust and Its Assets

The trust assets will be divided into four groups.

- Groups 1, 2 and 3 will consist of first lien, one- to four-family, fully amortizing, fixed-rate mortgage loans insured by the Federal Housing Administration (FHA) or partially guaranteed by the U.S. Department of Veterans Affairs (VA) and having the characteristics described in this prospectus.
- Group 4 will consist of first lien, one- to four-family, fully amortizing, adjustable rate mortgage loans insured by the FHA or partially guaranteed by the VA and having the characteristics described in this prospectus.
- If you own certificates of certain classes, you can exchange them for the corresponding RCR certificates to be issued at the time of the exchange. The PT-1 and PT-2 Classes are the RCR classes, as further described in this prospectus.

Class	Group	Original Class Balance (1)	Principal Type (2)	Interest Rate	Interest Type (2)	CUSIP Number	Assumed Maturity Date (3)
1-A-1	1	\$271,066,725	SEQ	3.74%	FIX	31393CW25	December 2032
1-A-2	1	160,167,218	SEQ	2.57	FIX	31393CW33	December 2032
1-A-3	1	121,593,888	SEQ	4.75	FIX	31393CW41	December 2032
1-A-4	1	200,136,730	SEQ	4.78	FIX	31393CW58	December 2032
1-IO-1	1	552,827,831 (4)	NTL	(5)	WAC/IO	31393CW66	December 2032
1-IO-2 (6)	1	752,964,561 (4)	NTL	(5)	WAC/IO	31393CW74	December 2032
2-A	2	203,390,980	PT	7.00	FIX	31393CW82	October 2032
2-IO	2	203,390,980 (4)	NTL	(5)	WAC/IO	31393CW90	October 2032
3-F-1	3	105,000,000	PT	(7)	FLT	31393CX24	May 2032
3-T	3	63,790,935 (4)	NTL	(7)	INV/IO	31393CX32	May 2032
3-F-2	3	63,790,935	PT	(7)	FLT	31393CX40	May 2032
3-PO (6)	3	15,505,458	PT	(8)	PO	31393CX57	May 2032
3-S	3	168,790,935 (4)	NTL	(7)	INV/IO	31393CX65	May 2032
3-IO	3	184,296,393 (4)	NTL	(5)	WAC/IO	31393CX73	May 2032
4-A	4	135,923,604	PT	(9)	WAC	31393CX81	November 2032
R	(10)	0	NPR	0	NPR	31393CX99	December 2032
RL	(10)	0	NPR	0	NPR	31393CY23	December 2032

(1) May vary by plus or minus 5%.

(2) See “Description of the Certificates—Class Definitions and Abbreviations.”

(3) The Assumed Maturity Date is calculated assuming the maturity dates of the mortgage loans are not modified. Fannie Mae does not guarantee payment in full of the principal balances on the related Assumed Maturity Dates. Fannie Mae will guarantee payment in full of the principal balances of the certificates no later than the distribution date in December 2042 with respect to the Group 1 Classes, October 2042 with respect to the Group 2 Classes, May 2042 with respect to the Group 3 Classes and November 2042 with respect to the Group 4 Classes.

(4) Notional principal balances. These classes are interest only classes.

(5) The 1-IO-1, 1-IO-2, 2-IO and 3-IO Classes will bear interest at the variable annual rates described in this prospectus. During the first interest accrual period, the 1-IO-1, 1-IO-2, 2-IO and 3-IO Classes are expected to bear interest at annual rates of approximately 1.15682%, 1.64854%, 0.34136% and 0.59905%, respectively.

(6) Exchangeable classes.

(7) Based on LIBOR.

(8) This class is a principal only class and will not bear interest.

(9) The 4-A Class will bear interest during the initial interest accrual period at an annual rate equal to approximately 5.31379%. During each subsequent interest accrual period, the 4-A Class will bear interest as described in this prospectus.

(10) The R and RL Classes relate to Groups 1 and 3 only.

The dealer will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be May 30, 2003.

**LEHMAN BROTHERS**  
**WAMU CAPITAL CORP.**

May 5, 2003

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## AVAILABLE INFORMATION

You should purchase the certificates only if you have read and understood this prospectus and any Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K (the “Disclosure Documents”) that we file with the SEC during the period specified in the final paragraph of this page.

You can obtain the Disclosure Documents by writing or calling us at:

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

The Disclosure Documents and the class factors are available on our corporate web site located at [www.fanniemae.com](http://www.fanniemae.com) and our business to business web site at [www.efanniemae.com](http://www.efanniemae.com).

You also can obtain additional copies of the Disclosure Documents by writing or calling Lehman Brothers Inc. (“the Dealer”) at:

Lehman Brothers Inc.  
c/o ADP Financial Services  
Prospectus Department  
1155 Long Island Avenue  
Edgewood, New York 11717  
(telephone: 631-254-7106).

In the first quarter of 2003, we began filing periodic reports with the SEC under the Exchange Act. These filings will include Form 10-Ks, Form 10-Qs and Form 8-Ks. Our SEC filings are available at the SEC’s website at [www.sec.gov](http://www.sec.gov). You may also read and copy any document we file with the SEC by visiting the SEC’s Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the operation of the Public Reference Room. We are providing the address of the SEC’s Internet site solely for the information of prospective investors. We do not intend the Internet address to be an active link.

Information contained in any Form 10-K, Form 10-Q and Form 8-K that we file with the SEC prior to the termination of the offering of the certificates is hereby incorporated by reference in this prospectus. In cases where we “furnish” information to the SEC on Form 8-K, as provided under the Exchange Act, that information is not incorporated by reference in this prospectus.

## REFERENCE SHEET

**This reference sheet is not a summary of the transaction and does not contain complete information about the certificates. You should purchase the certificates only after reading this prospectus in its entirety and each of the additional disclosure documents referred to on page 4.**

### The Certificates

- The certificates will represent beneficial ownership interests in Fannie Mae Trust 2003-W8.
- The trust assets will be divided into four groups.
- Groups 1, 2 and 3 will consist of first lien, one- to four-family, fully amortizing, fixed-rate mortgage loans insured by the Federal Housing Administration (FHA) or partially guaranteed by the U.S. Department of Veterans Affairs (VA).
- Group 4 will consist of first lien, one- to four-family, fully amortizing, adjustable-rate mortgage loans insured by the FHA or partially guaranteed by the VA.

### Certain Characteristics of the Mortgage Loans

Each of the mortgage loans was originated in accordance with the underwriting guidelines of the FHA or VA and included in a Ginnie Mae pool. Generally, each mortgage loan was subsequently repurchased from a Ginnie Mae pool after a delinquency on the loan was not cured for at least 90 days. The mortgage loans are now reperforming as and to the extent described in the section of this prospectus entitled "The Mortgage Loans."

The table appearing in Exhibit A sets forth certain summary information regarding the assumed characteristics of the mortgage loans.

### Class Factors

The class factors are numbers that, when multiplied by the initial principal balance or notional balance of a certificate, can be used to calculate the current principal balance or notional balance of that certificate (after taking into account distributions in the same month). We will publish the class factors for the certificates on or shortly after the 23rd day of each month.

### Settlement Date

We expect to issue the certificates on May 30, 2003.

### Distribution Dates

We will make payments on the certificates on the 25th day of each calendar month, or the next business day if the 25th day is not a business day, beginning in June 2003.

### Book-Entry Certificates

We will issue the book-entry certificates through DTC, which will electronically track ownership of the certificates and payments on them. We will issue physical certificates in registered, certificated form.

We will issue the classes of certificates in the following forms:

#### DTC Book-Entry

All classes other than the R and RL Classes

#### Physical

R and RL Classes

## Exchanging Certificates Through Combination and Recombination

If you own certain certificates, you will be able to exchange them for a proportionate interest in the related RCR certificates as shown on Schedule 1. We will issue the RCR certificates upon such exchange. You can exchange your certificates by notifying us and paying an exchange fee. We use the principal and interest of the certificates exchanged to pay principal and interest on the related RCR certificates. Schedule 1 lists the available combinations of the certificates eligible for exchange and the related RCR certificates.

## Interest Rates

During each interest accrual period, the fixed rate classes will bear interest at the applicable annual interest rates listed on the cover of this prospectus or on Schedule 1.

During each interest accrual period, the 1-IO-1, 1-IO-2, 2-IO, 3-IO and 4-A Classes will bear interest at the applicable rates described in this prospectus supplement.

During the initial interest accrual period, the floating rate and inverse floating rate classes will bear interest at the initial interest rates listed below. During subsequent interest accrual periods, the floating rate and inverse floating rate classes will bear interest based on the formulas indicated below, but always subject to the specified maximum and minimum interest rates:

<u>Class</u>	<u>Initial Interest Rate</u>	<u>Maximum Interest Rate</u>	<u>Minimum Interest Rate</u>	<u>Formula for Calculation of Interest Rate (1)</u>
3-F-1 .....	1.71%	8.00%	0.40%	One Month LIBOR + 40 basis points
3-F-2 .....	1.66%	8.50%	0.35%	One Month LIBOR + 35 basis points
3-S .....	6.29%	7.60%	0.00%	7.60% – One Month LIBOR
3-T .....	0.55%	0.55%	0.00%	8.15% – One Month LIBOR

(1) We will establish One Month LIBOR on the basis of the “BBA Method.”

We will apply interest payments from exchanged trust certificates to the corresponding RCR certificates, on a pro rata basis, following any exchange.

## Notional Classes

The 1-IO-1, 1-IO-2, 2-IO, 3-S, 3-T and 3-IO Classes are notional classes. A notional class will not receive principal. The notional principal balance of a notional class is the balance used to calculate interest. See “Description of the Certificates—Interest Payments on the Certificates—*Notional Classes*” and “—Yield Tables—*The Interest Only Classes*” in this prospectus.

The notional principal balances of the notional classes will equal the percentages of the aggregate principal balances specified below immediately before the related distribution date:

<u>Class</u>	
1-IO-1 .....	100% of the 1-A-1, 1-A-2 and 1-A-3 Classes
1-IO-2 .....	100% of the 1-A-1, 1-A-2, 1-A-3 and 1-A-4 Classes
2-IO .....	100% of the 2-A Class
3-S .....	100% of the 3-F-1 and 3-F-2 Classes
3-T .....	100% of the 3-F-2 Class
3-IO .....	100% of the 3-F-1, 3-F-2 and 3-PO Classes

## Principal Only Class

The 3-PO Class is a principal only class and will not bear interest. See “Description of the Certificates—Principal Payments on the Certificates” and “—Yield Tables—*The Principal Only Class*” in this prospectus.

## Payments of Principal

### Group 1 Principal Distribution Amount

To the 1-A-1, 1-A-2, 1-A-3 and 1-A-4 Classes, in that order, to zero.

### Group 2 Principal Distribution Amount

To the 2-A Class to zero.

### Group 3 Principal Distribution Amount

- (a) 8.413326916% to the 3-PO Class to zero, and
- (b) the remaining amount to the 3-F-1 and 3-F-2 Classes, pro rata, to zero.

### Group 4 Principal Distribution Amount

To the 4-A Class to zero.

## Guaranty Payments

We guarantee that we will pay to the holders of certificates (i) all required installments of principal and interest on the certificates on time and (ii) the remaining principal balance of each class of certificate no later than the distribution date in December 2042 with respect to the Group 1 Classes, October 2042 with respect to the Group 2 Classes, May 2042 with respect to the Group 3 Classes and November 2042 with respect to the Group 4 Classes.

## Weighted Average Lives (years) \*

<u>Group 1 Classes</u>	<u>CPR Prepayment Assumption</u>						
	<u>0%</u>	<u>9%</u>	<u>18%</u>	<u>27%</u>	<u>36%</u>	<u>45%</u>	
1-A-1 .....	9.0	1.9	1.0	0.7	0.5	0.4	
1-A-2 .....	17.8	5.7	3.0	2.0	1.4	1.1	
1-A-3 .....	21.4	9.3	5.0	3.3	2.3	1.8	
1-A-4 .....	24.6	16.9	10.4	7.0	5.0	3.8	
1-IO-1 .....	14.3	4.7	2.5	1.6	1.2	0.9	
1-IO-2 .....	17.0	7.9	4.6	3.0	2.2	1.7	
<u>Group 2 Classes</u>	<u>CPR Prepayment Assumption</u>						
	<u>0%</u>	<u>8%</u>	<u>16%</u>	<u>24%</u>	<u>32%</u>	<u>40%</u>	
2-A and 2-IO .....	16.9	8.5	5.1	3.4	2.5	1.9	
<u>Group 3 Classes</u>	<u>CPR Prepayment Assumption</u>						
	<u>0%</u>	<u>10%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>40%</u>	<u>50%</u>
3-F-1, 3-T, 3-F-2, 3-PO, 3-S and 3-IO ...	16.7	7.4	4.2	3.3	2.7	1.9	1.4

<u>Group 4 Classes</u>	<u>CPR Prepayment Assumption</u>					
	<u>0%</u>	<u>9%</u>	<u>18%</u>	<u>27%</u>	<u>36%</u>	<u>45%</u>
4-A .....	14.5	7.3	4.4	2.9	2.1	1.6

<u>RCR Classes</u>	<u>CPR Prepayment Assumption</u>						
	<u>0%</u>	<u>10%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>40%</u>	<u>50%</u>
PT-1 and PT-2 .....	16.7	7.4	4.2	3.3	2.7	1.9	1.4

\* Determined as specified under “Description of the Certificates—Weighted Average Lives of the Certificates” in this prospectus supplement.

## 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.

### Suitability

*The certificates may not be a suitable investment.* The certificates are not a suitable investment for every investor. Before investing, you should consider carefully 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 and the other disclosure documents described on page 4.
- You should thoroughly understand the terms of the certificates.
- 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.

You should exercise particular caution if your circumstances do not permit you to hold the certificates until maturity.

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 to determine whether your purchase of the certificates is a legal investment for you or is subject to any investment restrictions.

### Yield Considerations

*Factors that 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 mortgage loans;

- if and when the mortgage loans are liquidated due to borrower defaults, casualties or condemnations affecting the properties securing those loans;
- if and when the mortgage loans are repurchased;
- the actual characteristics of the mortgage loans;
- in the case of the interest only classes, fluctuations in the weighted average of the net mortgage rates of the related mortgage loans; and
- in the case of the 4-A Class, fluctuations in the weighted average of the net mortgage rates of the Group 4 Loans.

*Yields may be lower than expected due to unexpected rate of principal payment.* The actual yield on your certificates probably will be lower than you expect:

- if you own interest only certificates or if you buy your certificates at a premium and principal payments on the related mortgage loans are faster than you expect, or
- if you buy your certificates (including the principal only class) at a discount and principal payments on the related mortgage loans are slower than you expect.

Furthermore, in the case of interest only certificates or other certificates purchased at a premium, you could lose money on your investment if prepayments occur at a rapid rate.

In addition, in the case of the interest only classes or other certificates purchased at a premium, if a disproportionately high rate of prepayments occurs on the related mortgage loans with relatively higher interest rates, the yields on those certificates will decrease and may be lower than you expect.

Even if the mortgage loans are prepaid at a rate that on average is consistent with your

expectations, variations in the prepayment rate over time 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 prepayment 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.

Under certain circumstances, collections of interest on the mortgage loans may be reduced. Nevertheless, we guarantee that you will receive the full amount of interest due on your certificates regardless of any such reduction in interest collected on the mortgage loans.

We used certain assumptions concerning the mortgage loans in preparing certain tabular information in this prospectus. If the actual mortgage loan characteristics differ even slightly from those assumptions, the weighted average life and yield of the certificates will 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.**

*Unpredictable timing of last payment affects yield on certificates.* The actual final payment on the certificates may occur earlier, and could occur much earlier, than the distribution date occurring in December 2042 with respect to the Group 1 Classes, October 2042 with respect to the Group 2 Classes, May 2042 with respect to the Group 3 Classes and November 2042 with respect to the Group 4 Classes. If you assumed the actual final payment would occur on the distribution date occurring in December 2042 with respect to the Group 1 Classes, October 2042 with respect to the Group 2 Classes, May 2042 with respect to the Group 3 Classes and November 2042 with respect to the Group 4 Classes, your yield could be lower than you expect.

*Delayed payments reduce yield and market value.* Because the certificates do not receive interest immediately following each interest accrual period, the certificates have lower yields and lower market values than they would if there were no such delay.

## Prepayment Considerations

*Rate of principal payments of the certificates depends on the rate of principal payments on the related mortgage loans.* The rate of principal payments on the certificates of a particular class generally will depend on the rate of principal payments on the related mortgage loans. Principal payments on the mortgage loans may 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, FHA insurance payments and VA guarantee payments, as well as because borrowers generally may prepay the mortgage loans at any time without penalty.

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.

In general FHA and VA mortgage loans may be assumed by creditworthy purchasers of mortgaged properties from the original borrowers. 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. Furthermore, the seller made representations and warranties with respect to the mortgage loans and may have to repurchase the related loans if they materially breach those representations and warranties. Any such repurchases will increase the rate of prepayment.

Under certain limited circumstances, Fannie Mae has the option to repurchase from the trust any loan whose interest rate has been modified. Any such repurchase will have the same effect on the related certificates as borrower prepayments.

In addition, the servicer has the right under certain circumstances to recast the amortization schedule (based on a 30-year term) and/or extend the scheduled date of final payment on a mortgage loan (but not beyond December 2042 with respect to the Group 1 Classes, October 2042 with respect to the Group 2 Classes,

May 2042 with respect to the Group 3 Classes and November 2042 with respect to the Group 4 Classes). To the extent that the servicer so recasts the amortization schedule or extends the term of a mortgage loan, the weighted average lives of the related class or classes of certificates could be extended.

*Exercise of any optional clean-up calls will have the same effect on the related classes as borrower prepayments of the related loans.* The servicer may purchase all the remaining mortgage loans once the aggregate balance of the mortgage loans is reduced to 5% or less of its original level. If the servicer purchases the mortgage loans in this way, it would have the same effect as a prepayment in full of all the mortgage loans.

In general, prepayment rates may be influenced by:

- the level of current interest rates relative to the rates borne by the mortgage loans,
- homeowner mobility,
- existence of any prepayment premiums or prepayment restrictions,
- the general creditworthiness of the borrowers,
- repurchases of mortgage loans from the pools, and
- general economic conditions.

Because so many factors affect the prepayment rate of the mortgage loans, we cannot estimate the prepayment experience of the mortgage loans.

*Concentration of mortgaged properties in certain states could lead to increased delinquencies, with the same effect as borrower prepayments.* As of the issue date, approximately 11.35% and 9.59% of the Group 1 Loans are secured by mortgaged properties located in Texas and California, respectively, approximately 11.92% and 10.77% of the Group 2 Loans are secured by mortgaged properties located in Texas and California, respectively, approximately 12.61%, 9.97%, 9.62% and 9.12% of the Group 3 Loans are secured by mortgaged properties located in Texas, Florida, New York and California, respectively, and approximately

13.07% and 9.70% of the Group 4 Loans are secured by mortgaged properties located in California and Maryland, respectively. If the residential real estate markets in those states should experience an overall decline in property values, the rates of loan delinquencies in those states probably will increase and may increase substantially.

## **Reinvestment Risk**

Generally, a borrower may prepay a mortgage loan at any time. As a result, we cannot predict the amount of principal payments on the certificates. The certificates 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 certificates 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**

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 method, frequency and complexity of calculating principal and interest;
- the characteristics of the mortgage loans;
- past and expected prepayment levels of the 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**

If we were unable to perform our guaranty obligations, certificateholders would receive only borrower payments and other recoveries on the mortgage loans. If that happened, delinquencies and defaults on the mortgage loans could directly affect the amounts that certificateholders would receive each month.

## **GENERAL**

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

*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 Trust specified on the cover of this prospectus (the “Trust”) and a separate trust (the “Lower Tier REMIC”) pursuant to a trust agreement dated as of May 1, 2003 (the “Issue Date”). We will issue the Guaranteed Pass-Through Certificates (the “Trust Certificates”) pursuant to that trust agreement. We will issue the Combinable and Recombinable REMIC Certificates (the “RCR Certificates” and, together with the Trust Certificates, the “Certificates”) pursuant to a separate trust agreement dated as of the Issue Date (together with the trust agreement relating to the Trust Certificates, the “Trust Agreement”). We will execute the Trust Agreement in our corporate capacity and as trustee (the “Trustee”). In general, the term “Classes” includes the Classes of Trust Certificates and RCR Certificates.

The assets of the Trust will consist of four groups of mortgage loans (the “Group 1 Loans,” “Group 2 Loans,” “Group 3 Loans” and “Group 4 Loans” and, together, the “Mortgage Loans”) and will evidence the entire beneficial ownership interest in the payments of principal and interest on the Mortgage Loans. The Mortgage Loans are insured by the Federal Housing Administration (“FHA”) or partially guaranteed by the U.S. Department of Veterans Affairs (“VA”) and, as a result of past delinquency, have been repurchased from Ginnie Mae pools.

We will designate portions of the Trust (the “Upper Tier REMIC” and the “Lower Tier REMIC”) as “real estate mortgage investment conduits” (each, a “REMIC”) under the Internal Revenue Code of 1986, as amended (the “Code”). The assets of the Upper Tier REMIC will consist of the Lower Tier Regular Interests. The assets of the Lower Tier REMIC will consist of the Group 1 and Group 3 Loans. The Group 2 and Group 4 Loans will not be included in any REMIC.

- The Group 1 and Group 3 Classes will be the “regular interests” in the Upper Tier REMIC.
- The R Class will be the “residual interest” in the Upper Tier REMIC.
- The interests in the Lower Tier REMIC other than the RL Class (the “Lower Tier Regular Interests”) will be the “regular interests” in the Lower Tier REMIC.
- The RL Class will be the “residual interest” in the Lower Tier REMIC.

*Characteristics of Certificates.* The Certificates (except the R and RL Classes) will be represented by one or more certificates (the “DTC Certificates”) to be registered at all times in the name of the nominee of The Depository Trust Company (“DTC”), a New York-chartered limited purpose trust company, or any successor or depository selected or approved by us. We refer to the nominee of

DTC as the “Holder” or “Certificateholder” of the DTC Certificates. DTC will maintain the DTC Certificates through its book-entry facilities. A Holder is not necessarily the beneficial owner of a Certificate. Beneficial owners ordinarily will hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See “Description of the Certificates—Book-Entry Procedures” in this prospectus.

We will issue the R and RL Certificates in fully registered, certificated form. The “Holder” or “Certificateholder” of the R or RL Certificate is its registered owner. The R or RL Certificate can be transferred at the corporate trust office of the Transfer Agent, or at the office of the Transfer Agent in New York, New York. U.S. Bank National Association (“US Bank”) in Boston, Massachusetts will be the initial Transfer Agent. We may impose a service charge for any registration of transfer of the R or RL Certificate and may require payment to cover any tax or other governmental charge.

The Holder of the R Class will receive the proceeds of any remaining assets of the Upper Tier REMIC and the Holder of the RL Class will receive the proceeds of any remaining assets of the Lower Tier REMIC, in each case only by presenting and surrendering the related Certificate at the office of the Paying Agent. US Bank will be the initial Paying Agent. See “—Special Characteristics of the R and RL Classes” in this prospectus.

*Fannie Mae Guaranty.* We guarantee that we will pay to the Holders of Certificates:

- required installments of principal and interest on the Certificates on time, and
- the remaining principal balance of each Class of Certificates no later than the Distribution Date in December 2042 with respect to the Group 1 Classes, October 2042 with respect to the Group 2 Classes, May 2042 with respect to the Group 3 Classes and November 2042 with respect to the Group 4 Classes, whether or not we have received sufficient payments.

If we were unable to perform these guaranty obligations, Certificateholders would receive only the amounts paid or advanced and other recoveries on the Mortgage Loans. If that happened, delinquencies and defaults on the Mortgage Loans would 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.

*Distribution Dates.* We will make monthly payments on the 25th day of each calendar month, or the next business day if the 25th is not a business day. We refer to each such date as a “Distribution Date.” We will make the first payments to Certificateholders in June 2003.

*Record Date.* On each Distribution Date, we will make each monthly payment on the Certificates to Holders of record on the last day of the preceding month.

*Class Factors.* On or shortly after the 23rd calendar day of each month, we will publish a class factor (carried to eight decimal places) for each Class of Certificates. When the factor is multiplied by the original principal balance (or notional principal balance) of a Certificate of that Class, the product will equal the remaining principal balance (or notional principal balance) of that Certificate after taking into account payments on the Distribution Date in the same month.

*Authorized Denominations.* We will issue the Certificates (other than the R and RL Classes) in minimum denominations of \$1,000 and whole dollar increments above that amount. We will issue the R and RL Classes as single Certificates with no principal balances.

*Optional Termination by the Servicer.* The Servicer may effect an early termination of the Trust as described under “The Trust Agreement—Termination” in this prospectus. We have no option to effect an early termination of the Lower Tier REMIC or the Trust. Further, we will not repurchase any of the Mortgage Loans in a “clean-up call.”

## **Combination and Recombination**

*General.* You are permitted to exchange all or a portion of the 1-IO-2 and 3-PO Classes of Trust Certificates for a proportionate interest in the related RCR Certificates in the combinations shown on

Schedule 1. You also may exchange all or a portion of the RCR Certificates for the related Trust Certificates in the same manner. This process may occur repeatedly.

Holders of RCR Certificates will be the beneficial owners of a proportionate interest in the related Trust Certificates and will receive a proportionate share of the distributions on the related Trust Certificates.

The Classes of Trust Certificates and RCR Certificates that are outstanding at any given time, and the outstanding principal balances (or notional principal balances) of these Classes, will depend upon any related distributions of principal, as well as any exchanges that occur. Trust Certificates and RCR Certificates in any combination may be exchanged only in the proportions shown on Schedule 1.

*Procedures.* If a Certificateholder wishes to exchange Certificates, the Certificateholder must notify our Structured Transactions Department through one of our “REMIC Dealer Group” dealers in writing or by telefax no later than two business days before the proposed exchange date. The exchange date can be any business day other than the first or last business day of the month subject to our approval. The notice must include the outstanding principal balance of both the Certificates to be exchanged and the Certificates to be received, and the proposed exchange date. After receiving the Holder’s notice, we will telephone the dealer with delivery and wire payment instructions. Notice becomes irrevocable on the second business day before the proposed exchange date.

In connection with each exchange, the Holder must pay us a fee equal to 1/32 of 1% of the outstanding principal balance (exclusive of any notional principal balance) of the Certificates to be exchanged. In no event, however, will our fee be less than \$2,000.

We will make the first distribution on a Trust Certificate or an RCR Certificate received in an exchange transaction on the Distribution Date in the following month. We will make that distribution to the Holder of record as of the close of business on the last day of the month of the exchange.

*Additional Considerations.* The characteristics of RCR Certificates will reflect the characteristics of the Trust Certificates used to form those RCR Certificates. You should also consider a number of factors that will limit a Certificateholder’s ability to exchange Trust Certificates for RCR Certificates or vice versa:

- At the time of the proposed exchange, a Certificateholder must own Certificates of the related Class or Classes in the proportions necessary to make the desired exchange.
- A Certificateholder that does not own the Certificates may be unable to obtain the necessary Trust Certificates or RCR Certificates.
- The Certificateholder of needed Certificates may refuse to sell them at a reasonable price (or any price) or may be unable to sell them.
- Certain Certificates may have been purchased and placed into other financial structures and thus be unavailable.
- Principal distributions will decrease the amounts available for exchange over time.
- Only the combinations listed on Schedule 1 are permitted.

## **THE MORTGAGE LOANS**

### **General**

We expect that the Trust will consist of approximately 13,910 Mortgage Loans having an aggregate principal balance of approximately \$1,276,575,542, as of the Issue Date. This aggregate amount may vary by plus or minus 5%. Fannie Mae, as purchaser, and Lehman Brothers Holdings Inc., as seller (the “Seller”) and servicer (the “Servicer”), will be parties to a sale and servicing agreement dated as of the Issue Date (the “Sale and Servicing Agreement”).

The Mortgage Loans consist of four groups (“Loan Group 1,” “Loan Group 2,” “Loan Group 3” and “Loan Group 4”) of first lien, one- to four-family, fully amortizing loans. All of the Group 1 Loans, Group 2 Loans and Group 3 Loans bear fixed rates of interest. All of the Group 4 Loans bear adjustable rates of interest. All of the Mortgage Loans are FHA-insured or partially guaranteed by the VA. Each Mortgage Loan is evidenced by a promissory note or similar evidence of indebtedness (a “Mortgage Note”) that is secured by a first mortgage or deed of trust on a one- to four-family residential property. Each Mortgage Note requires the borrower to make monthly payments of principal and interest. We refer to the property that secures repayment of a Mortgage Loan as the “Mortgaged Property.”

All of the Mortgage Loans have terms of not more than 30 years.

Each Mortgage Loan provides that the obligor on the related Mortgage Note (the “borrower”) must make payments by a scheduled day of each month. This day is fixed at the time of origination. In addition, each Mortgage Loan provides that each borrower must pay interest on its outstanding principal balance at the rate specified or described in the related Mortgage Note (the “Mortgage Interest Rate”). Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months. If a borrower makes a payment earlier or later than the scheduled due date, the amortization schedule will not change, nor will the relative application of such payment to principal and interest.

The information shown on Exhibit A summarizes certain assumed characteristics of the Mortgage Loans as of the Issue Date. The information in the tables is presented in aggregated form, on the basis of the characteristics specified in the tables, and does not reflect actual or assumed characteristics of any individual Mortgage Loan. The information in the tables does not give effect to prepayments received on the Mortgage Loans on or after the Issue Date.

Each of the Mortgage Loans was originated in accordance with the underwriting guidelines of FHA or VA, as the case may be, and was eligible to be included in a Ginnie Mae pool at the time of origination as permitted by the rules of the Government National Mortgage Association (“Ginnie Mae”). Substantially all the Mortgage Loans were pooled with Ginnie Mae and then purchased from the Ginnie Mae pool when the Mortgage Loan had a delinquency that was not cured for at least 90 days.

As of the Issue Date, no Mortgage Loan was more than 180 days contractually delinquent. Neither the Servicer nor Fannie Mae has the right to repurchase a Mortgage Loan from the Trust based upon the Issue Date contractual delinquency of that loan. However, if at any time the aggregate principal balance of Group 2 or 4 Loans that are 90 days or more delinquent (“90+ Delinquent Loans”) exceeds 49.00% of the aggregate principal balance of the related Loan Group, the Seller is required to repurchase from the Trust 90+ Delinquent Loans from the related Loan Group of a sufficient amount to reduce the aggregate principal balance of 90+ Delinquent Loans in such Loan Group to 49.00% of the aggregate principal balance of the related Loan Group.

## Group 1 Loans

The table below shows the contractual delinquency rates of the Group 1 Loans. A Mortgage Loan is “contractually delinquent” as of the Issue Date if delinquencies that occurred at any time during the term of the loan have not been cured.

### Contractual Delinquency

Contractual Delinquency (Days)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Less than or equal to 29 ..	3,482	\$343,376,718.52	45.60%	6.964%	317	37	3.5	5.7
30- 59 .....	2,740	266,965,275.90	35.46	7.049	315	38	2.6	4.6
60- 89 .....	1,147	110,875,829.17	14.73	7.051	315	38	2.0	4.0
90-119 .....	237	23,442,971.99	3.11	6.964	317	39	2.0	4.2
120-149 .....	80	7,948,708.80	1.06	6.894	320	38	1.9	3.7
150-180 .....	4	355,058.95	0.05	6.846	329	31	1.6	3.0
Total: .....	<u>7,690</u>	<u>\$752,964,563.33</u>	<u>100.00%</u>					

The Group 1 Loans are fixed-rate mortgage loans. The following tables set forth certain information, as of the Issue Date, as to the Group 1 Loans. References to “Principal Balance Outstanding” mean the aggregate of the Stated Principal Balances of the related Mortgage Loans as of the Issue Date. The sum of the percentage columns in the following tables may not equal 100% due to rounding.

### Number of Payments Made in Last 3 Months (1)

Number of Payments Made in Last 3 Months	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1* .....	1,443	\$142,671,740.05	18.95%	7.066%	320	35	1.0	3.4
2 .....	2,100	204,518,625.72	27.16	7.065	314	39	2.0	4.4
3 or More .....	4,147	405,774,197.56	53.89	6.956	316	38	4.0	5.8
Total: .....	<u>7,690</u>	<u>\$752,964,563.33</u>	<u>100.00%</u>					

(1) As of the Issue Date, the balance weighted number of payments on the Group 1 Loans (based on their Issue Date Principal Balances) made in the last three months is approximately 3 payments.

\* Assumed in the case of 608 Group 1 Loans having an aggregate principal balance outstanding of approximately \$61,127,772 as of the Issue Date. The Group 1 Loans covered by this assumption were less than or equal to 29 days delinquent as of the Issue Date.

### Number of Payments Made in Last 6 Months (1)

Number of Payments Made in Last 6 Months	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
3* .....	2,333	\$229,730,549.02	30.51%	7.076%	319	35	1.9	3.0
4 .....	1,065	103,132,348.76	13.70	7.096	315	39	2.1	4.0
5 .....	1,257	123,773,292.49	16.44	7.031	315	39	2.6	5.0
6 or More .....	3,035	296,328,373.06	39.35	6.911	315	39	4.0	6.9
Total: .....	<u>7,690</u>	<u>\$752,964,563.33</u>	<u>100.00%</u>					

(1) As of the Issue Date, the balance weighted number of payments made on the Group 1 Loans (based on their Issue Date Principal Balances) made in the last six months is approximately 5 payments.

\* Assumed in the case of 608 Group 1 Loans having an aggregate principal balance outstanding of approximately \$61,127,772 as of the Issue Date. The Group 1 Loans covered by this assumption were less than or equal to 29 days delinquent as of the Issue Date.

### Issue Date Mortgage Loan Principal Balances (1)

<u>Issue Date Mortgage Loan Principal Balances (\$)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
0.01- 50,000.00 .....	610	\$ 23,369,078.88	3.10%	7.118%	241	71
50,000.01-100,000.00 .....	3,709	281,330,935.65	37.36	7.034	307	46
100,000.01-150,000.00 .....	2,637	320,007,271.16	42.50	6.992	323	33
150,000.01-200,000.00 .....	639	107,070,025.68	14.22	6.955	329	28
200,000.01-250,000.00 .....	87	18,965,858.86	2.52	6.975	340	19
250,000.01-300,000.00 .....	6	1,619,450.59	0.22	7.203	343	17
300,000.01-350,000.00 .....	2	601,942.51	0.08	6.752	253	17
Total .....	<u>7,690</u>	<u>\$752,964,563.33</u>	<u>100.00%</u>			

(1) As of the Issue Date, the average principal balance for the Group 1 Loans is expected to be approximately \$97,915.

### Mortgage Interest Rates (1)

<u>Mortgage Interest Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
5.001-5.500 .....	4	\$ 356,946.81	0.05%	5.489%	296	37
5.501-6.000 .....	61	6,375,496.28	0.85	5.995	265	24
6.001-6.500 .....	1,398	145,137,582.67	19.28	6.497	317	33
6.501-7.000 .....	3,820	376,730,796.37	50.03	6.967	317	38
7.001-7.500 .....	2,403	224,149,361.59	29.77	7.432	316	41
7.501-8.000 .....	4	214,379.61	0.03	7.605	295	65
Total .....	<u>7,690</u>	<u>\$752,964,563.33</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average mortgage interest rate of the Group 1 Loans is expected to be approximately 7.006%.

### Original Terms to Stated Maturity (1)

<u>Original Terms to Stated Maturity (months)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
59-120 .....	1	\$ 73,187.79	0.01%	7.000%	98	22
121-180 .....	328	17,651,973.27	2.34	6.713	132	48
181-240 .....	85	8,333,089.04	1.11	7.043	215	25
241-300 .....	62	5,767,913.92	0.77	6.920	262	37
301-362 .....	<u>7,214</u>	<u>721,138,399.31</u>	<u>95.77</u>	7.014	322	38
Total .....	<u>7,690</u>	<u>\$752,964,563.33</u>	<u>100.0%</u>			

(1) As of the Issue Date, the weighted average original term to stated maturity of the Group 1 Loans is expected to be 354 months.

### Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1-121 .....	160	\$ 5,523,370.98	0.73%	6.997%	87	93
122-151 .....	69	3,868,852.54	0.51	6.716	129	52
152-181 .....	107	8,602,964.15	1.14	6.551	162	21
182-211 .....	19	1,582,608.65	0.21	6.977	191	57
212-241 .....	156	12,790,532.65	1.70	7.230	229	63
242-271 .....	526	36,014,450.30	4.78	7.138	249	107
272-301 .....	770	66,047,013.28	8.77	7.154	293	65
302-310 .....	1,674	154,990,104.19	20.58	6.923	306	54
311-330 .....	560	52,430,429.97	6.96	7.070	313	47
331-360 .....	3,649	411,114,236.62	54.60	7.000	341	19
Total .....	7,690	\$752,964,563.33	100.00%			

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 1 Loans is expected to be approximately 316 months.

### Mortgage Loan Ages (months) (1)

Mortgage Loan Ages (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1- 24 .....	3,327	\$372,842,451.48	49.52%	6.976%	336	18
25- 48 .....	916	93,314,319.64	12.39	7.101	320	34
49- 72 .....	2,551	229,697,379.88	30.51	6.972	300	55
73- 96 .....	250	18,435,680.89	2.45	7.218	261	86
97-120 .....	590	35,662,867.97	4.74	7.146	234	113
121-144 .....	52	2,833,824.44	0.38	7.480	218	125
193-216 .....	3	160,943.74	0.02	7.270	159	201
265-288 .....	1	17,095.29	0.00	7.250	87	273
Total .....	7,690	\$752,964,563.33	100.00%			

(1) As of the Issue Date, the weighted average mortgage loan age of the Group 1 Loans is expected to be approximately 38 months.

### Geographic Distribution of Mortgaged Properties

State	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Texas .....	974	\$ 85,484,782.71	11.35%	6.996%	313	34	2.9	5.0
California .....	577	72,206,292.38	9.59	7.084	319	38	2.7	4.9
Georgia .....	569	58,285,209.51	7.74	6.989	322	34	3.1	5.3
Florida .....	557	47,291,342.37	6.28	7.026	314	40	2.8	4.9
Maryland .....	411	46,543,163.53	6.18	6.944	316	42	2.9	4.9
Other .....	4,602	443,153,772.83	58.85	7.002	316	38	2.9	5.0
Total .....	7,690	\$752,964,563.33	100.00%					

### Mortgage Loan Type

<u>Mortgage Loan Type</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>	<u>Balance- Weighted # of Payments Last 3 Months</u>	<u>Balance- Weighted # of Payments Last 6 Months</u>
FHA.....	5,488	\$529,527,111.68	70.33%	7.061%	319	36	2.8	4.9
VA.....	2,202	223,437,451.65	29.67	6.876	310	43	2.9	5.2
Total .....	<u>7,690</u>	<u>\$752,964,563.33</u>	<u>100.00%</u>					

### Bankruptcy Status

<u>Bankruptcy Status</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>	<u>Balance- Weighted # of Payments Last 3 Months</u>	<u>Balance- Weighted # of Payments Last 6 Months</u>
Not in Bankruptcy.....	7,690	\$752,964,563.33	100.00%	7.006%	316	38	2.9	5.0
Total .....	<u>7,690</u>	<u>\$752,964,563.33</u>	<u>100.00%</u>					

### Group 2 Loans

The table below shows the contractual delinquency rates of the Group 2 Loans. A Mortgage Loan is “contractually delinquent” as of the Issue Date if delinquencies that occurred at any time during the term of the loan have not been cured.

### Contractual Delinquency

<u>Contractual Delinquency (Days)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 2 Loans</u>
Less than or equal to 29 .....	934	\$ 80,992,189.81	39.82%
30- 59 .....	827	69,709,442.92	34.27
60- 89 .....	363	31,346,335.46	15.41
90-119 .....	139	12,696,473.84	6.24
120-149 .....	52	4,624,137.19	2.27
150-180 .....	<u>44</u>	<u>4,022,401.29</u>	<u>1.98</u>
Total.....	<u>2,359</u>	<u>\$203,390,980.51</u>	<u>100.00%</u>

The Group 2 Loans are fixed-rate mortgage loans. The following tables set forth certain information, as of the Issue Date, as to the Group 2 Loans. References to “Principal Balance Outstanding” mean the aggregate of the Stated Principal Balances of the Group 2 Loans as of the Issue Date. The sum of the percentage columns in the following tables may not equal 100% due to rounding.

### Issue Date Mortgage Loan Principal Balances (1)

<u>Issue Date Mortgage Loan Principal Balances (\$)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 2 Loans</u>
0.01– 50,000.00 .....	349	\$ 13,527,122.86	6.65%
50,000.01–100,000.00 .....	1,295	95,507,193.97	46.96
100,000.01–150,000.00 .....	578	69,070,951.50	33.96
150,000.01–200,000.00 .....	104	17,580,408.41	8.64
200,000.01–250,000.00 .....	25	5,513,289.49	2.71
250,000.01–300,000.00 .....	7	1,879,164.15	0.92
300,000.01–350,000.00 .....	1	312,850.13	0.15
Total .....	<u>2,359</u>	<u>\$203,390,980.51</u>	<u>100.00%</u>

(1) As of the Issue Date, the average principal balance for the Group 2 Loans is expected to be approximately \$86,219.

### Mortgage Interest Rates (1)

<u>Mortgage Interest Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 2 Loans</u>
7.501–8.000 .....	2,357	\$203,179,251.97	99.90%
8.001–8.500 .....	2	211,728.54	0.10
Total .....	<u>2,359</u>	<u>\$203,390,980.51</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average mortgage interest rate of the Group 2 Loans is expected to be approximately 7.919%.

### Original Terms to Stated Maturity (1)

<u>Original Terms to Stated Maturity (months)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 2 Loans</u>
121–180 .....	45	\$ 1,770,816.24	0.87%
181–240 .....	38	3,415,227.55	1.68
241–300 .....	15	1,044,138.92	0.51
301–360 .....	2,261	197,160,797.80	96.94
Total .....	<u>2,359</u>	<u>\$203,390,980.51</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average original term to stated maturity of the Group 2 Loans is expected to be 356 months.

### Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans
1- 24 .....	1	\$ 1,257.25	0.00%
37- 48 .....	2	32,012.38	0.02
49- 60 .....	7	155,374.85	0.08
61- 72 .....	5	117,392.29	0.06
73- 84 .....	4	112,439.46	0.06
85- 96 .....	3	84,314.38	0.04
97-108 .....	3	105,362.17	0.05
109-120 .....	6	217,805.42	0.11
121-132 .....	7	269,437.77	0.13
133-144 .....	7	451,083.53	0.22
145-156 .....	5	403,414.81	0.20
157-168 .....	9	461,946.04	0.23
169-180 .....	4	204,062.96	0.10
181-192 .....	4	270,114.43	0.13
193-204 .....	3	106,776.07	0.05
205-216 .....	11	1,187,389.27	0.58
217-228 .....	35	2,704,761.21	1.33
229-240 .....	89	5,499,035.82	2.70
241-252 .....	157	10,181,137.31	5.01
253-264 .....	11	852,353.41	0.42
265-276 .....	160	11,597,514.66	5.70
277-288 .....	101	7,873,107.95	3.87
289-300 .....	287	21,851,888.89	10.74
301-312 .....	219	17,653,047.63	8.68
313-324 .....	376	34,061,474.01	16.75
325-336 .....	413	41,733,473.07	20.52
337-348 .....	415	43,139,719.93	21.21
349-360 .....	15	2,063,283.54	1.01
<b>Total</b> .....	<b>2,359</b>	<b>\$203,390,980.51</b>	<b>100.00%</b>

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 2 Loans is expected to be approximately 308 months.

### Geographic Distribution of Mortgaged Properties

State	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans
Texas .....	317	\$ 24,236,444.61	11.92%
California .....	206	21,913,145.39	10.77
Florida .....	196	15,661,283.13	7.70
Georgia .....	145	12,989,216.12	6.39
New York .....	107	12,267,221.57	6.03
Other .....	1,388	116,323,669.69	57.19
<b>Total</b> .....	<b>2,359</b>	<b>\$203,390,980.51</b>	<b>100.00%</b>

## Group 3 Loans

The table below shows the contractual delinquency rates of the Group 3 Loans. A Mortgage Loan is “contractually delinquent” as of the Issue Date if delinquencies that occurred at any time during the term of the loan have not been cured.

Contractual Delinquency								
Contractual Delinquency (Days)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Less than or equal to 29 ..	1,368	\$104,287,969.14	56.59%	8.677%	301	56	3.5	6.0
30– 59 .....	745	55,418,990.26	30.07	8.691	298	60	2.2	4.3
60– 89 .....	265	21,720,924.47	11.79	8.633	301	53	1.7	3.8
90–119 .....	35	2,425,227.29	1.32	8.745	311	49	2.0	4.4
120–149 .....	7	443,282.96	0.24	8.723	267	93	2.2	4.2
Total .....	<u>2,420</u>	<u>\$184,296,394.12</u>	<u>100.00%</u>					

The Group 3 Loans are fixed-rate mortgage loans. The following tables set forth certain information, as of the Issue Date, as to the Group 3 Loans. References to “Principal Balance Outstanding” mean the aggregate of the Stated Principal Balances of the related Mortgage Loans as of the Issue Date. The sum of the percentage columns in the following tables may not equal 100% due to rounding.

Number of Payments Made in Last 3 Months (1)								
Number of Payments Made in Last 3 Months	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1* .....	541	\$ 42,503,273.79	23.06%	8.688%	304	52	1.0	3.3
2 .....	637	46,851,706.54	25.42	8.692	293	65	2.0	4.8
3 or More .....	<u>1,242</u>	<u>94,941,413.79</u>	<u>51.52</u>	<u>8.665</u>	<u>302</u>	<u>55</u>	<u>4.1</u>	<u>6.2</u>
Total .....	<u>2,420</u>	<u>\$184,296,394.12</u>	<u>100.00%</u>					

(1) As of the Issue Date, the balance weighted number of payments on the Group 3 Loans (based on their Issue Date Principal Balances) made in the last three months is approximately 3 payments.

\* Assumed in the case of 231 Group 3 Loans having an aggregate principal balance outstanding of approximately \$17,768,829 as of the Issue Date. The Group 3 Loans covered by this assumption were less than or equal to 29 days delinquent as of the Issue Date.

Number of Payments Made in Last 6 Months (1)								
Number of Payments Made in Last 6 Months	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
3* .....	767	\$ 60,733,485.46	32.95%	8.659%	305	52	1.9	3.0
4 .....	256	18,082,597.63	9.81	8.662	290	67	2.1	4.0
5 .....	337	25,423,790.64	13.80	8.729	296	61	2.3	5.0
6 or More .....	<u>1,060</u>	<u>80,056,520.39</u>	<u>43.44</u>	<u>8.677</u>	<u>300</u>	<u>58</u>	<u>4.0</u>	<u>7.2</u>
Total .....	<u>2,420</u>	<u>\$184,296,394.12</u>	<u>100.00%</u>					

(1) As of the Issue Date, the balance weighted number of payments made on the Group 3 Loans (based on their Issue Date Principal Balances) made in the last six months is approximately 5 payments.

\* Assumed in the case of 231 Group 3 Loans having an aggregate principal balance outstanding of approximately \$17,768,829 as of the Issue Date. The Group 3 Loans covered by this assumption were less than or equal to 29 days delinquent as of the Issue Date.

### Issue Date Mortgage Loan Principal Balances (1)

Issue Date Mortgage Loan Principal Balances (\$)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0.01- 50,000.00 .....	620	\$ 22,556,745.27	12.24%	8.952%	254	99
50,000.01-100,000.00 .....	1,259	90,284,936.00	48.99	8.649	298	60
100,000.01-150,000.00 .....	425	50,696,827.16	27.51	8.604	317	41
150,000.01-200,000.00 .....	98	16,630,982.63	9.02	8.665	318	41
200,000.01-250,000.00 .....	13	2,808,759.75	1.52	8.794	328	32
250,000.01-300,000.00 .....	5	1,318,143.31	0.72	8.572	337	23
Total .....	<u>2,420</u>	<u>\$184,296,394.12</u>	<u>100.00%</u>			

(1) As of the Issue Date, the average principal balance for the Group 3 Loans is expected to be approximately \$76,156.

### Mortgage Interest Rates (1)

Mortgage Interest Rates (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
8.001- 8.500 .....	1,520	\$119,863,926.52	65.04%	8.435%	304	54
8.501- 9.000 .....	608	46,687,951.48	25.33	8.898	308	49
9.001- 9.500 .....	184	12,767,532.83	6.93	9.439	283	75
9.501-10.000 .....	49	2,453,192.32	1.33	9.993	203	153
10.001-10.500 .....	38	1,828,188.96	0.99	10.500	193	165
10.501-11.000 .....	4	108,938.63	0.06	11.000	174	186
11.001-11.500 .....	4	165,348.98	0.09	11.500	142	218
11.501-12.000 .....	5	156,589.70	0.08	12.000	130	230
12.001-12.500 .....	6	165,813.14	0.09	12.500	139	221
12.501-13.000 .....	1	32,520.59	0.02	13.000	126	234
13.501-14.000 .....	1	66,390.97	0.04	14.000	137	223
Total .....	<u>2,420</u>	<u>\$184,296,394.12</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average mortgage interest rate of the Group 3 Loans is expected to be approximately 8.677%.

### Original Terms to Stated Maturity (1)

Original Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
121-180 .....	29	\$ 931,433.95	0.51%	8.632%	112	67
181-240 .....	30	2,080,851.02	1.13	8.681	200	38
241-300 .....	12	662,972.79	0.36	9.085	225	60
301-362 .....	<u>2,349</u>	<u>180,621,136.36</u>	<u>98.01</u>	<u>8.676</u>	<u>303</u>	<u>57</u>
Total .....	<u>2,420</u>	<u>\$184,296,394.12</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average original term to stated maturity of the Group 3 Loans is expected to be 357 months.

### Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1-121 .....	59	\$ 1,002,026.11	0.54%	9.293%	82	178
122-151 .....	23	849,259.30	0.46	10.508	142	134
152-181 .....	114	4,825,378.71	2.62	9.394	165	190
182-211 .....	96	5,313,263.37	2.88	9.440	200	119
212-241 .....	148	8,619,475.19	4.68	8.669	228	128
242-271 .....	202	12,569,649.12	6.82	8.759	261	97
272-301 .....	425	29,822,978.89	16.18	8.572	286	74
302-310 .....	27	2,221,568.23	1.21	8.414	303	56
311-330 .....	1,049	91,906,453.96	49.87	8.646	323	36
331-360 .....	277	27,166,341.24	14.74	8.528	335	25
Total .....	2,420	\$184,296,394.12	100.00%			

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 3 Loans is expected to be approximately 300 months.

### Mortgage Loan Ages (months) (1)

Mortgage Loan Ages (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1- 24 .....	103	\$ 11,166,626.13	6.06%	8.456%	333	19
25- 48 .....	1,265	110,723,127.65	60.08	8.638	322	35
49- 72 .....	215	16,181,017.67	8.78	8.527	294	66
73- 96 .....	338	21,831,049.28	11.85	8.610	275	83
97-120 .....	119	7,022,199.21	3.81	8.812	248	105
121-144 .....	138	7,874,278.68	4.27	8.657	227	131
145-168 .....	63	3,171,931.95	1.72	9.616	202	158
169-192 .....	62	2,576,153.01	1.40	9.967	174	184
193-216 .....	75	3,177,309.57	1.72	9.368	160	199
217-240 .....	8	270,461.54	0.15	12.585	132	228
241-264 .....	1	26,793.31	0.01	12.000	119	241
265-288 .....	3	82,781.67	0.04	11.390	84	276
289-312 .....	15	133,759.18	0.07	8.829	57	303
313-336 .....	12	55,130.02	0.03	8.533	36	324
337-360 .....	3	3,775.25	0.00	8.500	9	351
Total .....	2,420	\$184,296,394.12	100.00%			

(1) As of the Issue Date, the weighted average mortgage loan age of the Group 3 Loans is expected to be approximately 57.0 months.

### Geographic Distribution of Mortgaged Properties

State	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Texas .....	352	\$ 23,239,691.63	12.61%	8.668%	296	56	2.8	4.9
Florida .....	271	18,370,562.31	9.97	8.672	301	58	2.8	5.0
New York .....	173	17,735,215.36	9.62	8.835	307	51	3.2	5.5
California .....	171	16,816,659.31	9.12	8.640	301	58	2.7	5.2
New Jersey .....	93	8,833,735.69	4.79	8.691	305	50	2.7	5.0
Other .....	1,360	99,300,529.82	53.88	8.657	299	59	2.9	5.2
Total .....	2,420	\$184,296,394.12	100.00%					

### Mortgage Loan Type

<u>Mortgage Loan Type</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>	<u>Balance- Weighted # of Payments Last 3 Months</u>	<u>Balance- Weighted # of Payments Last 6 Months</u>
FHA .....	2,127	\$163,489,185.50	88.71%	8.683%	303	54	2.9	5.2
VA .....	293	20,807,208.62	11.29	8.630	279	80	2.8	5.2
Total .....	<u>2,420</u>	<u>\$184,296,394.12</u>	<u>100.00%</u>					

### Bankruptcy Status

<u>Bankruptcy Status</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>	<u>Balance- Weighted # of Payments Last 3 Months</u>	<u>Balance- Weighted # of Payments Last 6 Months</u>
Not in Bankruptcy .....	<u>2,420</u>	<u>\$184,296,394.12</u>	<u>100.00%</u>	8.677%	300	57	2.9	5.2
Total .....	<u>2,420</u>	<u>\$184,296,394.12</u>	<u>100.00%</u>					

### Group 4 Loans

The table below shows the contractual delinquency rates of the Mortgage Loans in the Group 4 Loans. A Mortgage Loan is “contractually delinquent” as of the Issue Date if delinquencies that occurred at any time during the term of the loan have not been cured.

### Contractual Delinquency

<u>Contractual Delinquency (Days)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 4 Loans</u>
Less than or equal to 29 .....	739	\$ 69,375,160.75	51.04%
30– 59 .....	401	37,649,462.75	27.70
60– 89 .....	150	14,231,484.50	10.47
90–119 .....	91	8,778,597.48	6.46
120–149 .....	33	3,136,622.44	2.31
150–180 .....	27	2,752,276.67	2.02
Total .....	<u>1,441</u>	<u>\$135,923,604.59</u>	<u>100.00%</u>

Each Group 4 Loan has a Mortgage Interest Rate which is subject to adjustment on the dates (each such date, an “Interest Adjustment Date”) specified in the related Mortgage Note to equal the sum of the index, which is the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year (“1 Year CMT”) plus a fixed percentage amount specified in the Mortgage Note (the “Interest Rate Margin”), subject to the limitations described in this paragraph. Generally, the index value used will be the value most recently published 30 days prior to the applicable Interest Adjustment Date. The Mortgage Interest Rate on each Group 4 Loan will not increase or decrease by more than 1.00% (the “Mortgage Interest Rate Periodic Cap”) on any Interest Adjustment Date. The Mortgage Interest Rate on each Group 4 Loan will not exceed a specified maximum mortgage interest rate over the life of that Mortgage Loan (the “Mortgage Interest Rate Life Cap”) or be less than a specified minimum Mortgage Interest Rate over the life of that Mortgage Loan (the “Mortgage Interest Rate Life Floor”).

The following tables set forth certain information, as of the Issue Date, as to the Group 4 Loans. References to “Principal Balance Outstanding” represent the aggregate of the Stated Principal Balances of the related Mortgage Loans as of the Issue Date. The sum of the percentage columns in the following tables may not equal 100% due to rounding.

#### Issue Date Mortgage Loan Principal Balances (1)

Issue Date Mortgage Loan Principal Balances (\$)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 4 Loans
0.01– 50,000.00 .....	136	\$ 5,774,316.62	4.25%
50,000.01–100,000.00 .....	735	54,472,400.65	40.08
100,000.01–150,000.00 .....	433	51,477,492.61	37.87
150,000.01–200,000.00 .....	117	19,743,274.12	14.53
200,000.01–250,000.00 .....	17	3,669,311.95	2.70
250,000.01–300,000.00 .....	3	786,808.64	0.58
Total .....	<u>1,441</u>	<u>\$135,923,604.59</u>	<u>100.00%</u>

(1) As of the Issue Date, the average principal balance for the Group 4 Loans is expected to be approximately \$94,326.

#### Original Terms to Stated Maturity (1)

Original Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 4 Loans
291–300 .....	2	\$ 137,555.29	0.10%
351–360 .....	<u>1,439</u>	<u>135,786,049.30</u>	<u>99.90%</u>
Total .....	<u>1,441</u>	<u>\$135,923,604.59</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average original term to stated maturity of the Group 4 Loans is expected to be 360 months.

### Remaining Terms to Stated Maturity (1)

<u>Remaining Terms to Stated Maturity (months)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 4 Loans</u>
145-156 .....	1	\$ 40,957.99	0.03%
169-180 .....	13	671,448.36	0.49
181-192 .....	8	455,831.57	0.34
205-216 .....	5	311,927.94	0.23
217-228 .....	55	3,779,036.75	2.78
229-240 .....	65	4,671,653.99	3.44
241-252 .....	93	7,442,794.46	5.48
253-264 .....	106	8,568,142.52	6.30
265-276 .....	106	8,093,190.31	5.95
277-288 .....	206	15,822,119.12	11.64
289-300 .....	224	19,839,924.80	14.60
301-312 .....	58	5,880,959.66	4.33
313-324 .....	239	26,218,775.61	19.29
325-336 .....	73	8,434,913.36	6.21
337-348 .....	114	14,640,375.01	10.77
349-360 .....	75	11,051,553.14	8.13
Total .....	<u>1,441</u>	<u>\$135,923,604.59</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 4 Loans is expected to be approximately 299 months.

### Current Mortgage Interest Rates (1)

<u>Current Mortgage Interest Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 4 Loans</u>
3.501-4.000 .....	4	\$ 477,250.55	0.35%
4.001-4.500 .....	51	6,196,182.14	4.56
4.501-5.000 .....	124	14,076,623.07	10.36
5.001-5.500 .....	357	39,685,077.93	29.20
5.501-6.000 .....	187	17,122,861.11	12.60
6.001-6.500 .....	281	22,884,601.26	16.84
6.501-7.000 .....	383	31,239,126.58	22.98
7.001-7.500 .....	51	3,985,563.41	2.93
7.501-8.000 .....	3	256,318.54	0.19
Total .....	<u>1,441</u>	<u>\$135,923,604.59</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average mortgage interest rate of the Group 4 Loans is expected to be approximately 5.898%.

### Mortgage Interest Rate Life Caps (1)

<u>Mortgage Interest Rate Life Caps (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 4 Loans</u>
9.001- 9.500 .....	21	\$ 2,482,839.07	1.83%
9.501-10.000 .....	87	10,455,686.19	7.69
10.001-10.500 .....	246	25,015,504.59	18.40
10.501-11.000 .....	251	24,149,658.20	17.77
11.001-11.500 .....	344	30,518,987.63	22.45
11.501-12.000 .....	256	22,160,276.06	16.30
12.001-12.500 .....	158	14,685,668.99	10.80
12.501-13.000 .....	49	4,744,707.58	3.49
13.001-13.500 .....	15	879,060.78	0.65
13.501-14.000 .....	6	317,241.95	0.23
14.001-14.500 .....	8	513,973.55	0.38
<b>Total .....</b>	<b><u>1,441</u></b>	<b><u>\$135,923,604.59</u></b>	<b><u>100.00%</u></b>

(1) As of the Issue Date, the weighted average mortgage interest rate life cap of the Group 4 Loans is expected to be approximately 11.294%.

### Mortgage Interest Rate Life Floors (1)

<u>Mortgage Interest Rate Life Floors (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 4 Loans</u>
0.000 .....	47	\$ 4,547,498.66	3.35%
0.501-1.000 .....	123	10,979,511.52	8.08
1.001-1.500 .....	203	17,062,088.82	12.55
1.501-2.000 .....	237	18,801,266.79	13.83
2.001-2.500 .....	147	13,682,703.92	10.07
2.501-3.000 .....	428	44,119,641.67	32.46
3.001-3.500 .....	12	673,552.79	0.50
3.501-4.000 .....	5	272,743.21	0.20
4.001-4.500 .....	20	2,228,874.39	1.64
4.501-5.000 .....	148	16,530,474.27	12.16
5.001-5.500 .....	26	2,731,600.48	2.01
5.501-6.000 .....	25	2,835,254.28	2.09
6.001-6.500 .....	15	1,102,908.96	0.81
6.501-7.000 .....	5	355,484.83	0.26
<b>Total .....</b>	<b><u>1,441</u></b>	<b><u>\$135,923,604.59</u></b>	<b><u>100.00%</u></b>

(1) As of the Issue Date, the weighted average mortgage interest rate life floor of the Group 4 Loans is expected to be approximately 2.697%.

### Next Interest Rate Adjustment Dates

<u>Next Interest Rate Adjustment Dates</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 4 Loans</u>
July 2003 .....	404	\$ 38,481,673.26	28.31%
October 2003 .....	431	41,652,943.97	30.64
January 2004 .....	348	31,492,802.41	23.17
April 2004 .....	258	24,296,184.95	17.87
Total .....	<u>1,441</u>	<u>\$135,923,604.59</u>	<u>100.00%</u>

### Mortgage Interest Rate Margins (1)

<u>Mortgage Interest Rate Margins ( % )</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 4 Loans</u>
1.751-2.000 .....	325	\$ 26,016,944.06	19.14%
2.001-2.250 .....	19	1,440,760.67	1.06
2.251-2.500 .....	95	7,897,974.05	5.81
2.501-2.750 .....	873	88,531,741.49	65.13
2.751-3.000 .....	129	12,036,184.32	8.86
Total .....	<u>1,441</u>	<u>\$135,923,604.59</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average mortgage interest rate margin of the Group 4 Loans is expected to be approximately 2.607%.

### Mortgage Interest Rate Periodic Cap

<u>Mortgage Interest Rate Periodic Cap ( % )</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 4 Loans</u>
1 .....	1,441	\$135,923,604.59	100.00%
Total .....	<u>1,441</u>	<u>\$135,923,604.59</u>	<u>100.00%</u>

### Geographic Distribution of Mortgaged Properties

<u>State</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 4 Loans</u>
California .....	147	\$ 17,768,120.65	13.07%
Maryland .....	134	13,188,471.15	9.70
Illinois .....	101	10,496,663.75	7.72
Georgia .....	95	8,881,322.79	6.53
Virginia .....	70	6,659,643.04	4.90
Other .....	894	78,929,383.21	58.07
Total .....	<u>1,441</u>	<u>\$135,923,604.59</u>	<u>100.00%</u>

## **Fannie Mae Mortgage Purchase Program**

### *General*

We summarize below certain aspects of our program for purchasing residential mortgage loans for inclusion in a given pool. We may grant exceptions to the requirements of the program for a particular transaction. In several instances, the characteristics of the Mortgage Loans included in the Trust do not match the criteria described below. For more specific details regarding the Mortgage Loans included in the Trust see “The Mortgage Loans—General” above.

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

### **Selling and Servicing Guides**

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

### **Mortgage Loan Eligibility Standards—Government Insured Loans**

#### *Dollar Limitations*

The Charter Act sets no maximum dollar limitations on the loans that we can purchase if the loans are government loans.

The maximum loan amount for FHA-insured single-family mortgage loans is established by statute. As of January 2003, the basic maximum loan amount for most FHA-insured single-family mortgage loans is \$154,896 for a one-unit dwelling, \$198,288 for a two-unit dwelling, \$239,664 for a three-unit dwelling, and \$297,840 for a four-unit dwelling. In high-cost areas, as designated by HUD/FHA, the maximum loan amount may be increased up to \$280,749 for a one-unit dwelling, \$359,397 for a two-unit dwelling, \$434,391 for a three-unit dwelling, and \$539,835 for a four-unit dwelling. In addition, the maximum loan amount for FHA-insured mortgages secured by property located in Alaska, Guam, Hawaii, and the Virgin Islands may be adjusted up to 150% of HUD/FHA’s high-cost area limits. We purchase FHA mortgages up to the maximum original principal amount that the FHA will insure for the area in which the property is located.

The VA does not establish a maximum loan amount for VA guaranteed loans secured by single-family one- to four-unit properties. We will purchase VA mortgages up to our current maximum original principal amount for conforming loans secured by similar one- to four-unit properties.

The RHS has no maximum dollar limit for loans it guarantees. We will purchase RHS mortgages up to our current maximum original principal amount for conforming loans secured by similar one- to four-unit properties.

#### *Loan-to-Value Ratios*

The maximum loan-to-value ratio for FHA-insured and VA-guaranteed mortgage loans we purchase is the maximum established by the FHA or VA for the particular program under which the mortgage was insured or guaranteed.

### *Underwriting Guidelines*

FHA-insured, VA-guaranteed and RHS mortgage loans that we purchase must be originated in accordance with the applicable requirements and underwriting standards of the agency providing the insurance or guaranty. Each insured or guaranteed loan that we purchase must have in effect a valid mortgage insurance certificate or loan guaranty certificate. In the case of VA loans, the unguaranteed portion of the VA loan amount cannot be greater than 75% of the purchase price of the property or 75% of the VA's valuation estimate, whichever is less.

## **DESCRIPTION OF THE CERTIFICATES**

### **Book-Entry Procedures**

*DTC.* DTC is a limited-purpose trust company organized under the laws of the State of New York and is a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities for DTC participants and facilitates the clearance and settlement of transactions between DTC participants through electronic book-entry changes to accounts of DTC participants.

*Title to DTC Certificates.* The DTC Certificates will be registered at all times in the name of the nominee of DTC. Under its normal procedures, DTC will record the amount of Certificates held by each firm which participates in the book-entry system of DTC (each, a "DTC Participant"), whether held for its own account or on behalf of another person. Initially, we will act as paying agent for the Certificates. In addition, US Bank will perform certain administrative functions in connection with the Certificates.

A "beneficial owner" or an "investor" is anyone who acquires a beneficial ownership interest in the DTC 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 financial intermediary that holds your DTC Certificates will be recorded by DTC. If the intermediary is not a DTC Participant, the record ownership of the intermediary will be recorded by a DTC Participant acting on its behalf. Therefore, you must rely on these various arrangements to transfer your beneficial ownership interest in the DTC Certificates only under the procedures of your financial intermediary and of DTC Participants. In general, ownership of DTC Certificates will be subject to the prevailing rules, regulations and procedures governing the DTC and DTC Participants.

*Method of Payment.* We will direct payments on the DTC Certificates to DTC in immediately available funds. In turn, DTC will credit the payments to the accounts of the appropriate DTC Participants, in accordance with the DTC's procedures. These procedures currently provide for payments made in same-day funds to be settled through the New York Clearing House. DTC Participants and financial intermediaries will direct the payments to the investors in DTC Certificates that they represent.

## Interest Payments on the Certificates

*Categories of Classes—Interest.* For the purpose of interest payments, the Classes will be categorized as follows:

<u>Interest Type*</u>	<u>Classes</u>
<b>Group 1 Classes</b>	
Fixed Rate.....	1-A-1, 1-A-2, 1-A-3 and 1-A-4
Weighted Average Coupon .....	1-IO-1 and 1-IO-2
Interest Only.....	1-IO-1 and 1-IO-2
RCR**	PT-1 and PT-2
<b>Group 2 Classes</b>	
Fixed Rate.....	2-A
Weighted Average Coupon .....	2-IO
Interest Only.....	2-IO
<b>Group 3 Classes</b>	
Floating Rate .....	3-F-1 and 3-F-2
Inverse Floating Rate .....	3-S and 3-T
Interest Only.....	3-S, 3-T and 3-IO
Weighted Average Coupon .....	3-IO
Principal Only .....	3-PO
RCR** .....	PT-1 and PT-2
<b>Group 4 Class</b>	
Weighted Average Coupon .....	4-A
<b>No Payment Residual.....</b>	<b>R and RL</b>

\* See “—Class Definitions and Abbreviations” below.

\*\* See “—Combination and Recombination” above and Schedule 1 for a further description of the RCR Classes.

*Interest Calculation.* We will pay interest on the Certificates at the applicable annual interest rates shown on the cover or described in this prospectus. We will calculate interest based on a 360-day year consisting of twelve 30-day months. We will pay interest monthly on each Distribution Date, beginning in June 2003.

Interest to be paid on each Certificate on each Distribution Date will consist of one month’s interest on the outstanding principal balance of that Certificate immediately prior to that Distribution Date.

We will apply interest payments from exchanged Trust Certificates, on a pro rata basis, following any exchanges.

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

<u>Classes</u>	<u>Interest Accrual Period</u>
All interest-bearing Classes other than the 3-F-1, 3-T 3-F-2 and 3-S Classes (the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs
The 3-F-1, 3-T, 3-F-2 and 3-S Classes	Period beginning on the 25th day of the month preceding the month in which the Distribution Date occurs and ending on the 24th day of the month in which the Distribution Date occurs

The Dealer will treat the 3-PO Class as a Delay Class solely for the purpose of facilitating trading.

*Notional Classes.* The 1-IO-1, 1-IO-2, 2-IO, 3-T, 3-S and 3-IO Classes will be Notional Classes. The Notional Classes will have no principal balances.

During each Interest Accrual Period, the 1-IO-1 Class will bear interest on its notional principal balance at a per annum rate equal to the interest rate of the 1-A-4 Class *minus* the weighted average of the interest rates of the 1-A-1, 1-A-2 and 1-A-3 Classes (weighted on the basis of their respective principal balances). The notional principal balance of the 1-IO-1 Class will equal 100% of the aggregate principal balance of the 1-A-1, 1-A-2 and 1-A-3 Classes immediately before the related Distribution Date.

During each Interest Accrual Period, the 1-IO-2 Class will bear interest on its notional principal balance at a per annum rate equal to the weighted average of the Net Mortgage Rates of the Group 1 Loans (weighted on the basis of their respective Stated Principal Balances) *minus* the interest rate of the 1-A-4 Class. The notional principal balance of the 1-IO-2 Class will equal 100% of the aggregate principal balance of the 1-A-1, 1-A-2, 1-A-3 and 1-A-4 Classes immediately before the related Distribution Date.

During each Interest Accrual Period, the 2-IO Class will bear interest on its notional principal balance at a per annum rate equal to the weighted average of the Net Mortgage Rates of the Group 2 Loans (weighted on the basis of their respective Stated Principal Balances) *minus* the interest rate of the 2-A Class. The notional principal balance of the 2-IO Class will equal 100% of the principal balance of the 2-A Class immediately before the related Distribution Date.

During each Interest Accrual Period, the 3-IO Class will bear interest on its notional principal balance at a per annum rate equal to the weighted average of the Net Mortgage Rates of the Group 3 Loans (weighted on the basis of their respective Stated Principal Balances) *minus* 7.50%. The notional principal balance of the 3-IO Class will equal 100% of the aggregate principal balance of the 3-F-1, 3-F-2 and 3-PO Classes immediately before the related Distribution Date.

We define certain capitalized terms used in this section under “—Certain Definitions Relating to Payments on the Certificates” below.

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

*4-A Class.* We will pay interest on the 4-A Class at a per annum rate equal to the weighted average of the Net Mortgage Rates of the Group 4 Loans (weighted on the basis of their respective Stated Principal Balances).

*Floating Rate and Inverse Rate Classes.* During each Interest Accrual Period, the Floating Rate and Inverse Floating Rate Classes will bear interest at rates determined as described under “Reference Sheet—Interest Rates” in this prospectus supplement.

Changes in the specified interest rate index (“One Month LIBOR”) will affect the yields with respect to the related Classes. These changes may not correspond to changes in mortgage interest rates. Lower mortgage interest rates could occur while an increase in the level of One Month LIBOR occurs. Similarly, higher mortgage interest rates could occur while a decrease in the level of One Month LIBOR occurs.

Our establishment of value of One Month LIBOR and our determination of the interest rate for each applicable Class for the related Interest Accrual Period will be final and binding in the absence of manifest error. See “—Calculation of One Month LIBOR” below.

## Calculation of One Month LIBOR

*General.* The “Index Determination Date” for each Floating Rate and Inverse Floating Rate Class means the second business day before the first day of each Interest Accrual Period (or, in the case of the initial Interest Accrual Period. For purposes of calculating One Month LIBOR, the term “business day” means a day on which banks are open for dealing in foreign currency and exchange in London and New York City.

We are responsible for calculating One Month LIBOR on each Index Determination Date using the method described below.

*Calculation Method.* We will calculate One Month LIBOR on each Index Determination Date based on the Interest Settlement Rate of the British Bankers’ Association (“BBA”) for one-month U.S. dollar deposits. The “Interest Settlement Rate” is found on Telerate Page 3750 as of 11:00 a.m. (London time) on that date. Currently, it is based on rates quoted by 16 BBA-designated banks as being, in their view, the offered rate at which these deposits are being quoted to prime banks in the London interbank market. The Interest Settlement Rate is calculated by eliminating the four highest rates and the four lowest rates, averaging the eight remaining rates, carrying the percentage result to six decimal places and rounding to five decimal places.

If we are unable to use the method described above, we will calculate One Month LIBOR using the quotations for one-month U.S. dollar deposits offered by the principal London office of each of the Reference Banks (as defined below) as of 11:00 a.m. (London Time) on each Index Determination Date. We may rely on these quotations as they appear on the Reuters Screen LIBO Page (as defined in the *International Swap Dealers Association, Inc. Code of Standard Wording, Assumptions and Provisions for Swaps*, 1986 Edition). Alternatively, we may obtain them directly from the Reference Banks.

Under this method, One Month LIBOR is calculated on each Index Determination Date as follows:

- If at least two Reference Banks are making quotations, One Month LIBOR for the next Interest Accrual Period shall be the arithmetic mean of those quotations (rounded upwards, if necessary, to the nearest  $1/32$  of 1%).
- Otherwise, One Month LIBOR for the next Interest Accrual Period shall be the One Month LIBOR that was determined on the previous Index Determination Date or the Reserve Interest Rate, whichever is higher.

The “Reserve Interest Rate” means the annual rate that we determine as the arithmetic mean (rounded upwards, if necessary, to the nearest  $1/32$  of 1%) of the one-month U.S. dollar lending rates that New York City banks (which we select) are then quoting to the principal London offices of at least two of the Reference Banks. If we cannot establish the arithmetic mean, then the Reserve Interest Rate is the lowest one-month U.S. dollar lending rate that New York City banks (which we select) are then quoting to leading European banks. The term “Reference Bank” means a leading bank (that we do not control either solely or with a third party) which engages in Eurodollar deposit transactions in the international Eurocurrency market.

One Month LIBOR for the initial Interest Accrual Period will be 1.31%.

## Principal Payments on the Certificates

*Categories of Classes—Principal.* For the purpose of principal payments, the Classes will be categorized as follows:

<u>Principal Type*</u>	<u>Classes</u>
<b>Group 1 Classes</b>	
Sequential Pay .....	1-A-1, 1-A-2, 1-A-3 and 1-A-4
Notional .....	1-IO-1 and 1-IO-2
RCR** .....	PT-1 and PT-2
<b>Group 2 Classes</b>	
Pass-Through .....	2-A
Notional .....	2-IO
<b>Group 3 Classes</b>	
Pass-Through .....	3-F-1, 3-F-2 and 3-PO
Notional .....	3-S, 3-T and 3-IO
RCR** .....	PT-1 and PT-2
<b>Group 4 Class</b>	
Pass-Through .....	4-A
<b>No Payment Residual .....</b>	<b>R and RL</b>

\* See “—Class Definitions and Abbreviations.”

\*\* See “—Combination and Recombination” above and Schedule 1 for a further description of the RCR Classes.

*General.* The outstanding principal balance of any Certificate as of any date of determination is equal to the initial outstanding principal balance of that Certificate, reduced by all amounts previously paid as principal on that Certificate.

We define certain capitalized terms used in the following section under “—Certain Definitions Relating to Payments on the Certificates” below.

### *Principal Distribution Amount*

#### *Group 1 Principal Distribution Amount*

On each Distribution Date, we will pay the Group 1 Principal Distribution Amount, sequentially, as principal of the 1-A-1, 1-A-2, 1-A-3 and 1-A-4 Classes, in that order, until their principal balances are reduced to zero. } Sequential Pay Classes

#### *Group 2 Principal Distribution Amount*

On each Distribution Date, we will pay the Group 2 Principal Distribution Amount as principal of the 2-A Class, until its principal balance is reduced to zero. } Pass-Through Class

#### *Group 3 Principal Distribution Amount*

On each Distribution Date, we will pay the Group 3 Principal Distribution Amount as principal of the Group 3 Classes as follows:

- (a) 8.413326916% of such amount to the 3-PO Class, until its principal balance is reduced to zero, and
- (b) the remaining amount, concurrently, to the 3-F-1 and 3-F-2 Classes, pro rata (or 62.2071321543% and 37.7928678457%, respectively), until their principal balances are reduced to zero. } Pass-Through Classes

#### *Group 4 Principal Distribution Amount*

On each Distribution Date, we will pay the Group 4 Principal Distribution Amount to the 4-A Class, until its principal balance is reduced to zero. } Pass-Through Class

We will apply principal payments from exchanged Trust Certificates to the corresponding RCR Certificates, on a pro rata basis, following any exchange.

#### **Certain Definitions Relating to Payments on the Certificates**

*Due Date.* For any Distribution Date, the first day of the calendar month in which that Distribution Date occurs.

*Due Period.* For any Distribution Date, the period beginning on the second day of the month immediately preceding the month in which that Distribution Date occurs and ending on the first day of the month in which that Distribution Date occurs.

*Group 1 Principal Distribution Amount.* For any Distribution Date, the aggregate of the following amounts for all Group 1 Loans, without duplication:

- the monthly payment of principal due on each Group 1 Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Group 1 Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Group 1 Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- any partial or full principal prepayment reported as having been received during the related Due Period from borrowers on any Group 1 Loan.

*Group 2 Principal Distribution Amount.* For any Distribution Date, the aggregate of the following amounts for all Group 2 Loans, without duplication:

- the monthly payment of principal due on each Group 2 Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Group 2 Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Group 2 Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- any partial or full principal prepayment reported as having been received during the related Due Period from borrowers on any Group 2 Loan.

*Group 3 Principal Distribution Amount.* For any Distribution Date, the aggregate of the following amounts for all Group 3 Loans, without duplication:

- the monthly payment of principal due on each Group 3 Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Group 3 Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Group 3 Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- any partial or full principal repayment reported as having been received during the related Due Period from borrowers on any Group 3 Loan.

*Group 4 Principal Distribution Amount.* For any Distribution Date, the aggregate of the following amounts for all Group 4 Loans, without duplication:

- the monthly payment of principal due on each Group 4 Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Group 4 Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Group 4 Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- any partial or full principal prepayment reported as having been received during the related Due Period from borrowers of any Group 4 Loan.

*Liquidated Loan.* A defaulted Mortgage Loan with respect to which the Servicer has concluded that the full amount finally recoverable on account of that loan has been received, whether or not this amount is equal to the principal balance of that loan.

*Net Mortgage Rate.* For any Mortgage Loan, the Mortgage Interest Rate of that loan minus the sum of (i) the Servicing Fee Rate and (ii) the rate at which the Guaranty Fee is calculated with respect to that loan.

*Servicing Fee Rate.* The percentage identified on the Mortgage Loan Schedule.

*Stated Principal Balance.* The unpaid principal balance of a Mortgage Loan (or the scheduled unpaid principal balance thereof, in the case of Mortgage Loans that are delinquent) as of the Issue Date reduced by all amounts representing principal received or advanced by the Servicer and previously paid to Certificateholders with respect to that loan.

## Class Definitions and Abbreviations

Classes of Certificates fall into different categories. The following chart identifies and generally defines the categories of Classes specified on the cover page of this prospectus.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
INTEREST TYPES		
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 a designated index and that varies directly with changes in the index.
INV	Inverse Floating	Has an interest rate that resets periodically based upon a Rate designated index and that varies inversely with changes in the index.
IO	Interest Only	Receives some or all of the interest payments made on the related mortgage loans or other assets of the trust but little or no principal. Interest Only Classes have either a notional or a nominal principal balance. A notional principal balance is the amount used as a reference to calculate amount of interest due on an Interest Only Class. A nominal principal balance represents actual principal that will be paid on the Class. It is referred to as nominal since it is extremely small compared to other classes.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
NPR	No Payment Residual	Receives no payments of interest.
PO	Principal Only	Does not bear interest and is entitled to receive only payments of principal.
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period.

#### PRINCIPAL TYPES

NPR	No Payment Residual	Receives no payments of principal.
NTL	Notional	Has no principal balance and bears interest on its notional principal balance. The notional principal balance is used to determine interest payments on an Interest Only Class that is not entitled to principal.
PT	Pass-Through	Is designed to receive principal payments in direct relation to actual or scheduled payments on some or all of the related mortgage loans.
SEQ	Sequential Pay	Receives principal payments in a prescribed sequence but without a predetermined schedule. It receives payments of principal continuously from the first Distribution Date on which it receives principal until the Class is retired.

### Special Characteristics of the R and RL Classes

The R and RL Classes will not have principal balances and will not bear interest. If any assets of the Upper Tier REMIC remain after the principal balances of all Classes are reduced to zero, we will pay the Holder of the R Class the proceeds of those assets. If any assets of the Lower Tier REMIC remain after the principal balances of the Lower Tier Regular Interests are reduced to zero, we will pay the proceeds of those assets to the Holder of the RL Class. We do not expect that any material assets will remain in either case.

No Residual Certificate may be transferred to a “disqualified organization” or to anyone acting on behalf of a disqualified organization. The term “transfer” can include any transfer of record ownership or of beneficial ownership, whether as a result of a sale, gift, pledge, default or otherwise. The term “disqualified organization” includes the United States, any State or other political subdivision, any foreign government, any international organization, or any agency or instrumentality of any of them (other than certain taxable instrumentalities), any cooperative organization furnishing electric energy or providing telephone service to persons in rural areas, or any organization (other than a farmers’ cooperative) that is exempt from federal income tax, unless such organization is subject to a tax on unrelated business income. Each person or entity to which the R or RL Certificate is transferred will be required to execute an affidavit, acceptable to us, stating that:

- the transferee is not a disqualified organization,
- it is not acquiring the R or RL Certificate for the account of a disqualified organization,
- it consents to any amendment of the Trust Agreement that we deem necessary (upon the advice of our counsel) to ensure that the R or RL Certificate will not be owned directly or indirectly by a disqualified organization,
- it is not acquiring the R or RL Certificate to avoid or impede the assessment or collection of tax,

- it understands that it may incur tax liabilities in excess of any cash that it will receive on the R or RL Certificate,
- it intends to pay taxes on the R or RL Certificate as they become due,
- it will not cause income from the R or RL Certificate to be attributed to a foreign permanent establishment or fixed base of the transferee or another taxpayer, and
- it will not transfer the R or RL Certificate unless it has received from the new transferee an affidavit containing these same eight representations and it does not have actual knowledge that this other affidavit is false.

See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of a Residual Certificate—Sales and Other Dispositions of a Residual Certificate—Residual Certificate Transferred to or Held by Disqualified Organizations*” in this prospectus. The transferee also must deliver a properly executed Internal Revenue Service Form W-9 (or, if applicable, a Form W-8ECI) in which the transferee provides its taxpayer identification number.

The affidavit must also state that the transferee is a “U.S. Person” or a foreign person subject to United States income taxation on a net basis on income derived from that certificate and that, if the transferee is a partnership for U.S. federal income tax purposes, each person or entity that holds an interest (directly, or indirectly through a pass-through entity) in the partnership is a “U.S. Person” or a foreign person subject to United States income taxation on a net basis on income derived from that certificate.

No R or RL Certificate may be transferred to any person that is not a “U.S. Person” or a foreign person subject to United States income taxation on a net basis on income derived from that certificate without our written consent. The term “U.S. Person” means

- a citizen or resident of the United States,
- a corporation, partnership or other entity created under the laws of the United States or any of its political subdivisions,
- 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 one or more United States persons have the authority to control all substantial decisions of the trust.

Under regulations issued by the Treasury Department (the “Regulations”), if a “noneconomic residual interest” is transferred, the transfer will be disregarded for all federal tax purposes unless no significant purpose of the transfer is to impede the assessment or collection of tax. The R and RL Classes will constitute noneconomic residual interests under the Regulations.

Under the Regulations, the phrase “a significant purpose of the transfer to impede the assessment or collection of tax” means that the transferor of the R or RL Class Certificate had “improper knowledge” at the time of the transfer. In other words, the transferor knew, or should have known, that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the related REMIC. A transferor is presumed not to have improper knowledge if four conditions are met. First, the transferor conducts, at the time of the transfer, a reasonable investigation of the financial condition of the transferee and, based on the results, finds that the transferee has historically paid its debts as they come due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future. Second, the transferee makes certain representations to the transferor in the affidavit relating to disqualified organizations discussed above. Third, the transferee makes the representation to the transferor in the affidavit relating to foreign permanent establishments discussed above. Fourth, the transfer satisfies either the “asset test” or the

“formula test.” If you plan to transfer an R or RL Class Certificate, you should consult your own tax advisor for further information.

A transfer satisfies the asset test if (i) the transferee’s gross assets exceed \$100 million and its net assets exceed \$10 million (in each case, at the time of the transfer and at the close of each of the transferee’s two fiscal years preceding the year of transfer), (ii) the transferee is an “eligible corporation” as defined in section 860L(a)(2) of the Code and it agrees in writing that any subsequent transfer of the residual interest will be to an eligible corporation and will comply with the safe harbor and satisfy the asset test, and (iii) the facts and circumstances known to the transferor do not reasonably indicate that the taxes associated with the residual interest will not be paid. A transfer satisfies the formula test if the present value of the anticipated tax liabilities associated with holding the R or RL Class Certificate is less than or equal to the present value of the sum of (i) any consideration given to the transferee to acquire the Certificate, (ii) expected future distributions on that Certificate, and (iii) anticipated tax savings associated with holding that Certificate as the related REMIC trust generates losses. The regulations contain additional details regarding their application and you should consult your own tax advisor regarding the application of the Regulations to an actual transfer of the R or RL Class Certificate.

The Holder of the R Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Upper Tier REMIC, and the Holder of the RL Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Lower Tier REMIC. See “Certain Federal Income Tax Consequences—REMIC Elections and Special Tax Attributes.” Pursuant to the Trust Agreement we will be obligated to provide to the Holder or Holders of the R and RL Classes (i) information that they need to prepare their federal income tax returns and (ii) any reports regarding the R or RL Class that may be required under the Code.

## Structuring Assumptions

*Pricing Assumptions.* Except where otherwise noted, the information in the tables in this prospectus has been prepared on the basis of (i) the assumed characteristics of the Mortgage Loans set forth herein on Exhibit A and (ii) the following assumptions (collectively, the “Pricing Assumptions”):

- payments on all Mortgage Loans are due and received on the first day of each month;
- each year consists of twelve 30-day months;
- the Mortgage Loans prepay at the CPR levels specified in the related table;
- 1 year CMT is equal to 1.24%;
- the Servicer does not exercise its repurchase option;
- the settlement date for the sale of the Certificates occurs on May 30, 2003; and
- each Distribution Date for the Certificates occurs on the 25th day of the month, beginning in June 2003.

*Prepayment Assumptions.* Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this prospectus is the “Constant Prepayment Rate” or “CPR” model. The CPR model represents an assumed *constant* rate of prepayment each month, expressed as a per annum percentage of the then outstanding principal balance of the pool of mortgage loans. *This model does not purport to be an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans. It is highly unlikely that the Mortgage Loans will prepay at any constant percentage of the Prepayment Assumption or at any other constant rate.*

## Yield Tables

*General.* The tables below illustrate the sensitivity of the pre-tax corporate bond equivalent yields to maturity of the applicable Classes to various constant percentages of CPR. We calculated the yields set forth in the tables by

- determining the monthly discount rates that, when applied to the assumed streams of cash flows to be paid on the applicable Classes, would cause the discounted present values of such assumed streams of cash flows to equal the assumed aggregate purchase prices of such Classes, and
- converting such monthly rates to corporate bond equivalent rates.

These calculations do not take into account variations in the interest rates at which you could reinvest distributions on the Certificates. Accordingly, these calculations do not illustrate the return on any investment in the Certificates when such reinvestment rates are taken into account.

We cannot assure you that

- the pre-tax yields on the applicable Certificates will correspond to any of the pre-tax yields shown here or
- the aggregate purchase prices of the applicable Certificates will be as assumed.

Furthermore, because some of the Mortgage Loans are likely to have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the principal payments on the Certificates are likely to differ from those assumed. This would be the case even if all Mortgage Loans prepay at the indicated constant percentages of CPR. Moreover, it is unlikely that

- the Mortgage Loans will prepay at a constant percentage of CPR until maturity, or
- all of such Mortgage Loans will prepay at the same rate.

***The 1-IO-1, 1-IO-2, 2-IO and 3-IO Classes.*** The yields to investors in the 1-IO-1, 1-IO-2, 2-IO and 3-IO Classes will be very sensitive to the rate of principal payments (including prepayments) of the related Mortgage Loans. The Mortgage Loans can be prepaid by the related borrowers with no prepayment premium. On the basis of the assumptions described below, the yield to maturity on the 1-IO-1, 1-IO-2, 2-IO and 3-IO Classes would be 0% if prepayments of the related Mortgage Loans were to occur at the constant rates shown in the table below:

<u>Class</u>	<u>% CPR</u>
1-IO-1 .....	24%
1-IO-2 .....	41%
2-IO .....	35%
3-IO .....	53%

**For any of the 1-IO-1, 1-IO-2, 2-IO and 3-IO Classes, if the actual prepayment rate of the related Mortgage Loans were to exceed the level specified for as little as one month while equaling that level for the remaining months, the investors in that Class would lose money on their initial investments.**

We cannot assure you that:

- the Mortgage Loans will prepay at any of the assumed rates in this prospectus or at any other particular rate;
- the pre-tax yields on the 1-IO-1, 1-IO-2, 2-IO and 3-IO Classes will correspond to the pre-tax yields shown in this prospectus; or

- the aggregate purchase prices of the 1-IO-1, 1-IO-2, 2-IO and 3-IO Classes will be the prices assumed below.

The information shown in the following yield tables has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase prices of the 1-IO-1, 1-IO-2, 2-IO and 3-IO Classes (expressed in each case as a percentage of the original notional principal balance) are as follows:

<u>Class</u>	<u>Price*</u>
1-IO-1 .....	1.75%
1-IO-2 .....	3.00%
2-IO .....	0.75%
3-IO .....	0.75%

\* The prices do not include accrued interest. Accrued interest has been added to the prices in calculating the yields set forth in the tables below.

#### **Sensitivity of the 1-IO-1 Class to Prepayments\***

	<u>CPR Prepayment Assumption</u>					
	<u>3%</u>	<u>9%</u>	<u>18%</u>	<u>27%</u>	<u>36%</u>	<u>45%</u>
Pre-Tax Yields to Maturity ..	64.9%	52.4%	23.9%	(12.7)%	(52.1)%	(90.4)%

\* Applies only to Group 1 Loans.

#### **Sensitivity of the 1-IO-2 Class to Prepayments\***

	<u>CPR Prepayment Assumption</u>					
	<u>3%</u>	<u>9%</u>	<u>18%</u>	<u>27%</u>	<u>36%</u>	<u>45%</u>
Pre-Tax Yields to Maturity ..	53.5%	45.8%	33.8%	21.0%	7.5%	(7.1)%

\* Applies only to Group 1 Loans.

#### **Sensitivity of the 2-IO Class to Prepayments\***

	<u>CPR Prepayment Assumption</u>					
	<u>3%</u>	<u>8%</u>	<u>16%</u>	<u>24%</u>	<u>32%</u>	<u>40%</u>
Pre-Tax Yields to Maturity ..	43.0%	36.8%	26.6%	15.9%	4.6%	(7.5)%

\* Applies only to Group 2 Loans.

#### **Sensitivity of the 3-IO Class to Prepayments\***

	<u>CPR Prepayment Assumption</u>						
	<u>3%</u>	<u>10%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>40%</u>	<u>50%</u>
Pre-Tax Yields to Maturity ..	82.9%	73.1%	58.2%	50.4%	42.4%	25.3%	6.6%

\* Applies only to Group 3 Loans.

*The Inverse Floating Rate Classes.* The yields on the Inverse Floating Rate Classes will be sensitive in varying degrees to the rate of principal payments, including prepayments, of the related Mortgage Loans and to the level of the Index. The Mortgage Loans generally can be prepaid at any time without penalty. In addition, the rate of principal payments (including prepayments) of the Mortgage Loans is likely to vary, and may vary considerably, from pool to pool. As illustrated in the tables below, it is possible that investors in the

**Inverse Floating Rate Classes would lose money on their initial investments under certain Index and prepayment scenarios.**

Changes in the Index may not correspond to changes in prevailing mortgage interest rates. It is possible that lower prevailing mortgage interest rates, which might be expected to result in faster prepayments, could occur while the level of the Index increased.

The information shown in the yield tables has been prepared on the basis of the Pricing Assumptions and the assumptions that

- the interest rates for the Inverse Floating Rate Classes for the initial Interest Accrual Period are the rates listed in the table under “Reference Sheet—Interest Rates” in this prospectus supplement and for each following Interest Accrual Period will be based on the specified level of the Index, and
- the aggregate purchase prices of those Classes (expressed in each case as a percentage of original principal balance) are as follows:

<u>Class</u>	<u>Price</u>
3-S .....	12.0%
3-T .....	2.1%

\* The prices do not include accrued interest. Accrued interest has been added to the prices in calculating the yields set forth in the tables below.

**Sensitivity of the 3-S Class to Prepayments\*\* and LIBOR  
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>CPR Prepayment Assumption</u>						
	<u>3%</u>	<u>10%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>40%</u>	<u>50%</u>
0.31% .....	62.9%	53.6%	39.7%	32.4%	24.8%	8.8%	(8.6)%
1.31% .....	53.0%	44.0%	30.5%	23.5%	16.2%	0.7%	(16.2)%
3.31% .....	33.7%	25.3%	12.7%	6.1%	(0.7)%	(15.1)%	(30.8)%
5.31% .....	14.7%	6.9%	(4.8)%	(10.9)%	(17.2)%	(30.6)%	(45.1)%
7.60% .....	*	*	*	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

\*\* Applies only to Group 3 Loans.

**Sensitivity of the 3-T Class to Prepayments\*\* and LIBOR  
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>CPR Prepayment Assumption</u>						
	<u>3%</u>	<u>10%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>40%</u>	<u>50%</u>
7.600% .....	22.3%	14.2%	2.2%	(4.1)%	(10.6)%	(24.4)%	(39.4)%
7.875% .....	7.2%	(0.4)%	(11.7)%	(17.6)%	(23.7)%	(36.6)%	(50.9)%
8.150% .....	*	*	*	*	*	*	*

\* The pre-tax yield to maturity would be less than (99.9)%.

\*\* Applies only to Group 3 Loans.

*The Principal Only Class.* **The 3-PO Class will not bear interest. As indicated in the table below, a low rate of principal payments (including prepayments) on the related Mortgage Loans will have a negative effect on the yield to investors in the 3-PO Class.**

The information shown in the following yield table has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase price of the 3-PO Class (expressed as a percentage of the original principal balance) is as follows:

<u>Class</u>	<u>Price</u>
3-PO .....	75.00%

#### **Sensitivity of the 3-PO Class to Prepayments\***

	<u>CPR Prepayment Assumption</u>						
	<u>3%</u>	<u>10%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>40%</u>	<u>50%</u>
Pre-Tax Yields to Maturity . .	2.4%	4.4%	8.1%	10.2%	12.6%	17.9%	24.3%

\* Applies only to Group 3 Loans.

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

The “weighted average life” of a Certificate refers to the average length of time, weighted by principal, that will elapse from the time we issue the Certificate until we pay you the full amount of outstanding principal. We determine the weighted average life of a Certificate by:

- (a) multiplying the amount of the reduction, if any, of the principal balance of such Certificate from one Distribution Date to the next Distribution Date by the number of years from the Settlement Date to the second such Distribution Date,
- (b) summing the results, and
- (c) dividing the sum by the aggregate amount of the reductions in principal balance of such Certificate referred to in clause (a).

The weighted average lives of the Certificates will be influenced by, among other factors, the rate at which principal payments are made on the related Mortgage Loans. For the purpose of the preceding sentence, principal payments include scheduled payments, principal prepayments, liquidations due to default, casualty and condemnation and payments made pursuant to either our guaranty of payment or our option to repurchase. The interaction of the above factors may result in differing principal prepayment speeds on the Classes of Certificates. Accordingly, we cannot give any assurance as to the weighted average lives of the Certificates.

#### **Maturity Considerations and Final Distribution Date**

We expect the maturities of substantially all of the Mortgage Loans to be between 15 and 30 years. Each Mortgage Loan will provide for amortization of principal according to a schedule that, in the absence of prepayments, would result in repayment of the Mortgage Loan by its maturity date.

## Decrement Tables

The following tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each of the dates shown at various constant percentages of CPR and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions.

It is *unlikely* that all the Mortgage Loans:

- will have the interest rates or remaining terms to maturity assumed or
- will prepay at any constant percentage of the related CPR.

In addition, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal payments than indicated in the tables at the specified constant percentages of CPR. This would be the case even if the weighted average maturities of the Mortgage Loans are identical to the weighted average maturities specified in the Pricing Assumptions.

## Percent of Original Principal Balances Outstanding

Date	1-A-1 Class						1-A-2 Class						1-A-3 Class					
	CPR Prepayment Assumption						CPR Prepayment Assumption						CPR Prepayment Assumption					
	0%	9%	18%	27%	36%	45%	0%	9%	18%	27%	36%	45%	0%	9%	18%	27%	36%	45%
Initial Percent .....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
May 2004 .....	96	72	47	22	0	0	100	100	100	100	96	54	100	100	100	100	100	100
May 2005 .....	92	46	4	0	0	0	100	100	100	43	0	0	100	100	100	100	82	17
May 2006 .....	88	22	0	0	0	0	100	100	47	0	0	0	100	100	100	66	0	0
May 2007 .....	83	1	0	0	0	0	100	100	0	0	0	0	100	100	98	1	0	0
May 2008 .....	78	0	0	0	0	0	100	69	0	0	0	0	100	100	47	0	0	0
May 2009 .....	73	0	0	0	0	0	100	40	0	0	0	0	100	100	5	0	0	0
May 2010 .....	67	0	0	0	0	0	100	13	0	0	0	0	100	100	0	0	0	0
May 2011 .....	61	0	0	0	0	0	100	0	0	0	0	0	100	85	0	0	0	0
May 2012 .....	54	0	0	0	0	0	100	0	0	0	0	0	100	57	0	0	0	0
May 2013 .....	47	0	0	0	0	0	100	0	0	0	0	0	100	31	0	0	0	0
May 2014 .....	39	0	0	0	0	0	100	0	0	0	0	0	100	7	0	0	0	0
May 2015 .....	31	0	0	0	0	0	100	0	0	0	0	0	100	0	0	0	0	0
May 2016 .....	22	0	0	0	0	0	100	0	0	0	0	0	100	0	0	0	0	0
May 2017 .....	13	0	0	0	0	0	100	0	0	0	0	0	100	0	0	0	0	0
May 2018 .....	3	0	0	0	0	0	100	0	0	0	0	0	100	0	0	0	0	0
May 2019 .....	0	0	0	0	0	0	86	0	0	0	0	0	100	0	0	0	0	0
May 2020 .....	0	0	0	0	0	0	67	0	0	0	0	0	100	0	0	0	0	0
May 2021 .....	0	0	0	0	0	0	46	0	0	0	0	0	100	0	0	0	0	0
May 2022 .....	0	0	0	0	0	0	23	0	0	0	0	0	100	0	0	0	0	0
May 2023 .....	0	0	0	0	0	0	0	0	0	0	0	0	99	0	0	0	0	0
May 2024 .....	0	0	0	0	0	0	0	0	0	0	0	0	64	0	0	0	0	0
May 2025 .....	0	0	0	0	0	0	0	0	0	0	0	0	28	0	0	0	0	0
May 2026 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
May 2027 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
May 2028 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
May 2029 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
May 2030 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)** .....	9.0	1.9	1.0	0.7	0.5	0.4	17.8	5.7	3.0	2.0	1.4	1.1	21.4	9.3	5.0	3.3	2.3	1.8

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

Date	1-A-4 Class						1-IO-1† Class						1-IO-2† Class					
	CPR Prepayment Assumption						CPR Prepayment Assumption						CPR Prepayment Assumption					
	0%	9%	18%	27%	36%	45%	0%	9%	18%	27%	36%	45%	0%	9%	18%	27%	36%	45%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
May 2004	100	100	100	100	100	100	98	86	74	62	50	38	99	90	81	72	63	54
May 2005	100	100	100	100	100	100	96	73	53	34	18	4	97	80	65	52	40	29
May 2006	100	100	100	100	94	60	94	62	36	14	0	0	96	72	53	37	25	16
May 2007	100	100	100	100	59	32	92	52	22	*	0	0	94	64	42	27	16	9
May 2008	100	100	100	72	37	17	89	42	10	0	0	0	92	57	34	19	10	5
May 2009	100	100	100	51	23	9	87	34	1	0	0	0	90	51	27	14	6	2
May 2010	100	100	83	37	15	5	84	26	0	0	0	0	88	46	22	10	4	1
May 2011	100	100	66	26	9	3	81	19	0	0	0	0	86	40	18	7	2	1
May 2012	100	100	53	18	6	1	77	12	0	0	0	0	83	36	14	5	2	*
May 2013	100	100	42	13	4	1	74	7	0	0	0	0	81	32	11	3	1	*
May 2014	100	100	33	9	2	*	70	2	0	0	0	0	78	28	9	2	1	*
May 2015	100	91	26	6	1	*	66	0	0	0	0	0	75	24	7	2	*	*
May 2016	100	80	21	5	1	*	62	0	0	0	0	0	72	21	5	1	*	*
May 2017	100	69	16	3	*	*	57	0	0	0	0	0	69	18	4	1	*	*
May 2018	100	59	12	2	*	*	52	0	0	0	0	0	65	16	3	1	*	*
May 2019	100	51	10	1	*	*	47	0	0	0	0	0	61	14	3	*	*	*
May 2020	100	43	7	1	*	*	41	0	0	0	0	0	57	11	2	*	*	*
May 2021	100	36	6	1	*	*	35	0	0	0	0	0	52	10	1	*	*	*
May 2022	100	30	4	*	*	*	29	0	0	0	0	0	48	8	1	*	*	*
May 2023	100	24	3	*	*	*	22	0	0	0	0	0	43	6	1	*	*	*
May 2024	100	19	2	*	*	*	14	0	0	0	0	0	37	5	1	*	*	*
May 2025	100	15	1	*	*	*	6	0	0	0	0	0	31	4	*	*	*	*
May 2026	93	11	1	*	*	*	0	0	0	0	0	0	25	3	*	*	*	*
May 2027	67	7	1	*	*	*	0	0	0	0	0	0	18	2	*	*	*	*
May 2028	40	4	*	*	*	*	0	0	0	0	0	0	11	1	*	*	*	*
May 2029	10	1	*	*	*	0	0	0	0	0	0	0	3	*	*	*	*	0
May 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	24.6	16.9	10.4	7.0	5.0	3.8	14.3	4.7	2.5	1.6	1.2	0.9	17.0	7.9	4.6	3.0	2.2	1.7

Date	2-A and 2-IO† Classes						3-F-1, 3-T†, 3-F-2, 3-PO, 3-S†, 3-IO†, PT-1 and PT-2 Classes								4-A Class					
	CPR Prepayment Assumption						CPR Prepayment Assumption								CPR Prepayment Assumption					
	0%	8%	16%	24%	32%	40%	0%	10%	20%	25%	30%	40%	50%	0%	9%	18%	27%	36%	45%	
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
May 2004	99	91	83	75	67	59	99	89	79	74	69	59	49	98	89	80	72	63	54	
May 2005	97	82	69	56	45	35	98	79	62	55	48	35	24	96	79	64	51	39	29	
May 2006	96	75	57	42	30	21	96	70	49	41	33	21	12	93	70	51	36	24	15	
May 2007	94	68	47	31	20	12	95	62	39	30	23	12	6	90	62	41	26	15	8	
May 2008	93	61	39	23	13	7	93	55	30	22	16	7	3	87	55	32	18	9	4	
May 2009	91	55	32	17	9	4	91	48	24	16	11	4	1	84	48	26	13	6	2	
May 2010	89	50	26	13	6	2	89	43	19	12	7	2	1	81	42	20	9	4	1	
May 2011	87	44	21	10	4	1	87	37	15	9	5	1	*	78	37	16	6	2	1	
May 2012	84	40	18	7	3	1	85	33	11	6	3	1	*	75	32	13	4	1	*	
May 2013	82	36	14	5	2	*	82	29	9	5	2	*	*	71	28	10	3	1	*	
May 2014	79	32	12	4	1	*	79	25	7	3	2	*	*	68	24	8	2	*	*	
May 2015	76	28	9	3	1	*	76	22	5	2	1	*	*	64	21	6	1	*	*	
May 2016	73	25	8	2	*	*	73	19	4	2	1	*	*	60	18	5	1	*	*	
May 2017	69	22	6	1	*	*	69	16	3	1	*	*	*	56	15	3	1	*	*	
May 2018	66	19	5	1	*	*	65	13	2	1	*	*	*	52	13	3	*	*	*	
May 2019	61	16	4	1	*	*	61	11	2	1	*	*	*	47	10	2	*	*	*	
May 2020	57	14	3	1	*	*	56	9	1	*	*	*	*	43	9	1	*	*	*	
May 2021	52	12	2	*	*	*	51	8	1	*	*	*	*	38	7	1	*	*	*	
May 2022	47	10	2	*	*	*	46	6	1	*	*	*	*	33	6	1	*	*	*	
May 2023	42	8	1	*	*	*	40	5	*	*	*	*	*	28	4	1	*	*	*	
May 2024	35	6	1	*	*	*	33	4	*	*	*	*	*	23	3	*	*	*	*	
May 2025	29	5	1	*	*	*	26	3	*	*	*	*	*	17	2	*	*	*	*	
May 2026	22	3	*	*	*	*	18	2	*	*	*	*	*	11	1	*	*	*	*	
May 2027	14	2	*	*	*	*	9	1	*	*	*	*	*	5	1	*	*	*	*	
May 2028	6	1	*	*	*	*	0	0	0	0	0	0	0	1	*	*	*	*	0	
May 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
May 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Weighted Average Life (years)**	16.9	8.5	5.1	3.4	2.5	1.9	16.7	7.4	4.2	3.3	2.7	1.9	1.4	14.5	7.3	4.4	2.9	2.1	1.6	

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

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

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

## **THE TRUST AGREEMENT**

We summarize below certain provisions of the Trust Agreement 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 the information in this prospectus and the actual terms of the Trust Agreement, the terms of the Trust Agreement will prevail.

### **Transfer of Mortgage Loans to the Trust**

The Trust Agreement will contain a mortgage loan schedule (the “Mortgage Loan Schedule”) that will identify the Mortgage Loans that are being transferred to the Trust. As Trustee, we will hold, on behalf of the Certificateholders, the original Mortgage Notes, endorsed in blank, and assignments of the mortgage instruments to us in recordable form. Usually assignments are in a form suitable for recording but they are not recorded. However, a blanket assignment may be used for the transfer of a large number of Mortgage Loans, even if the properties are not located in the same recording jurisdiction, depending on the applicable Lender’s servicing experience and its financial condition. We may change these document custody requirements at any time, as long as we determine that any such change will not have a materially adverse effect on the interests of Certificateholders.

At our option, we may choose to maintain the documents described above with one or more custodian institutions supervised and regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the FDIC or the NCUA. We will review the Mortgage Loan Schedule before we issue the Certificates and will conduct random spot checks after issuing the Certificates to confirm that we have all the documents we need.

If a liquidation, reorganization, or similar proceeding involving our assets or the assets of a Lender were to occur, it is not clear what law would be applicable. As a result, we cannot render a legal opinion about the Certificateholders’ rights to the Mortgage Loans in the event of a proceeding of this type.

### **Servicing Through Lenders**

Pursuant to the Trust Agreement, we are responsible for servicing and administering the Mortgage Loans. We are permitted, in our discretion, to contract with the originator of each Mortgage Loan, or another eligible servicing institution, to perform such functions under our supervision as more fully described below (each, a “Lender”). Any servicing contract or arrangement by us with a Lender for the direct servicing of Mortgage Loans is a contract solely between us and that Lender. Therefore, Certificateholders will not be deemed to be parties to such contract and will have no claims, rights, obligations, duties, or liabilities with respect to any Lender.

Except as otherwise agreed upon by us, Lenders will be obligated to perform diligently all services and duties customary to the servicing of mortgages in accordance with the applicable Guide. We will monitor the Lender’s performance and we have the right to remove any Lender for cause at any time we consider such removal to be in the best interest of Certificateholders. The duties performed by Lenders include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts, collection of insurance claims, and, if necessary, foreclosure.

Each month, we will retain an amount based on the principal balance of each Mortgage Loan to pay various Trust expenses. We are also entitled to retain prepayment premiums, late charges, assumption fees, and similar charges to the extent they are collected from borrowers. We will compensate Lenders in an amount up to, but never exceeding, the amount described above, less a prescribed minimum amount to be retained by us to compensate us for making our guaranty and for our servicing responsibilities (the “Guaranty Fee”).

## **Distributions on Mortgage Loans; Deposits in the Certificate Account**

We will deposit or credit to one or more accounts (collectively, the “Certificate Account”) an amount equal to the sum of the amounts collected as principal and interest on the Mortgage Loans as these amounts are received.

Any amounts deposited into the Certificate Account on a Distribution Date will be available to pay (i) interest accrued and distributable on the Certificates on that date and (ii) principal of the Certificates reflected in the class factors. We will not include any reinvestment earnings on amounts in the Certificate Account when we calculate payments to Certificateholders.

The Trust Agreement permits us, as Trustee, to maintain the Certificate Account in one of two ways:

- as a trust account with an eligible depository institution (which account may contain other funds that we hold in a trust capacity), or
- as part of our general assets (with appropriate credit entries to the related REMIC).

We are required to hold all such appropriately credited funds in our general accounts (and all funds in the Certificate Account that we have invested) for the benefit of the Certificateholders. Nevertheless, if a liquidation, reorganization or similar proceeding involving our assets were to occur, it is not clear what law would be applicable. As a result, we cannot render a legal opinion about the Certificateholders’ rights to those funds in the event of a proceeding of this type.

## **Reports to Certificateholders**

We will publish a class factor for each Class of Certificates on or shortly after the 23rd calendar day of each month. If you multiply the class factor for a Certificate by the original principal balance or notional balance of the Certificate, you will obtain the current principal balance or notional balance of that Certificate, after giving effect to the principal payment to be made on the following Distribution Date.

We will provide each Certificateholder with a statement of the total principal and interest paid on that Holder’s Certificates with respect to each Distribution Date. After the end of each calendar year, we will also furnish to each person who was a Certificateholder at any time during that year any information required by the Internal Revenue Service.

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

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

We will be entitled to retain an amount based on the principal balance of each Mortgage Loan for Trust expenses and as compensation for our activities and obligations under the Trust Agreement. In addition, we are entitled to retain a portion of the proceeds of the liquidation of a Mortgage Loan that exceeds (i) the principal balance of that Mortgage Loan and (ii) interest owed through the end of the month in which the liquidation occurs at the related Mortgage Interest Rate. We will pay all expenses incurred in connection with our servicing activities, including, without limitation, the fees to Lenders, and we are not entitled to be reimbursed for such expenses out of the assets of the Trust.

We will retain additional servicing compensation in the form of assumption fees, late payment charges, or otherwise.

## **Collection and Other Servicing Procedures**

We are responsible for servicing the Mortgage Loans and may, as set forth above, conduct such servicing through Lenders or through other Fannie Mae approved mortgage servicers. In connection with our servicing activities, we have full power and authority to do or cause to be done any and all

things we may deem necessary or appropriate, including the foreclosure or comparable conversion of a defaulted Mortgage Loan.

With respect to each Mortgage Loan, the Lender makes certain warranties to Fannie Mae concerning the following matters:

- the recordation of the original Mortgage,
- the validity of the Mortgage Loan as a first lien on the related Mortgaged Property, and
- compliance by the Mortgage Loan with applicable state and federal laws.

In the event of a material breach of any warranty or a material defect in the Mortgage Loan documentation, we may withdraw the Mortgage Loan from the Trust at a price equal to its stated principal balance together with interest thereon at the Net Mortgage Rate.

Subject to the limitations discussed below, we may:

- enforce or waive enforcement of any term of any Mortgage Loan,
- enter into an agreement to modify any term of any Mortgage Loan, or
- take any action or refrain from taking any action in servicing any Mortgage Loan.

We may waive any assumption fee, or late payment charge, or may exercise or refrain from exercising any “call option rider.” If we decide to take or refrain from taking any of the actions discussed above, our decision must be consistent with the then-current policies or practices that we follow for comparable mortgage loans held in our own portfolio. In making our decisions, we may not take into account the ownership status of the related Mortgage Loan.

Each Mortgage Loan will contain a “due-on-sale” clause, which provides that the Mortgage Loan will be assumable upon the sale of the related Mortgaged Property, subject generally to the purchaser’s compliance with credit and underwriting guidelines.

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

We may not resign from our duties under the Trust Agreement unless a change in law requires it. Even then, our resignation would not become effective until a successor has assumed our duties under the Trust Agreement. In no event, however, would any successor take over our guaranty obligations. Even if our other duties under the Trust Agreement should terminate, we would still be obligated under that guaranty. In the event that we are unable to fulfill our continuing guaranty obligations, the Trust Agreement may be modified to provide for monthly distributions to be made from then-available Mortgage Loan payments and other recoveries in a manner similar to practices and procedures followed in the servicing of whole loans for institutional investors. See “—Rights Upon Event of Default” below.

We are not liable under the Trust Agreement to the Trust or to Certificateholders for our errors in judgment or for anything we do, or do not do, in good faith. This also applies to our directors, officers, employees and agents. Nevertheless, neither we nor they will be protected from liability if it results from willful misfeasance, bad faith or gross negligence or as a result of a willful disregard of duties.

The Trust Agreement also provides that we are free to refuse involvement in any legal action that we think will expose us to expense or liability unless the action is related to our duties under the Trust Agreement. On the other hand, we may decide to participate in legal actions if we think our participation would be in the interests of the Certificateholders. In this case, we will pay our legal expenses and costs.

If we merge or consolidate with another corporation, the successor corporation will be our successor under the Trust Agreement.

## **Repurchase of Mortgage Loans by Fannie Mae**

Under certain limited circumstances, the Mortgage Interest Rates on the Mortgage Loans may be reduced. In the event of any such reduction, the Seller will be obligated to pay the difference between the original Mortgage Interest Rate and the Mortgage Interest Rate as modified. If the Seller defaults in this obligation, Fannie Mae will have the option of repurchasing from the Trust the related Mortgage Loan. Any such repurchase of a Mortgage Loan from the Trust by Fannie Mae will occur at a price equal to its outstanding Stated Principal Balance plus one month's interest at the applicable Net Mortgage Rate.

## **Events of Default**

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

- if we fail to pay Certificateholders any required amount and our failure continues uncorrected for 15 days after Certificateholders owning at least 5% of the Certificates have given us written notice;
- 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 Certificateholders owning at least 25% of the Certificates have given us written notice; 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 under the Trust Agreement has occurred and continues uncorrected, Certificateholders who own at least 25% of the Certificates have the right to terminate, in writing, all of our obligations under the Trust Agreement. These obligations include our duties as trustee as well as in our corporate capacity. However, our guaranty obligations will continue in effect. The same proportion of Certificateholders also may appoint, in writing, a successor to assume all of our terminated obligations. This successor will take legal title to the Mortgage Loans and 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 Notional Classes in the aggregate will be 1.5%; the percentage of the voting rights allocated among holders of all other Classes in the aggregate 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 principal balances or notional principal balances of such Certificates.

## **Amendment**

We may amend the Trust Agreement, without notifying the Certificateholders or obtaining their consent, for any of the following purposes:

- to add to our duties;
- to evidence that another party has become our successor and has assumed our duties under the Trust Agreement as Trustee or in our corporate capacity or both;
- to eliminate any of our rights in our corporate capacity under the Trust Agreement;

- to cure any ambiguity or correct or add to any provision in the Trust Agreement, so long as no Certificateholder is adversely affected; or
- to modify the Trust Agreement to maintain the legal status of the Trust as a REMIC.

If Certificateholders who own at least 66% of the Certificates give their consent, we may amend the Trust Agreement to eliminate, change or add to its terms 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 give their 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 we must pay on any Certificate. Similarly, unless all affected Holders of any residual interest give their consent, no amendment may adversely affect their rights.

## **Termination**

The Trust Agreement will terminate when the last Mortgage Loan remaining in the Trust has been paid off or liquidated, and the proceeds of that loan have been paid to Certificateholders. The Trust Agreement also will terminate if the Servicer exercises its option to repurchase all remaining Mortgage Loans in the Trust. The purchase price for such optional repurchase will equal the outstanding stated principal balance of each Mortgage Loan (including one month's interest at the Net Mortgage Rate).

The Servicer may not exercise its option to repurchase unless the aggregate principal balance of the remaining Mortgage Loans is less than 5% of the aggregate principal balance of all the Mortgage Loans as of the Issue Date.

If the Servicer exercises its option to repurchase, we will have to retire all the Certificates. In no event, however, will the Trust continue beyond the expiration of 21 years from the death of the last survivor of the persons named in the Trust Agreement. We will notify each affected Certificateholder in writing of the termination of the Trust Agreement, and will make the final payment to each person entitled to it.

## **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 is based on 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.

The Treasury Department recently issued Regulations directed at “tax shelters” that could be read to apply to transactions generally not considered to be tax shelters. These Regulations require that taxpayers that participate in a “reportable transaction” disclose such transaction on their tax returns by attaching IRS Form 8886 and retain information related to the transaction. A transaction may be a “reportable transaction” based upon any of several indicia, one or more of which may be present with respect to the Certificates. You should consult your own tax advisor concerning any possible disclosure obligation with respect to your investment in the Certificates.

The topics in this discussion are addressed in the order of the following captions:

- REMIC Elections and Special Tax Attributes for the Group 1 and Group 3 Classes
- Taxation of Beneficial Owners of Regular Certificates
- Taxation of Beneficial Owners of a Residual Certificate
- Taxation of Beneficial Owners of RCR Certificates
- Taxes on the REMICs
- Reporting and Other Administrative Matters for REMIC Investors
- Backup Withholding for REMIC Investors
- Foreign Investors in REMICs
- Taxation of the Portion of the Trust with Respect to the Group 2 and Group 4 Classes
- Taxation of Beneficial Owners of Certificates of the Group 2 and Group 4 Classes
- Expenses of the Trust
- Sales and Other Dispositions of Certificates of the Group 2 and Group 4 Classes
- Special Tax Attributes of Certificates of the Group 2 and Group 4 Classes
- Modifications of FHA/VA Loans
- Information Reporting and Backup Withholding for Certificates of the Group 2 and Group 4 Classes
- Foreign Investors in Certificates of the Group 2 and Group 4 Classes

The discussion following the caption “—REMIC Elections and Special Tax Attributes for the Group 1 and Group 3 Classes” through the caption “Foreign Investors in REMICs” describes the current federal income tax treatment of beneficial owners of Certificates of the Group 1 and Group 3 Classes and the R and RL Classes (the “REMIC Certificates”). For a discussion of the current federal income tax treatment of beneficial owners of Certificates of the Group 2 and Group 4 Classes, see the discussion following “—Taxation of the Portion of the Trust with Respect to the Group 2 and Group 4 Classes” below.

### ***REMIC Elections and Special Tax Attributes for the Group 1 and Group 3 Classes***

We will elect to treat the Upper Tier REMIC and the Lower Tier REMIC as REMICs under the Code. Qualification as a REMIC requires ongoing compliance with certain conditions. Dewey Ballantine LLP, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that, assuming compliance with the Trust Agreement, the Upper Tier REMIC and the Lower Tier REMIC will be treated as REMICs for federal income tax purposes. The REMIC Certificates (other than the R and RL Classes) will be designated as the “regular interests” in the Upper Tier REMIC (each a “Regular Certificate” and, together, the “Regular Certificates”) and the R Class will be designated as the “residual interest” in the Upper Tier REMIC. The Lower Tier Regular Interests will be designated as the “regular interests” in the Lower Tier REMIC and the RL Class will be designated as the “residual interest” in the Lower Tier REMIC (together with the R Class the “Residual Certificates”).

Because the Upper Tier REMIC and the Lower Tier REMIC will qualify as REMICs, the Regular and Residual Certificates and any related RCR Certificates will be “regular or residual interests in a REMIC” within the meaning of section 7701(a)(19)(C)(xi) of the Code and “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% of the assets of the Lower Tier REMIC consist of “real estate assets,” then the portion of the Regular and Residual Certificates that are qualifying assets under section 856(c)(5)(B) of the Code during the calendar year may be limited to the portion of the assets of the Lower Tier REMIC that are “real estate assets.” Similarly, income on the Regular and Residual Certificates will be treated as “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. In general, a Group 1 or Group 3 Loan will be a “qualified mortgage” if the Group 1 or Group 3 Loan, respectively, is “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code. The assets of the Lower Tier REMIC will include, in addition to the Group 1 and Group 3 Loans, payments on the Group 1 and Group 3 Loans held pending distribution on the Regular and Residual Certificates and any reinvestment income thereon.

Regular and Residual Certificates held by a financial institution (as referred to in section 582(c)(2) of the Code) will be treated as evidences of indebtedness for purposes of section 582(c)(1) of the Code. Regular Certificates will also be “qualified mortgages” within the meaning of section 860G(a)(3) of the Code with respect to other REMICs and “permitted assets” within the meaning of section 860L(c)(1) of the Code with respect to financial asset securitization investment trusts.

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

For federal income tax purposes, the Regular Certificates will be treated as debt instruments issued by a REMIC on the date the Certificates are first sold to the public (the “Settlement Date”) and not as ownership interests in the Trust or its assets. Interest, original issue discount and market discount with respect to a Regular Certificate will represent ordinary income to the beneficial owner of the Certificate (a “Regular Owner”). A Regular Owner must report interest on a Regular Certificate using an accrual method of accounting, regardless of whether it otherwise reports income using a cash method of accounting. Rules regarding original issue discount and market discount are discussed below.

### **Treatment of Original Issue Discount**

The 1-IO-1, 1-IO-2, 3-S, 3-T, 3-IO and 3-PO Classes will be, and certain other Classes of Regular Certificates may be, issued with “original issue discount” (“OID”) within the meaning of section 1273(a) of the Code. A Regular Owner must include in gross income the sum of the “daily portions” of OID on its Regular Certificate for each day during its taxable year on which it held the Certificate, generally in advance of receipt of the cash attributable to that income. We will supply to Holders, brokers and middlemen information with respect to the original issue discount accruing on the Regular Certificates. We will supply this information at the time and in the manner required by the Internal Revenue Service (the “IRS”).

### ***Definition of Original Issue Discount***

In general, a Regular Certificate will be considered to be issued with OID equal to the excess, if any, of its “stated redemption price at maturity” over its “issue price.” The issue price of a Regular Certificate is the initial price at which a substantial amount of the Regular Certificates was sold. The issue price also includes any accrued interest attributable to the period before the Settlement Date. The stated redemption price at maturity of a Regular Certificate generally is its stated principal amount, plus an amount equal to the excess (if any) of the interest payable on the first Distribution Date over the interest that accrues for the period from the Settlement Date to the first Distribution

Date. The stated redemption price at maturity of a Regular Certificate of the 1-IO-1, 1-IO-2, 3-S, 3-T, 3-IO and 3-PO Classes, however, is equal to the sum of all distributions to be made under that Regular Certificate.

Notwithstanding the general definition, OID on a Regular Certificate will be treated as zero if the discount is less than 0.25% of the stated redemption price at maturity of the Certificate multiplied by its weighted average life. The weighted average life of a Regular Certificate is apparently computed for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the Certificate, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the Settlement Date until the date on which each such distribution is expected to be made under the assumption that the mortgage loans backing the related underlying securities prepay at a specified rate by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the Regular Certificate's stated redemption price at maturity. If OID is treated as zero under this rule, the actual amount of OID must be allocated to the principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized. The prepayment assumption that will be used in determining the rate of accrual of OID with respect to the Group 1 and Group 3 Classes will be as follows:

<u>Group</u>	<u>Prepayment Assumption</u>
1 .....	18% CPR
3 .....	25% CPR

See "Description of the Certificates—Structuring Assumptions—*Prepayment Assumptions*" in this prospectus.

#### *Daily Portions of Original Issue Discount*

For Regular Certificates considered to be issued with OID, the daily portions of OID will be determined as follows. A calculation will first be made of the portion of OID that accrued during each "accrual period." OID accruing during any accrual period will then be allocated ratably to each day during the period to determine the daily portion of OID.

Final regulations issued by the Treasury Department relating to the tax treatment of debt instruments with OID (the "OID Regulations") provide that for purposes of measuring the accrual of OID on a debt instrument, a holder of the debt instrument may use an accrual period of any length, up to one year, as long as each distribution of principal or interest occurs on either the final day or the first day of an accrual period. We will report OID based on accrual periods of one month, beginning on a Distribution Date and ending on the day before the next Distribution Date.

The portion of OID treated as accruing for any accrual period will equal the excess, if any, of

- (i) the sum of (A) the present values of all the distributions remaining to be made on the Regular Certificate, if any, as of the end of the accrual period and (B) the distribution made on the Certificate during the accrual period of amounts included in the stated redemption price at maturity, over
- (ii) the adjusted issue price of the Certificate at the beginning of the accrual period.

The present value of the remaining distributions will be calculated based on the following:

- the yield to maturity of the Regular Certificate, calculated as of the Settlement Date, giving effect to the applicable prepayment assumption,

- events (including actual prepayments) that have occurred prior to the end of the accrual period, and
- the prepayment assumption.

The adjusted issue price of a Regular Certificate at any time will equal the issue price of the Regular Certificate, increased by the aggregate amount of previously accrued OID with respect to the Regular Certificate, and reduced by the amount of any distributions made on the Certificate as of that time of amounts included in the stated redemption price at maturity.

The Code requires that the prepayment assumption be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. The legislative history of this Code provision indicates that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. Fannie Mae believes that the prepayment assumption described above is consistent with this standard. Fannie Mae makes no representation, however, that the Group 1 or Group 3 Loans will prepay at the rate reflected in the prepayment assumption described above or at any other rate. Each investor must make its own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the Regular or Residual Certificates. See “Description of the Certificates—Maturity Considerations and Final Distribution Date” and “—Decrement Tables” in this prospectus.

### **Subsequent Holders’ Treatment of Original Issue Discount**

If a Regular Certificate is issued with OID and a subsequent holder purchases the Regular Certificate at a cost of less than its remaining stated redemption price at maturity, that holder also will be required to include in income the daily portion of OID with respect to the Regular Certificate for each day it holds the Regular Certificate. If the cost of the Regular Certificate to the subsequent holder exceeds the adjusted issue price of the Regular Certificate, however, the holder can reduce the daily accruals by an amount equal to the product of (i) the daily portion and (ii) a constant fraction. The numerator of the constant fraction is the excess of the purchase price over the adjusted issue price of the Regular Certificate, and the denominator is the sum of the daily portions of OID on the Regular Certificate for all days on or after the day of purchase.

### **Regular Certificates Purchased at a Premium**

If a Regular Owner purchases a Regular Certificate for an amount (net of accrued interest) greater than its remaining stated redemption price at maturity, the Owner will have premium with respect to the Regular Certificate (a “Premium Certificate”) in the amount of the excess. Such a purchaser need not include in income any remaining OID and may elect, under section 171(c)(2) of the Code, to treat the premium as “amortizable bond premium.”

If a Regular Owner makes this election, the amount of any interest payment that must be included in the Regular Owner’s income for each period ending on a Distribution Date will be reduced by the portion of the premium allocable to the period based on the Premium Certificate’s yield to maturity. In addition, the legislative history of the Tax Reform Act of 1986 states that premium should be amortized under principles analogous to those governing the accrual of market discount (as discussed below under “—Regular Certificates Purchased with Market Discount”). The election will also apply to all bonds (as well as all REMIC regular interests) the interest on which is not excludible from gross income (“fully taxable bonds”) held by the Regular Owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by it. A Regular Owner may revoke the election only with the consent of the IRS.

If the election is not made, (i) a Regular Owner must include the full amount of each interest payment in income as it accrues, and (ii) the premium must be allocated to the principal distributions on the Premium Certificate and, when each principal distribution is received, a loss equal to the premium allocated to the distribution will be recognized. Any tax benefit from the premium not

previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the Premium Certificate.

### **Regular Certificates Purchased with Market Discount**

A Regular Owner that purchases a Regular Certificate at a price that is less than the remaining stated redemption price at maturity of the Regular Certificate (or in the case of a Regular Certificate issued with OID, less than the adjusted issue price of the Regular Certificate) has market discount with respect to the Regular Certificate in the amount of the difference. In general, three consequences arise if a Regular Owner acquires a Regular Certificate with market discount. First, the Regular Owner must treat any principal payment with respect to a Regular Certificate acquired with market discount as ordinary income to the extent of the market discount that accrued while the Regular Owner held the Certificate. Second, the Regular Owner must treat gain on the disposition or retirement of such a Certificate as ordinary income under the circumstances discussed below under “—Sales and Other Dispositions of Regular Certificates.” Third, a Regular Owner that incurs or continues indebtedness to acquire a Regular Certificate at a market discount may be required to defer the deduction of all or a portion of the interest on the indebtedness until the corresponding amount of market discount is included in income. Alternatively, a Regular Owner may elect to include market discount in income on a current basis as it accrues, in which case the three consequences discussed above will not apply. If a Regular Owner makes this election, the Regular Owner must also apply the election to all debt instruments the Regular Owner acquires on or after the beginning of the first taxable year to which the election applies. A Regular Owner may revoke the election only with the consent of the IRS.

The legislative history to the Tax Reform Act of 1986 states that market discount on a Regular Certificate may be treated as accruing in proportion to remaining accruals of OID, if any, or, if none, in proportion to remaining distributions of interest on a Regular Certificate. A beneficial owner may instead elect to determine the accrual of market discount under a constant yield method. We will make available to Holders information necessary to compute the accrual of market discount, in the manner and form as required by the IRS.

Notwithstanding the above rules, market discount on a Regular Certificate will be considered to be zero if the discount is less than 0.25% of the remaining stated redemption price at maturity of the Certificate multiplied by its weighted average remaining life. Weighted average remaining life presumably would be calculated in a manner similar to weighted average life, taking into account payments (including prepayments) prior to the date of acquisition of the Regular Certificate by the subsequent purchaser. If market discount on a Regular Certificate is treated as zero under this rule, the actual amount of market discount must be allocated to the remaining principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized.

### **Special Election**

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

### **Sales and Other Dispositions of Regular Certificates**

Upon the sale, exchange, retirement or other disposition of a Regular Certificate, the beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner’s adjusted basis in the Certificate. In addition, the Code

requires the recognition of gain upon the “constructive sale of an appreciated financial position.” In general, a constructive sale of an appreciated financial position occurs if a taxpayer enters into certain transactions or series of transactions with respect to a financial instrument that have the effect of substantially eliminating the taxpayer’s risk of loss and opportunity for gain with respect to the financial instrument. These provisions only apply to Certificates of the 1-IO-1, 1-IO-2, 3-S, 3-T and 3-IO Classes.

The adjusted basis of a Regular Certificate generally will equal the cost of the Regular Certificate to the beneficial owner, increased by any OID or market discount included in the beneficial owner’s gross income with respect to the Regular Certificate and reduced by distributions previously received by the beneficial owner of amounts included in the Regular Certificate’s stated redemption price at maturity and by any premium that has reduced the beneficial owner’s interest income with respect to the Regular Certificate.

The gain or loss, if any, will be capital gain or loss, provided the Regular Certificate is held as a “capital asset” (generally, property held for investment) within the meaning of section 1221 of the Code and none of the following apply. First, gain that might otherwise be capital gain will be treated as ordinary income to the extent that the gain does not exceed the excess, if any, of (i) the amount that would have been includible in the income of the Regular Owner had income accrued at a rate equal to 110% of the “applicable Federal rate” (generally, an average of current yields on Treasury securities) as of the date of purchase over (ii) the amount actually includible in the Regular Owner’s income. Second, gain recognized by a Regular Owner who purchased a Regular Certificate at a market discount will be taxable as ordinary income in an amount not exceeding the portion of the market discount that accrued during the period the Regular Certificate was held by the Regular Owner, reduced by any market discount includible in income under the rules described above under “—Regular Certificates Purchased with Market Discount.” Third, any gain or loss resulting from a sale or exchange described in section 582(c) of the Code (which generally applies to banks) will be taxable as ordinary income or loss.

## **Termination**

In general, no special tax consequences will apply to a Regular Owner upon the termination of the Upper Tier REMIC by virtue of the final payment or liquidation of the last Group 1 and Group 3 Loan remaining in the Lower Tier REMIC.

### ***Taxation of Beneficial Owners of a Residual Certificate***

## **Daily Portions**

Except as indicated below, a beneficial owner of a Residual Certificate (a “Residual Owner”) generally will be required to report its daily portion of the taxable income or net loss of the related REMIC for each day during a calendar quarter that the Residual Owner owns the Residual Certificate. For this purpose, the daily portion is determined by allocating to each day in the calendar quarter its ratable portion of the taxable income or net loss of the related REMIC for the quarter and then allocating that amount among the Residual Owners in accordance with their percentage interests on that day. Daily portions of income or loss allocated to a Residual Owner will be treated as ordinary income or loss. A Residual Owner must continue to report its daily portion of the taxable income or net loss of the related REMIC until no Certificates of any Class are outstanding, even though the Residual Owner may have received full payment of any stated interest and principal on the Residual Certificate.

## **Taxable Income or Net Loss of the REMICs**

The taxable income or net loss of the Upper Tier REMIC and Lower Tier REMIC will be the income from the “qualified mortgages” they hold and any reinvestment earnings less deductions

allowed to the related REMIC. In general, a Group 1 or Group 3 Loan will be a “qualified mortgage” if the Group 1 or Group 3 Loan, respectively, is “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code.

The taxable income or net loss for a given calendar quarter will be determined in the same manner as for an individual having the calendar year as the taxable year and using the accrual method of accounting, with the following modifications and limitations:

- For the Upper Tier REMIC, a deduction will be allowed for accruals of interest (including any OID, but without regard to the investment interest limitation in section 163(d) of the Code) on the Regular Certificates (but not the R Certificate).
- Market discount equal to any excess of the total Stated Principal Balances of the qualified mortgages over the related REMIC’s basis in these mortgages generally will be included in income by the related REMIC as it accrues under a constant yield method, taking into account the prepayment assumption described above.
- If the related REMIC is treated as having acquired qualified mortgages at a premium, the premium also will be amortized using a constant yield method.
- No item of income, gain, loss or deduction allocable to a prohibited transaction (see “—*Taxes on the REMICs*—Prohibited Transactions” below) will be taken into account.
- The REMICs generally may not deduct any item that would not be allowed in calculating the taxable income of a partnership by virtue of section 703(a)(2) of the Code.
- The limitation on miscellaneous itemized deductions imposed on individuals by section 67 of the Code will not be applied at the REMIC level to any administrative fees, such as servicing and guaranty fees. (See, however, “—Pass-Through of Servicing and Guaranty Fees to Individuals” below.)
- No deduction is allowed for any expenses incurred in connection with the formation of the REMICs and the issuance of the Regular and Residual Certificates.
- Any gain or loss to the related REMIC from the disposition of any asset, including a qualified mortgage or “permitted investment” as defined in section 860G(a)(5) of the Code, will be treated as ordinary gain or loss.

The Upper Tier REMIC’s basis in its assets is the aggregate of the issue prices of all the Regular and Residual Certificates in the REMIC constituted by the Upper Tier REMIC on the Settlement Date. If, however, the amount sold to the public of any Class of Regular or Residual Certificates is not substantial, then the fair market value of all the Regular or Residual Certificates in that Class as of the date of this prospectus should be substituted for the issue price. If the deductions allowed to a REMIC exceed its gross income for a calendar quarter, the excess will be a net loss for the REMIC for that calendar quarter.

A Residual Owner may be required to recognize taxable income without being entitled to receive a corresponding amount of cash. This could occur, for example, if mortgage loans are considered to be purchased by a REMIC at a discount, some or all of the regular certificates are issued at a discount, and the discount included as a result of a prepayment on a mortgage loan that is used to pay principal on the regular certificates exceeds the REMIC’s deduction for unaccrued original issue discount relating to the regular certificates. Taxable income of a REMIC may also be greater in earlier years because interest expense deductions, expressed as a percentage of the outstanding principal amount of the regular certificates, may increase over time as the earlier classes of regular certificates are paid, whereas interest income of a REMIC from each mortgage loan, expressed as a percentage of the outstanding principal amount of that mortgage loan, may remain constant over time.

## **Basis Rules and Distributions**

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

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

## **Treatment of Excess Inclusions**

Any excess inclusions with respect to a Residual Certificate are subject to certain special tax rules. All taxable income with respect to the R and RL Certificates will constitute excess inclusions.

Any excess inclusions cannot be offset by losses from other activities. For Residual Owners that are subject to tax only on unrelated business taxable income (as defined in section 511 of the Code), an excess inclusion of the Residual Owner is treated as unrelated business taxable income. With respect to variable contracts (within the meaning of section 817 of the Code), a life insurance company cannot adjust its reserve to the extent of any excess inclusion, except as provided in regulations. If a Residual Owner is a member of an affiliated group filing a consolidated income tax return, the taxable income of the affiliated group cannot be less than the sum of the excess inclusions attributable to all residual interests in REMICs held by members of the affiliated group. For purposes of the alternative minimum tax, taxable income does not include excess inclusions, the alternative minimum taxable income cannot be less than excess inclusions, and excess inclusions are disregarded in computing the alternative tax net operating loss deduction. For a discussion of the effect of excess inclusions on certain foreign investors that own a Residual Certificate, see “—*Foreign Investors*—Residual Certificates” below.

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

## **Pass-Through of Servicing and Guaranty Fees to Individuals**

A Residual Owner who is an individual will be required to include in income a share of the administrative fees of the related REMIC, including the servicing and guaranty fees imposed at the level of the Group 1 and Group 3 Loans. See, for example, “Description of Certificates—Servicing Through Lenders” and “Certain Federal Income Tax Consequences” in our MBS prospectus. A deduction for such fees generally will be allowed to such a Residual Owner only to the extent that such fees, along with certain of the Residual Owner's other miscellaneous itemized deductions, exceed 2% of the Residual Owner's adjusted gross income. In addition, such a Residual Owner may not be able to deduct any portion of such fees in computing the Residual Owner's alternative minimum tax liability. A Residual Owner's share of such fees generally will be determined by (i) allocating the amount of

such expenses for each calendar quarter on a *pro rata* basis to each day in the calendar quarter, and (ii) allocating the daily amount among the Residual Owners in proportion to their respective holdings on that day. Similar rules apply in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Residual Certificate through an investment in a “pass-through entity.” Pass-through entities include partnerships, S corporations, grantor trusts and non-publicly offered regulated investment companies, but do not include estates, trusts other than grantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies.

### **Sales and Other Dispositions of a Residual Certificate**

Upon the sale, exchange or other disposition of a Residual Certificate, the Residual Owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the Residual Owner’s adjusted basis in the Certificate. The adjusted basis of the Residual Certificate is determined as described above under “—Basis Rules and Distributions.” Except as provided in section 582(c) of the Code, the gain or loss, if any, will be capital gain or loss, provided the Certificate is held as a capital asset.

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

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

Section 860E(e) of the Code imposes a substantial tax, payable by the transferor (or, if a transfer is through a broker, nominee, or other middleman as the transferee’s agent, payable by that agent) upon any transfer of the Residual Certificate to a “disqualified organization.” A transfer includes any transfer of record or beneficial ownership, whether pursuant to a purchase, a default under a secured lending agreement or otherwise. The term “disqualified organization” is defined above under “Description of the Certificates—Special Characteristics of the R and RL Classes” in this prospectus. The transferor of a Residual Certificate (or an agent of the transferee of a Residual Certificate, as the case may be) will be relieved of this tax liability if (i) the transferee furnishes to the transferor (or the transferee’s agent) an affidavit that the transferee is not a disqualified organization, and (ii) the transferor (or the transferee’s agent) does not have actual knowledge that the affidavit is false at the time of the transfer.

In addition, a tax may be imposed upon a pass-through entity (including a regulated investment company, real estate investment trust, common trust fund, partnership, trust, estate, certain limited liability companies and nominee and certain cooperatives) that owns a Residual Certificate if the pass-through entity has a disqualified organization as a record holder. For this purpose, all interests in an electing large partnership are treated as held by disqualified organizations. No such tax will be imposed on a pass-through entity for a period with respect to an interest therein owned by a disqualified organization if (i) the record holder of the interest furnishes to the pass-through entity an affidavit that it is not a disqualified organization, (ii) during that period, the pass-through entity has no actual knowledge that the affidavit is false and (iii) the entity is not an electing large partnership.

#### *Other Transfers of a Residual Certificate*

A transfer of a Residual Certificate that has tax avoidance potential is disregarded for federal income tax purposes if the transferee is not a U.S. Person (a “Non-U.S. Person”), unless the transferee’s income from the Certificate is otherwise subject to U.S. income tax. A transfer of a

Residual Certificate has tax avoidance potential unless, at the time of the transfer, the transferor reasonably expects that, for each excess inclusion, the Upper Tier REMIC will pay to the transferee an amount that will equal at least 30% of the excess inclusion, and that each amount will be paid at or after the time at which the excess inclusion accrues and not later than the close of the calendar year following the calendar year of accrual. Certain transfers by a Non-U.S. Person to a U.S. Person or another Non-U.S. Person are also disregarded if the transfer has the effect of allowing the transferor to avoid tax on accrued excess inclusions. See “Description of the Certificates—Special Characteristics of the R and RL Classes” in this prospectus for a discussion of additional provisions applicable to transfers of a Residual Certificate.

#### *Amounts Paid to a Transferee of a Residual Certificate*

The federal income tax consequences of any consideration paid to a transferee on the transfer of a Residual Certificate are unclear. You should consult your own tax advisor regarding the tax consequences of receiving such consideration.

### **Termination**

Although the matter is not entirely free from doubt, it appears that a Residual Owner will be entitled to a loss if:

- the related REMIC terminates by virtue of the final payment or liquidation of the last qualified mortgage remaining in the related REMIC and
- the Residual Owner’s adjusted basis in the Residual Certificate at the time the termination occurs exceeds the amount of cash distributed to the Residual Owner in liquidation of its interest.

The amount of the loss will equal the amount by which the Residual Owner’s adjusted basis exceeds the amount of cash distributed to the Residual Owner in liquidation of its interest.

#### *Taxation of Beneficial Owners of RCR Certificates*

*General.* The RCR Classes will be created, sold and administered pursuant to an arrangement that will be classified as a grantor trust under subpart E, part I of subchapter J of the Code. The Trust Certificates that are exchanged for RCR Certificates (including any exchanges effective on the Settlement Date) will be the assets of the trust, and the RCR Certificates will represent an ownership interest in those Trust Certificates. For a general discussion of the federal income tax treatment of beneficial owners of Trust Certificates, see “Certain Federal Income Tax Consequences” in the REMIC Prospectus.

The RCR Classes (each, a “Combination RCR Class”) will represent the beneficial ownership of the underlying Trust Certificates set forth in Schedule 1. Each Certificate of a Combination RCR Class (a “Combination RCR Certificate”) will represent beneficial ownership of undivided interests in two or more underlying Trust Certificates.

*Combination RCR Classes.* A beneficial owner of a Combination RCR Certificate will be treated as the beneficial owner of a proportionate interest in the Trust Certificates underlying that Combination RCR Certificate. Except in the case of a beneficial owner that acquires a Combination RCR Certificate in an exchange described under “—Exchanges” below, a beneficial owner of a Combination RCR Certificate must allocate its cost to acquire that Certificate among the underlying Trust Certificates in proportion to their relative fair market values at the time of acquisition. Such an owner should account for its ownership interest in each underlying Trust Certificate as described under “—Taxation of Beneficial Owners of Regular Certificates” above and “Certain Federal Income Tax Consequences—Taxation of Beneficial Owners of Regular Certificates” in the REMIC Prospectus. When a beneficial owner sells a combination RCR Certificate, the owner must allocate the sale

proceeds among the underlying Trust Certificates in proportion to their relative fair market values at the time of sale.

*Exchanges.* If a beneficial owner exchanges one or more Trust Certificates for the related RCR Certificate or Certificates in the manner described under “Description of the Certificates—Combination and Recombination” in this prospectus supplement, the exchange will not be taxable. Likewise, if a beneficial owner exchanges one or more RCR Certificates for the related Trust Certificate or Certificates in the manner described in that discussion, the exchange will not be a taxable exchange. In each of these cases, the beneficial owner will be treated as continuing to own after the exchange the same combination of interests in the related Trust Certificates (or the same interest in the related Trust Certificate) that it owned immediately prior to the exchange.

### ***Taxes on the REMICs***

The REMICs will not be subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below. It is not anticipated that the REMICs will engage in any transactions that will give rise to a tax on the REMICs. Pursuant to its guaranty obligations with respect to the Certificates, Fannie Mae will make distributions on the Certificates without offset or deduction for any tax imposed on the REMICs.

### **Prohibited Transactions**

The Code imposes a tax on a REMIC equal to 100% of the net income derived from “prohibited transactions.” In general, the term “prohibited transaction” means the disposition of a qualified mortgage other than pursuant to certain specified exceptions, the receipt of investment income from a source other than a qualified mortgage or certain other permitted investments, the receipt of compensation for services, or the disposition of a “cash flow investment” as defined in Section 860G(a)(6) of the Code.

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

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

### **Net Income from Foreclosure Property**

The Code imposes a tax on a REMIC equal to the highest corporate rate on “net income from foreclosure property.” The terms “foreclosure property” (which includes property acquired by deed in lieu of foreclosure) and “net income from foreclosure property” are defined by reference to the rules applicable to real estate investment trusts. Generally, foreclosure property would be treated as such until the close of the third taxable year following the taxable year in which the acquisition occurs, with possible extensions. Net income from foreclosure property generally means gain from the sale of foreclosure property that is inventory property and gross income from foreclosure property other than qualifying rents and other qualifying income for a real estate investment trust, net of deductions directly connected with the production of such income.

### ***Reporting and Other Administrative Matters for REMIC Investors***

For purposes of the administrative provisions of the Code, each REMIC will be treated as a partnership and the related Residual Owners will be treated as partners in that REMIC. We will prepare, sign and file federal income tax returns for the REMICs, which returns are subject to audit by the IRS. We will also act as the tax matters partner for the REMICs, either as a beneficial owner of a

Residual Certificate or as a fiduciary for a Residual Owner. Each Residual Owner, by the acceptance of a Residual Certificate, agrees that we will act as its fiduciary in the performance of any duties required of it in the event that it is the tax matters partner.

Within a reasonable time after the end of each calendar year, we will furnish to each Holder that received a distribution during that year a statement setting forth the portions of any distributions that constitute interest distributions, OID and any other information as is required by Treasury regulations and, with respect to Holders of a Residual Certificate, information necessary to compute the daily portions of the taxable income (or net loss) of the related REMIC for each day during that year.

If there is more than one Residual Owner for a taxable year, each Residual Owner is required to treat items on its return consistently with the treatment on the return of the related REMIC, unless the Residual Owner either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the REMIC. The IRS may assert a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the REMIC level.

### ***Backup Withholding for REMIC Investors***

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

### ***Foreign Investors in REMICs***

#### **Regular Certificates**

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

#### **Residual Certificates**

Amounts paid to a Residual Owner that is a Non-U.S. Person generally will be treated as interest for purposes of applying the 30% (or lower treaty rate) withholding tax on income that is not effectively connected with a U.S. trade or business. Amounts not constituting excess inclusions that are paid on a Residual Certificate to a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, subject to the same conditions applicable to distributions on Regular Certificates, as described above, but only to the extent that the Mortgage Loans held by the related REMIC were originated after July 18, 1984. In no case will any portion of REMIC income that constitutes an excess inclusion be entitled to any exemption from the withholding tax or a reduced

treaty rate for withholding. See “—*Taxation of Beneficial Owners of a Residual Certificate—Treatment of Excess Inclusions.*”

#### ***Taxation of the Portion of the Trust with Respect to the Group 2 and Group 4 Classes***

Dewey Ballantine LLP, special tax counsel to Fannie Mae, will deliver its opinion that, assuming compliance with the Trust Agreement, the portion of the Trust with respect to the Group 2 and Group 4 Classes will be classified as a trust under subpart E, part I of subchapter J of the Code and not as an association taxable as a corporation.

#### ***Taxation of Beneficial Owners of Certificates of the Group 2 and Group 4 Classes***

##### **The 2-IO Class**

A beneficial owner of a Certificate of the 2-IO Class will be treated as owning, pursuant to section 1286 of the Code, “stripped bonds” to the extent of its share of principal payments and “stripped coupons” to the extent of its share of interest payments. Fannie Mae intends to treat each Certificate of the 2-IO Class as a single debt instrument representing rights to future cashflows from the Group 2 Loans for purposes of information reporting. You should consult your own tax advisor as to the proper treatment of a Certificate of the 2-IO Class in this regard.

Under section 1286 of the Code, a beneficial owner of a Certificate of the 2-IO Class must treat the Certificate as a debt instrument originally issued on the date the owner acquires it and as having OID equal to the *excess*, if any, of its “stated redemption price at maturity” *over* the price paid by the owner to acquire it. For information reporting purposes, we intend to treat all amounts to be distributed on each Certificate of the 2-IO Class as included in the stated redemption price at maturity and, as a result, each Certificate of the 2-IO Class will be treated as if issued with OID.

The beneficial owner of a Certificate of the 2-IO Class must include in its ordinary income for federal income tax purposes, generally in advance of receipt of the cash attributable to that income, the sum of the “daily portions” of OID on its Certificate for each day during its taxable year on which it held that Certificate. The daily portions of OID are determined as follows:

- first, the portion of OID that accrued during each “accrual period” is calculated;
- then, the OID accruing during an accrual period is allocated ratably to each day during the period to determine the daily portion of OID.

The OID Regulations provide that a holder of a debt instrument may use an accrual period of any length, up to one year, as long as each distribution of principal or interest occurs on either the final day or the first day of an accrual period. We intend to report OID based on accrual periods of one month. Each of these accrual periods will begin on a Distribution Date and end on the day before the next Distribution Date.

Although the matter is not entirely clear, a beneficial owner of a Certificate of the 2-IO Class should determine the amount of OID accruing during any accrual period with respect to that Certificate using the method described in section 1272(a)(6) of the Code. Under section 1272(a)(6), the portion of OID treated as accruing with respect to a Certificate of the 2-IO Class for any accrual period equals the *excess*, if any, of

- the sum of (A) the present values of all the distributions remaining to be made on that Certificate, if any, as of the end of the accrual period; and (B) the distributions made on that Certificate during the accrual period of amounts included in the stated redemption price at maturity;

*over*

- the sum of the present values of all the distributions remaining to be made on that Certificate as of the beginning of the accrual period.

The present values of the remaining distributions with respect to a Certificate of the 2-IO Class are calculated based on the following:

- an assumption that the Group 2 Loans prepay at a specified rate,
- the yield to maturity of the Certificate giving effect to the prepayment assumption, and
- events (including actual prepayments) that have occurred prior to the end of the accrual period.

Each beneficial owner of a Certificate of the 2-IO Class determines its yield to maturity based on its purchase price. For a particular beneficial owner of a Certificate of the 2-IO Class, it is not clear whether the prepayment assumption used for calculating OID would be one determined at the time that Certificate is acquired or would be the original prepayment assumption for that Certificate. For information reporting purposes, we will use the original yield to maturity of that Certificate, calculated based on the original prepayment assumption. You should consult your own tax advisor regarding the proper method for accruing OID on a Certificate of the 2-IO Class.

The Code requires that the prepayment assumption be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. For information reporting purposes, we will assume a prepayment assumption equal to 16% CPR. We make no representation, however, that the Group 2 Loans will prepay at that rate or any other rate. You must make your own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase a Certificate of the 2-IO Class.

## **The 2-A and 4-A Classes**

Interest paid on a Certificate of the 2-A and 4-A Class is taxable as ordinary interest income. A beneficial owner of a Certificate of the 2-A or 4-A Class must report this income when it accrues or is paid, consistent with the beneficial owner's method of accounting.

A beneficial owner that acquires a Certificate of the 2-A or 4-A Class for less than its principal amount generally has market discount in the amount of the difference between the principal amount and the beneficial owner's basis in that Certificate. In general, three consequences arise if a beneficial owner acquires an interest in a Certificate of the 2-A or 4-A Class with market discount. First, the beneficial owner must treat any principal payment with respect to that Certificate as ordinary income to the extent of the market discount that accrued while the beneficial owner held an interest in that Certificate. Second, the beneficial owner must treat gain on the disposition or retirement of that Certificate as ordinary income under the circumstances discussed below under “*Sales and Other Dispositions of Certificates of the Group 2 and Group 4 Classes*.” Third, if the beneficial owner incurs or continues indebtedness to acquire that Certificate the beneficial owner may be required to defer the deduction of all or a portion of the interest on the indebtedness until the corresponding amount of

market discount is included in income. Alternatively, a beneficial owner may elect to include market discount in income on a current basis as it accrues, in which case the three consequences discussed above will not apply. If a beneficial owner makes this election, the beneficial owner must also apply the election to all debt instruments acquired by the beneficial owner on or after the beginning of the first taxable year to which the election applies. A beneficial owner may revoke the election only with the consent of the IRS.

A beneficial owner of a Certificate of the 2-A or 4-A Class must determine the amount of accrued market discount for a period using a straight-line method, based on the maturity of that Certificate, unless the beneficial owner elects to determine accrued market discount using a constant yield method. The IRS has authority to provide regulations for determining the accrual of market discount in the case of debt instruments that provide for more than one principal payment, but has not yet issued such regulations. In addition, the legislative history to the Tax Reform Act of 1986 states that market discount on certain types of debt instruments may be treated as accruing in proportion to remaining accruals of OID, if any, or if none, in proportion to remaining distributions of interest. You should consult your own tax advisors regarding the method a beneficial owner should use to determine accrued market discount.

Notwithstanding the above rules, market discount on a Certificate of the 2-A or 4-A Class is considered to be zero if the discount is less than 0.25% of the principal balance of that Certificate multiplied by the number of complete years from the date the beneficial owner acquires that Certificate to the maturity of that Certificate (“*de minimis* market discount”). The IRS has authority to provide regulations to adjust the computation of *de minimis* market discount in the case of debt instruments that provide for more than one principal payment, but has not yet issued such regulations. The IRS could assert, nonetheless, that *de minimis* market discount should be calculated using the remaining weighted average life of that Certificate rather than its final maturity. You should consult your own tax advisors regarding the ability to compute *de minimis* market discount based on the final maturity of a Certificate of the 2-A or 4-A Class.

If a beneficial owner acquires a Certificate of the 2-A or 4-A Class for more than its principal amount, the beneficial owner generally will have premium with respect to that Certificate in the amount of the excess. In that event, the beneficial owner may elect to treat such premium as “amortizable bond premium.” If the election is made, a beneficial owner must also apply the election to all debt instruments the interest on which is not excludible from gross income (“fully taxable bonds”) held by the beneficial owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by the beneficial owner. A beneficial owner may revoke the election only with the consent of the IRS.

If a beneficial owner makes this election, the beneficial owner reduces the amount of any interest payment that must be included in the beneficial owner’s income by the portion of the premium allocable to the period based on the yield to maturity of that Certificate. Correspondingly, a beneficial owner must reduce its basis in that Certificate by the amount of premium applied to reduce any interest income. The amount of premium to be allocated among the interest payments on a Certificate of the 2-A and 4-A Class is determined by reference to an equivalent fixed rate debt instrument constructed as of the date the beneficial owner acquires an interest in that Certificate.

If a beneficial owner does not elect to amortize premium, (i) the beneficial owner must include the full amount of each interest payment in income, and (ii) the premium must be allocated to the principal distributions on that Certificate and, when each principal distribution is received, a loss equal to the premium allocated to that distribution will be recognized. Any tax benefit from premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of that Certificate. See “—*Sales and Other Dispositions of Certificates of the Group 2 and Group 4 Classes.*”

A beneficial owner may elect to include in income its entire return on a Certificate of the 2-A or 4-A Class (*i.e.*, the *excess* of all remaining payments to be received on the 2-A or 4-A Certificate *over*

the amount of the beneficial owner's basis in that Certificate) based on the compounding of interest at a constant yield. Such an election for a Certificate of the 2-A or 4-A Class with amortizable bond premium (or market discount) will result in a deemed election to amortize premium for all the beneficial owner's debt instruments with amortizable bond premium (or to accrue market discount currently for all the beneficial owner's debt instruments with market discount) as discussed above.

### ***Expenses of the Trust***

Each beneficial owner of a Certificate of the Group 2 and Group 4 Classes will be required to include in income its allocable share of the expenses paid by the Trust, with respect to the related FHA/VA Loans. Each beneficial owner of a Certificate of the Group 2 and Group 4 Classes can deduct its allocable share of such expenses as provided in section 162 or section 212 of the Code, consistent with its method of accounting. Fannie Mae intends to allocate expenses to beneficial owners in each monthly period in proportion to the respective amounts of income (including any OID) accrued for each Group 2 or Group 4 Class of Certificates. 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 of the Group 2 or Group 4 Classes directly or through an investment in a "pass-through entity" (other than in connection with such individual's trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, certain limited liability companies and non-publicly offered regulated investment companies, but do not include estates, 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 2% of the beneficial owner's adjusted gross income. For this purpose, an estate or nongrantor trust computes adjusted gross income in the same manner as in the case of an individual, except that deductions for administrative expenses of the estate or trust that would not have been incurred if the property were not held in the trust or estate are treated as allowable in arriving at adjusted gross income. In addition, section 68 of the Code may provide for certain limitations on certain itemized deductions otherwise allowable for a beneficial owner who is an individual. Further, a beneficial owner may not be able to deduct any portion of these costs in computing its alternative minimum tax liability.

### ***Sales and Other Dispositions of Certificates of the Group 2 and Group 4 Classes***

Upon the sale, exchange or other disposition of a Certificate of the Group 2 and Group 4 Classes, a beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner's adjusted basis in that Certificate. The adjusted basis of a Certificate of the Group 2 and Group 4 Classes generally will equal the cost of that Certificate to the beneficial owner, increased by any amounts of OID and market discount included in the beneficial owner's gross income with respect to that Certificate, and reduced by distributions on that Certificate previously received by the beneficial owner as principal (or as amounts constituting stated redemption price at maturity in the case of a Certificate of a 2-IO Class) and by any premium that has reduced the beneficial owner's interest income with respect to that Certificate. Any such gain or loss generally will be capital gain or loss, except (i) as provided in section 582(c) of the Code (which generally applies to banks) or (ii) to the extent any gain represents OID or accrued market discount not previously included in income (to which extent such gain would be treated as ordinary income). Any capital gain (or loss) recognized upon the sale, exchange or other disposition of a Certificate of the Group 2 and Group 4 Classes will be long-term capital gain (or loss) if at the time of disposition the beneficial owner held that Certificate for more than one year. The ability to deduct capital losses is subject to limitations.

### ***Special Tax Attributes of Certificates of the Group 2 and 4 Classes***

A Certificate of the Group 2 and Group 4 Classes may not constitute:

- a “real estate asset” within the meaning of section 856(c)(5)(B) of the Code,
- a “qualified mortgage” within the meaning of section 860G(a)(3) of the Code or a “permitted investment” within the meaning of section 860G(a)(5) of the Code, or
- an asset described in section 7701(a)(19)(c)(ix) of the Code.

In addition, distributions of interest may not constitute income described in section 856(c)(3)(B) of the Code with respect to a real estate investment trust. As a result, Certificates of the Group 2 or Group 4 Classes may not be a suitable investment for real estate investment trusts and generally will not be a suitable investment for REMICs.

### ***Modifications of FHA/VA Loans***

FHA/VA Loans that are in default (or FHA/VA Loans for which a default is reasonably foreseeable) may be modified. If a modification is a “significant modification” under section 1001 of the Code, the Trust will be deemed to have exchanged the old unmodified FHA/VA Loan for the new modified FHA/VA Loan. Gain or loss may be recognized by beneficial owners of the Certificates of the Group 2 or Group 4 Class, as applicable, upon such exchange. Information will be made available to assist Holders in determining their share of any gain or loss due to a significant modification of an FHA/VA Loan or to enable Holders to make such information available to beneficial owners or other financial intermediaries for which Holders hold Certificates as nominees.

### ***Information Reporting and Backup Withholding for Certificates of the Group 2 and Group 4 Classes***

Within a reasonable time after the end of each calendar year, we will furnish or make available to each Holder of a Certificate of the Group 2 and Group 4 Classes that received a distribution on that Certificate during that year a statement setting forth such information as is required by the Code or Treasury Regulations and such other information as we deem 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 the Holders hold Certificates as nominees.

Payments of interest and principal, as well as payments of proceeds from the sale of Certificates of the Group 2 and Group 4 Classes, may be subject to the “backup withholding tax” under section 3406 of the Code if recipients of the payments fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from this tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the recipient’s federal income tax. The IRS may impose certain penalties on a recipient of payments required to supply information who does not do so in the proper manner.

### ***Foreign Investors in Certificates of the Group 2 and Group 4 Classes***

Additional rules apply to a beneficial owner of a Certificate of the Group 2 and Group 4 Classes 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 of its political subdivisions,

- 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 of the Group 2 and Group 4 Classes 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 that Certificate,
- the beneficial owner signs a statement under penalties of perjury that certifies that the beneficial owner is a Non-U.S. Person, and provides for the name and address of the beneficial owner, and
- the last U.S. Person in the chain of payment to the beneficial owner receives the statement from the beneficial owner or a financial institution holding on its behalf and does not have actual knowledge that the 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 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 certain classes of 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, the Department of the Treasury or other federal or state agencies with similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing or pledging the Certificates. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Certificate. **Investors should consult their own legal advisors in determining whether and to what extent the Certificates 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 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 is also subject to the requirements imposed by ERISA and the Code. Before a Plan invests in Certificates, 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 prohibited transaction under ERISA or the Code for which no exemption is available.

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 cause the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgages in the pool. At the time the regulation was originally issued, certificates similar to the Certificates did not exist. However, we have been advised by our counsel, Sidley Austin Brown & Wood LLP, that the Certificates qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of Certificates by Plans will not cause the underlying mortgage loans or the assets of Fannie Mae to be subject to the fiduciary requirements of ERISA or to the prohibited transaction requirements of ERISA and the Code.

#### **PLAN OF DISTRIBUTION**

We will acquire the Mortgage Loans from the Seller in exchange for the Certificates pursuant to the Sale and Servicing Agreement. The Dealer, which has been retained by the Seller, proposes to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect such transactions to or through WaMu Capital Corp. or other dealers.

#### **LEGAL MATTERS**

Fannie Mae will be represented by Sidley Austin Brown & Wood LLP and, with respect to federal tax matters, by Dewey Ballantine LLP. Morgan, Lewis & Bockius LLP will provide legal representation for the Dealer.

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**Certain Assumed Characteristics of the Mortgage Loans  
(As of May 1, 2003)**

**Loan Groups 1, 2 and 3—Fixed Rate**

Issue Date Unpaid Principal Balance	Weighted Average Mortgage Rate	Weighted Average Net Mortgage Rate	Weighted Average Remaining Term to Maturity (in Months) ("WARM")	Weighted Average Loan Age (in Months) ("WALA")	Weighted Average Original Term (in Months)
<b>Group 1</b>					
\$752,964,563.33	7.0063558846%	6.4285481117%	316	38	354
<b>Group 2</b>					
203,390,980.51	7.9194034009	7.3413689490	308	48	356
<b>Group 3</b>					
184,296,394.12	8.6768801976	8.0990517923	300	57	357

**Loan Group 4—ARMs (1 Year CMT)**

Issue Date Unpaid Principal Balance	Weighted Average Mortgage Rate	Weighted Average Net Mortgage Rate	Weighted Average Remaining Term (in Months) ("WARM")	Weighted Average Loan Age (in Months) ("WALA")	Weighted Average Original Term (in Months)	Weighted Average Periodic Rate Cap	Weighted Average Lifetime Rate Cap	Weighted Average Lifetime Rate Floor	Weighted Average Months to Rate Change	Rate Reset Frequency (in Months)
\$24,296,184.95	5.6099907359%	5.0283534908%	295	65	360	2.61012%	11.27935%	2.64244%	11	12
31,492,802.41	6.0878075535	5.5065865807	289	71	360	2.59400	11.47314	2.58654	8	12
38,481,673.26	5.8741199554	5.2914704032	304	56	360	2.64038	11.24666	2.88824	2	12
41,652,943.97	5.9444829773	5.3551445991	303	57	360	2.58522	11.21061	2.93804	5	12

For any date of determination in any calendar month: the "Weighted Average Mortgage Rate" for any group of Mortgage Loans is the weighted average of the Mortgage Interest Rates of such Mortgage Loans during that calendar month; the "Weighted Average Net Mortgage Rate" for any group of Mortgage Loans is the weighted average of the Net Mortgage Rates of such Mortgage Loans during that calendar month; the "Weighted Average Remaining Term to Maturity" for any group of Mortgage Loans is the weighted average remaining amortization term of such Mortgage Loans during that calendar month; the "Weighted Average Loan Age" for any group of Mortgage Loans is the weighted average loan age of such Mortgage Loans during that calendar month; the "Weighted Average Margin" for any group of Mortgage Loans is the weighted average margin of such Mortgage Loans during that calendar month; the "Weighted Average Periodic Rate Cap" for any group of Mortgage Loans is the weighted average periodic rate cap of such Mortgage Loans during that calendar month; the "Weighted Average Lifetime Rate Cap" for any group of Mortgage Loans is the weighted average Mortgage Interest Lifetime Rate Cap of such Mortgage Loans during that calendar month; the "Weighted Average Lifetime Rate Floor" for any group of Mortgage Loans is the weighted average of the Mortgage Interest Rate Life Floors of such Mortgage Loans during that calendar month; and the "Weighted Average Months to Rate Change" for any group of Mortgage Loans is the weighted average number of months to rate change of such Mortgage Loans during that calendar month. For each of the above definitions, the "weighted average" is calculated on the basis of the Stated Principal Balances of the Mortgage Loans in the related group at the beginning of the related calendar month.

## Available Recombinations (1)

Trust Certificates		RCR Certificates						
Classes	Original Principal or Notional Principal Balances	RCR Class	Original Principal Balance	Interest Rate	Interest Type (2)	Principal Type (2)	CUSIP Number	Final Distribution Date
Recombination 1								
1-IO-2	\$89,352,473 (3)	PT-1	\$15,505,458	(4)	WAC	PT	31393CY31	December 2042
3-PO	15,505,458							
Recombination 2								
1-IO-2	70,541,426 (3)	PT-2	15,505,458	(4)	WAC	PT	31393CY49	December 2042
3-PO	15,505,458							

(1) Trust Certificates and RCR Certificates in any Recombination may be exchanged only in the proportions shown above.

(2) See “Description of Certificates—Class Definitions and Abbreviations” in the REMIC Prospectus and “Description of the Certificates—Interest Payments on the Certificates” and “—Principal Payments on the Certificates” in this prospectus.

(3) Notional principal balance.

(4) The PT-1 and PT-2 Classes will bear interest during the initial interest accrual period at annual rates equal to approximately 9.5% and 7.5% respectively. During each subsequent interest accrual period, the PT-1 and PT-2 Classes will bear interest as described in this prospectus.

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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 Information Statement. You must not rely on any unauthorized information or representation. This Prospectus and the Information Statement 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 Information Statement 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.

**\$1,276,575,538**  
**(Approximate)**



Guaranteed  
Pass-Through Certificates  
Fannie Mae Trust 2003-W8

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## PROSPECTUS

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LEHMAN BROTHERS

WAMU CAPITAL CORP.

May 5, 2003

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