

\$768,472,957 (Approximate)



**Guaranteed Grantor Trust Pass-Through Certificates
Fannie Mae Grantor Trust 2004-T2**

Carefully consider the risk factors beginning on page 8 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, which is November 2043 for the Group 1 Classes and July 2043 for the Group 2 Class.

The Trust and Its Assets

The trust assets will be divided into two groups.

- Group 1 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) or the Rural Housing Service of the U.S. Department of Agriculture (RHS) and having the characteristics described in this prospectus.
- Group 2 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 Class is an RCR class, 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	\$313,233,251	PT	6.0%	FIX	31393X7A9	November 2033
1-A-2	1	193,149,870	PT	6.5	FIX	31393X7B7	November 2033
1-A-3	1	85,885,889	PT	7.0	FIX	31393X7C5	November 2033
1-A-4	1	95,434,182	PT	7.5	FIX	31393X7D3	November 2033
1-IO-1 (4)	1	196,346,421 (5)	NTL	(6)	WAC/IO	31393X7F8	November 2033
1-IO-2 (4)	1	193,149,870 (5)	NTL	(6)	WAC/IO	31393X7G6	November 2033
1-IO-3 (4)	1	85,885,889 (5)	NTL	(6)	WAC/IO	31393X7H4	November 2033
1-IO-4 (4)	1	95,434,182 (5)	NTL	(6)	WAC/IO	31393X7J0	November 2033
1-PO	1	3,829,979	PT	(7)	PO	31393X7E1	November 2033
2-A	2	76,939,786	PT	(8)	WAC	31393X7K7	July 2033

(1) Approximate. 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 of the certificates on the related Assumed Maturity Date. Fannie Mae will guarantee payment in full of the principal balances of the certificates no later than the distribution date in November 2043 for the Group 1 Classes and no later than the distribution date in July 2043 for the Group 2 Class.

(4) Exchangeable classes.

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

(6) The 1-IO-1, 1-IO-2, 1-IO-3 and 1-IO-4 Classes will bear interest at the variable annual rates described in this prospectus. During the initial interest accrual period, the 1-IO-1, 1-IO-2, 1-IO-3 and 1-IO-4 Classes are expected to bear interest at annual rates of approximately 0.35779%, 0.33375%, 0.32235% and 0.66776%, respectively.

(7) The 1-PO Class will be a principal only class and will not bear interest.

(8) The 2-A Class will bear interest at the variable annual rate described in this prospectus. During the initial interest accrual period, the 2-A Class is expected to bear interest at an annual rate equal to approximately 4.22967%.

The dealer will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be April 30, 2004.

**LEHMAN BROTHERS
WAMU CAPITAL CORP.**

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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.

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 Securities Exchange Act of 1934. These filings include Form 10-Ks, Form 10-Qs and Form 8-Ks. Our SEC filings are available at the SEC’s Web site at 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 Web site solely for the information of prospective investors. We do not intend the Web site 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 Grantor Trust 2004-T2.
- The trust assets will be divided into two mortgage loan groups. All of the mortgage loans previously were repurchased from Ginnie Mae pools as a result of past delinquency.
- Group 1 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) or the Rural Housing Service of the U.S. Department of Agriculture (RHS).
- Group 2 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, VA or RHS 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 April 30, 2004.

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 May 2004.

Book-Entry Certificates

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

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 combination 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.

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

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, 1-IO-3, 1-IO-4, and PT-1 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 stated principal balances of the mortgage loans specified below at the beginning of the related due period or the aggregate principal balances of the class specified below immediately before the related distribution date:

Class

1-IO-1	100% of the Category 1b Loans
1-IO-2	100% of the Category 1c Loans
1-IO-3	100% of the Category 1d Loans
1-IO-4	100% of the Category 1e Loans
PT-1	100% of the Category 1b Loans, Category 1c Loans, Category 1d Loans and Category 1e Loans

Principal Only Class

The 1-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 1-PO Class*” in this prospectus.

Payments of Principal

Group 1 Principal Distribution Amount

On each distribution date, we will pay the Category 1a Non-PO Principal Distribution Amount and the Category 1b Principal Distribution Amount as principal of the 1-A-1 Class to zero.

On each distribution date, we will pay the Category 1a PO Principal Distribution Amount as principal of the 1-PO Class to zero.

On each distribution date, we will pay the Category 1c Principal Distribution Amount as principal of the 1-A-2 Class to zero.

On each distribution date, we will pay the Category 1d Principal Distribution Amount as principal of the 1-A-3 Class to zero.

On each distribution date, we will pay the Category 1e Principal Distribution Amount as principal of the 1-A-4 Class to zero.

For a description of the Category 1a Non-PO Principal Distribution Amount, the Category 1a PO Principal Distribution Amount, the Category 1b Principal Distribution Amount, the Category 1c Principal Distribution Amount, the Category 1d Principal Distribution Amount and the Category 1e Principal Distribution Amount, see “Description of the Certificates—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

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

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 to zero.

For a description of the Group 2 Principal Distribution Amount, see “Description of the Certificates—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

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 November 2043 for the Group 1 Classes and July 2043 for the Group 2 Class.

Weighted Average Lives (years) *

<u>Group 1 Classes</u>	<u>CPR Prepayment Assumption</u>				
	<u>0%</u>	<u>15%</u>	<u>25%</u>	<u>35%</u>	<u>50%</u>
1-A-1	17.2	5.4	3.3	2.3	1.4
1-A-2 and 1-IO-2	17.2	5.4	3.3	2.3	1.4
1-A-3 and 1-IO-3	16.6	5.4	3.3	2.3	1.4
1-A-4 and 1-IO-4	15.1	5.3	3.3	2.3	1.4
1-IO-1	17.2	5.4	3.3	2.3	1.4
1-PO	17.2	5.4	3.3	2.3	1.4
PT-1	16.8	5.4	3.3	2.3	1.4
	<u>CPR Prepayment Assumption</u>				
	<u>0%</u>	<u>9%</u>	<u>18%</u>	<u>27%</u>	<u>36%</u>
<u>Group 2 Class</u>					
2-A	14.4	7.2	4.3	2.9	2.1

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

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 2-A Class, fluctuations in the weighted average of the net mortgage rates of the Group 2 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 1-PO 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, investors in the applicable interest only and weighted average coupon classes should note the following:

- if Category 1b Loans with relatively high interest rates prepay more rapidly than Category 1b Loans with relatively low interest rates, the interest rates of the 1-IO-1 and PT-1 Classes will decrease;

- if Category 1c Loans with relatively high interest rates prepay more rapidly than Category 1c Loans with relatively low interest rates, the interest rates of the 1-IO-2 and PT-1 Classes will decrease;
- if Category 1d Loans with relatively high interest rates prepay more rapidly than Category 1d Loans with relatively low interest rates, the interest rates of the 1-IO-3 and PT-1 Classes will decrease;
- if Category 1e Loans with relatively high interest rates prepay more rapidly than Category 1e Loans with relatively low interest rates, the interest rates of the 1-IO-4 and PT-1 Classes will decrease; and
- if Group 2 Loans with relatively high interest rates prepay more rapidly than Group 2 Loans with relatively low interest rates, the interest rate of the 2-A Class will decrease.

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 November 2043 for the Group 1 Classes and July 2043 for the Group 2 Class. If you assumed the actual final payment would occur on the distribution date occurring in November 2043 for the Group 1 Classes and July 2043 for the Group 2 Class, 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

The rate of principal payments on the certificates depends on numerous additional factors and cannot be predicted. Many factors affect the prepayment rate. 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 and RHS guarantee payments, as well as because borrowers generally may prepay the mortgage loans at any time without penalty. Prepayment rates also may be influenced by changes in FHA, VA or RHS program guidelines.

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.

Prepayment rates can also be impacted if the mortgage includes a due-on-sale clause requiring that the borrower repay the mortgage loan in full if the mortgaged property is sold. In

this regard, FHA and VA have historically permitted FHA and VA loans to be assumed by purchasers of mortgaged properties, thus making such loans less likely to prepay when a mortgaged property is sold. However, prior to 1989, FHA and VA generally permitted loans to be assumed by purchasers without prior credit verification, and such loans may be more likely to default, and thus prepay, than would be the case had such loans been assumed by borrowers whose credit qualifications had been verified.

Prepayment rates may also be impacted by a breach of the representations and warranties made by the seller. The seller made representations and warranties with respect to the mortgage loans and may have to repurchase the related loans in case of a breach of 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.

The amortization schedules of the mortgage loans may be recast and their terms may be extended. 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 November 2043 for the Group 1 Classes and July 2043 for the Group 2 Class). 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 mortgage 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.

Concentration of mortgaged properties in certain states could lead to increased delinquen-

cies, with the same effect as borrower prepayments. As of the issue date, the states with relatively high concentrations of mortgaged properties in each loan group are as follows:

- Loan Group 1: Texas (12.48%), Florida (8.26%), Georgia (6.31%) and Maryland (5.25%), and
- Loan Group 2: California (11.64%), Maryland (8.70%), Illinois (8.13%), Georgia (5.85%) and Colorado (5.77%).

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.

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.

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 Grantor Trust specified on the cover of this prospectus (the “Trust”) pursuant to a trust agreement dated as of April 1, 2004 (the “Issue Date”). We will issue the Guaranteed Grantor Trust Pass-Through Certificates (the “Trust Certificates”) pursuant to that trust agreement. We will issue the Combinable and Recombinable 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 two groups of mortgage loans (the “Group 1 Loans” and “Group 2 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”) or by the Rural Housing Service of the U.S. Department of Agriculture (“RHS”) and, as a result of past delinquency, have been repurchased from Ginnie Mae pools.

Characteristics of Certificates. The Certificates 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.

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 November 2043 for the Group 1 Classes and July 2043 for the Group 2 Class, 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 May 2004.

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 in the following denominations:

<u>Classes</u>	<u>Denominations</u>
All Interest Only and Principal Only Classes	\$100,000 minimum plus whole dollar increments
All other Classes	\$1,000 minimum plus whole dollar increments

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 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-1, 1-IO-2, 1-IO-3 and 1-IO-4 Classes of Trust Certificates for a proportionate interest in the related RCR Certificates in the combination 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 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 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 notional 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 or 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 combination listed on Schedule 1 is permitted.

THE MORTGAGE LOANS

General

We expect that the Trust will consist of approximately 8,615 Mortgage Loans having an aggregate principal balance of approximately \$768,472,959.80 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 two groups (“Loan Group 1” and “Loan Group 2”) of first lien, one- to four-family, fully amortizing loans. All of the Group 1 Loans bear fixed rates of interest. All of the Group 2 Loans bear adjustable rates of interest. All of the Mortgage Loans are FHA-insured or partially guaranteed by the VA or the RHS. 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.”

Although the Mortgage Loans generally have terms not more than 30 years, as of the Issue Date approximately 0.01% of the Mortgage Loans (based on aggregate principal balance) provided for a stated maturity date more than 30 years, but generally not more than 40 years, from their dates of origination.

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, VA or RHS, 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 1 Loans or Group 2 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

<u>Contractual Delinquency (Days)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 1 Loans</u>
Less than or equal to 29	4,680	\$410,541,191.36	59.37%
30- 59	1,910	170,214,466.96	24.61
60- 89	566	52,812,727.35	7.64
90-119	199	17,606,792.67	2.55
120-149	127	11,241,826.55	1.63
150-180	313	29,116,168.70	4.21
Total	<u>7,795</u>	<u>\$691,533,173.59</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.

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>
0.01- 50,000.00	1,187	\$ 44,049,933.83	6.37%
50,000.01-100,000.00	3,936	292,621,442.99	42.31
100,000.01-150,000.00	2,152	259,524,419.77	37.53
150,000.01-200,000.00	411	69,709,441.95	10.08
200,000.01-250,000.00	82	17,792,154.38	2.57
250,000.01-300,000.00	16	4,224,714.33	0.61
300,000.01-350,000.00	9	2,905,575.24	0.42
350,000.01-400,000.00	2	705,491.10	0.10
Total	<u>7,795</u>	<u>\$691,533,173.59</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 \$88,715.

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>
5.001- 5.500	15	\$ 1,533,519.01	0.22%
5.501- 6.000	156	18,110,276.07	2.62
6.001- 6.500	925	101,073,013.99	14.62
6.501- 7.000	1,982	196,346,421.84	28.39
7.001- 7.500	2,134	193,105,188.38	27.92
7.501- 8.000	1,055	85,930,571.80	12.43
8.001- 8.500	852	58,904,977.89	8.52
8.501- 9.000	364	22,800,733.47	3.30
9.001- 9.500	168	8,589,259.33	1.24
9.501-10.000	65	2,444,518.87	0.35
10.001-10.500	41	1,710,191.60	0.25
10.501-11.000	15	442,168.36	0.06
11.001-11.500	7	174,746.69	0.03
11.501-12.000	4	111,466.72	0.02
12.001-12.500	3	67,526.54	0.01
12.501-13.000	3	60,309.84	0.01
13.001-13.500	1	11,093.85	(2)
13.501-14.000	5	117,189.34	0.02
Total.....	<u>7,795</u>	<u>\$691,533,173.59</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 7.341%.

(2) Less than 0.01%.

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>
121-180	154	\$ 8,206,260.25	1.19%
181-240	112	9,748,070.63	1.41
241-300	47	3,820,671.15	0.55
301-360	7,481	669,706,201.89	96.84
Greater than or equal to 361	1	51,969.67	0.01
Total.....	<u>7,795</u>	<u>\$691,533,173.59</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average original term to stated maturity of the Group 1 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 1 Loans
13- 24	1	\$ 12,607.57	(2)
25- 36	2	9,787.34	(2)
37- 48	13	154,780.06	0.02%
49- 60	29	523,340.32	0.08
61- 72	31	538,483.32	0.08
73- 84	16	398,668.57	0.06
85- 96	6	173,333.12	0.03
97-108	14	533,369.02	0.08
109-120	15	595,770.91	0.09
121-132	21	1,119,913.24	0.16
133-144	27	1,158,898.92	0.17
145-156	97	4,824,845.21	0.70
157-168	64	3,859,136.96	0.56
169-180	44	2,009,881.52	0.29
181-192	40	1,588,375.90	0.23
193-204	43	2,171,580.74	0.31
205-216	111	7,395,891.74	1.07
217-228	158	10,461,547.35	1.51
229-240	239	14,821,677.46	2.14
241-252	105	5,607,227.14	0.81
253-264	180	12,352,517.67	1.79
265-276	195	12,798,295.80	1.85
277-288	345	25,339,772.46	3.66
289-300	972	82,647,955.12	11.95
301-312	661	54,721,907.08	7.91
313-324	792	70,174,357.76	10.15
325-336	2,023	205,980,480.75	29.79
337-348	1,458	158,695,759.97	22.95
349-360	93	10,863,010.57	1.57
Total:	<u>7,795</u>	<u>\$691,533,173.59</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 1 Loans is expected to be approximately 311 months.

(2) Less than 0.01%.

Geographic Distribution of Mortgaged Properties

State	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans
Texas	1,096	\$ 86,314,174.12	12.48%
Florida	720	57,101,240.00	8.26
Georgia	464	43,635,174.62	6.31
Maryland	337	36,286,035.17	5.25
California	308	33,746,727.41	4.88
Other	4,870	434,449,822.27	62.82
Total:	<u>7,795</u>	<u>\$691,533,173.59</u>	<u>100.00%</u>

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>
FHA	6,292	\$560,320,112.27	81.03%
VA	1,145	105,179,286.01	15.21
RHS	<u>358</u>	<u>26,033,775.31</u>	<u>3.76</u>
Total:	<u>7,795</u>	<u>\$691,533,173.59</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>
Not in Bankruptcy	7,661	\$681,018,695.57	98.48%
In Bankruptcy	134	10,514,478.02	1.52
Total:	<u>7,795</u>	<u>\$691,533,173.59</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	690	\$63,959,299.87	83.13%
30- 59	98	9,896,135.71	12.86
60- 89	19	1,915,913.98	2.49
90-119	9	857,302.67	1.11
120-149	2	169,686.99	0.22
150-180	<u>2</u>	<u>141,446.99</u>	<u>0.18</u>
Total:	<u>820</u>	<u>\$76,939,786.21</u>	<u>100.00%</u>

The Group 2 Loans are adjustable-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 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.

Each Group 2 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 2 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 2 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”).

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 2 Loans
0.01- 50,000.00	67	\$ 2,891,722.85	3.76%
50,000.01-100,000.00	447	33,869,530.19	44.02
100,000.01-150,000.00	246	29,493,242.22	38.33
150,000.01-200,000.00	49	8,099,890.37	10.53
200,000.01-250,000.00	8	1,816,961.49	2.36
250,000.01-300,000.00	<u>3</u>	<u>768,439.09</u>	<u>1.00</u>
Total	<u>820</u>	<u>\$76,939,786.21</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 \$93,829.

Mortgage Interest Rates (1)

Mortgage Interest Rates (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans
3.001-3.500	11	\$ 1,297,451.32	1.69%
3.501-4.000	79	8,224,302.47	10.69
4.001-4.500	263	28,978,792.08	37.66
4.501-5.000	132	11,649,471.40	15.14
5.001-5.500	113	8,837,703.34	11.49
5.501-6.000	211	17,083,618.45	22.20
6.001-6.500	10	817,944.60	1.06
6.501-7.000	<u>1</u>	<u>50,502.55</u>	<u>0.07</u>
Total	<u>820</u>	<u>\$76,939,786.21</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 4.807%.

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 2 Loans
171-180	1	\$ 105,579.05	0.14%
351-360	819	76,834,207.16	99.86
Total	<u>820</u>	<u>\$76,939,786.21</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 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 2 Loans</u>
145-156	1	\$ 105,579.05	0.14%
169-180	1	62,149.03	0.08
193-204	1	27,178.76	0.04
205-216	5	265,401.61	0.34
217-228	21	1,657,206.27	2.15
229-240	50	3,603,182.20	4.68
241-252	77	6,030,911.26	7.84
253-264	81	6,521,240.85	8.48
265-276	115	9,029,440.37	11.74
277-288	133	11,145,250.51	14.49
289-300	17	1,396,602.94	1.82
301-312	62	5,999,120.50	7.80
313-324	32	3,544,645.40	4.61
325-336	89	10,513,251.96	13.66
337-348	134	16,921,103.65	21.99
349-360	1	117,521.85	0.15
Total	<u>820</u>	<u>\$76,939,786.21</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 2 Loans is expected to be approximately 295 months.

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 2 Loans</u>
5.501- 6.000	1	\$ 38,570.38	0.05%
6.501- 7.000	1	61,803.40	0.08
8.501- 9.000	4	499,561.19	0.65
9.001- 9.500	27	3,006,102.38	3.91
9.501-10.000	92	10,483,269.26	13.63
10.001-10.500	147	15,923,376.91	20.70
10.501-11.000	160	14,331,435.47	18.63
11.001-11.500	158	13,422,999.73	17.45
11.501-12.000	109	8,867,342.64	11.53
12.001-12.500	79	7,008,798.14	9.11
12.501-13.000	38	3,008,765.72	3.91
13.001-13.500	3	225,611.96	0.29
13.501-14.000	1	62,149.03	0.08
Total	<u>820</u>	<u>\$76,939,786.21</u>	<u>100.00%</u>

(1) As of the Issue Date, the weighted average mortgage interest rate life cap of the Group 2 Loans is expected to be approximately 11.041%.

Mortgage Interest Rate Life Floors (1) (2)

<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 2 Loans</u>
1.501-2.000	166	\$14,234,611.22	18.50%
2.001-2.500	73	6,219,744.14	8.08
2.501-3.000	579	56,286,997.65	73.16
3.001-3.500	<u>2</u>	<u>198,433.20</u>	<u>0.26</u>
Total	<u>820</u>	<u>\$76,939,786.21</u>	<u>100.00%</u>

- (1) The Mortgage Interest Rate Life Floor is equal to the greater of (x) the minimum Mortgage Rate over the life of such Mortgage Loan or (y) the applicable Mortgage Loan margin.
- (2) As of the Issue Date, the weighted average mortgage interest rate life floor of the Group 2 Loans is expected to be approximately 2.593%, the minimum mortgage interest rate life floor of the Group 2 Loans is expected to be approximately 2.000% and the maximum mortgage interest rate life floor is expected to be approximately 3.375%.

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 2 Loans</u>
July 2004	176	\$16,660,979.53	21.65%
October 2004	260	24,998,879.14	32.49
January 2005	213	20,393,094.04	26.51
April 2005	<u>171</u>	<u>14,886,833.50</u>	<u>19.35</u>
Total	<u>820</u>	<u>\$76,939,786.21</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 2 Loans</u>
1.751-2.000	173	\$14,890,695.19	19.35%
2.001-2.250	14	1,182,225.41	1.54
2.251-2.500	55	4,607,336.00	5.99
2.501-2.750	528	52,084,667.18	67.70
2.751-3.000	<u>50</u>	<u>4,174,862.43</u>	<u>5.43</u>
Total	<u>820</u>	<u>\$76,939,786.21</u>	<u>100.00%</u>

- (1) As of the Issue Date, the weighted average mortgage interest rate margin of the Group 2 Loans is expected to be approximately 2.587%.

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 2 Loans</u>
1.000	<u>820</u>	<u>\$76,939,786.21</u>	<u>100.00%</u>
Total:	<u>820</u>	<u>\$76,939,786.21</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 2 Loans</u>
California	85	\$ 8,954,204.61	11.64%
Maryland	66	6,692,608.32	8.70
Illinois	66	6,255,719.61	8.13
Georgia	48	4,501,448.61	5.85
Colorado	32	4,440,589.58	5.77
Other	<u>523</u>	<u>46,095,215.48</u>	<u>59.91</u>
Total:	<u>820</u>	<u>\$76,939,786.21</u>	<u>100.00%</u>

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 2 Loans</u>
FHA	783	\$73,666,539.77	95.75%
VA	37	3,273,246.44	4.25
Total:	<u>820</u>	<u>\$76,939,786.21</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 2 Loans</u>
Not in Bankruptcy	817	\$76,765,815.97	99.77%
In Bankruptcy	3	173,970.24	0.23
Total:	<u>820</u>	<u>\$76,939,786.21</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 2004, the basic maximum loan amount for most FHA-insured single-family mortgage loans is \$160,176 for a one-unit dwelling, \$205,032 for a two-unit dwelling, \$247,824 for a three-unit dwelling, and \$307,992 for a four-unit dwelling. In high-cost areas, as designated by HUD/FHA, the maximum loan amount may be increased up to \$290,319 for a one-unit dwelling, \$371,621 for a two-unit dwelling, \$449,181 for a three-unit dwelling, and \$558,236 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.

The maximum loan-to-value ratio for RHS mortgage loans we purchase is 100%. The value used in calculating the loan-to-value ratio is the appraised value of the related mortgaged property, even if that appraised value exceeds the purchase price of the property.

Underwriting Guidelines

FHA-insured, VA-guaranteed and RHS-guaranteed 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 Certificates. The Certificates will be registered at all times in the name of the nominee. 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, U.S. Bank National Association in Boston, Massachusetts (“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 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 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 Certificates only under the procedures of your financial intermediary and of DTC Participants. In general, ownership of 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 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 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>
Group 1 Classes	
Fixed Rate	1-A-1, 1-A-2, 1-A-3 and 1-A-4
Weighted Average Coupon	1-IO-1, 1-IO-2, 1-IO-3 and 1-IO-4
Interest Only	1-IO-1, 1-IO-2, 1-IO-3 and 1-IO-4
Principal Only	1-PO
RCR**	PT-1
Group 2 Class	
Weighted Average Coupon	2-A

* See “—Class Definitions and Abbreviations” below.

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

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 May 2004.

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 interest-bearing Certificates (the "Delay Classes") during the calendar month preceding the month in which the Distribution Date occurs (the "Interest Accrual Period").

The Dealer will treat the 1-PO Class as a Delay Class solely for the purpose of facilitating trading.

Notional Classes. The 1-IO-1, 1-IO-2, 1-IO-3, 1-IO-4 and PT-1 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 weighted average of the Net Mortgage Rates of the Category 1b Loans (weighted on the basis of their respective Stated Principal Balances) *minus* 6.00%. The notional principal balance of the 1-IO-1 Class for each Interest Accrual Period will equal 100% of the aggregate Stated Principal Balance of the Category 1b Loans at the beginning of the related Due Period.

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 Category 1c Loans (weighted on the basis of their respective Stated Principal Balances) *minus* 6.50%. The notional principal balance of the 1-IO-2 Class for each Interest Accrual Period will equal 100% of the aggregate Stated Principal Balance of the Category 1c Loans at the beginning of the related Due Period.

During each Interest Accrual Period, the 1-IO-3 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 Category 1d Loans (weighted on the basis of their respective Stated Principal Balances) *minus* 7.00%. The notional principal balance of the 1-IO-3 Class for each Interest Accrual Period will equal 100% of the aggregate Stated Principal Balance of the Category 1d Loans at the beginning of the related Due Period.

During each Interest Accrual Period, the 1-IO-4 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 Category 1e Loans (weighted on the basis of their respective Stated Principal Balances) *minus* 7.50%. The notional principal balance of the 1-IO-4 Class for each Interest Accrual Period will equal 100% of the aggregate Stated Principal Balance of the Category 1e Loans at the beginning of the related Due Period.

During each Interest Accrual Period, the PT-1 Class will bear interest on its notional principal balance at a per annum rate equal to the weighted average of the interest rates of the 1-IO-1, 1-IO-2, 1-IO-3 and 1-IO-4 Classes for that Interest Accrual Period (weighted on the basis of their respective notional principal balances). The notional principal balance of the PT-1 Class will equal the sum of 100% of the aggregate Stated Principal Balance of the Category 1b Loans, Category 1c Loans, Category 1d Loans and Category 1e Loans at the beginning of the related Due Period.

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 Classes will not have principal balances and will not be entitled to any principal payments, we will publish a class factor for each Notional Class. References in this

prospectus to the principal balances of the Certificates generally shall refer also to the notional principal balances of the Notional Classes.

The 2-A Class. We will pay interest on the 2-A Class 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).

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>
Group 1 Classes	
Pass-Through	1-A-1, 1-A-2, 1-A-3, 1-A-4 and 1-PO
Notional	1-IO-1, 1-IO-2, 1-IO-3 and 1-IO-4
RCR**	PT-1
Group 2 Class	
Pass-Through	2-A

* See “—Class Definitions and Abbreviations.”

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

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.

Group 1 Principal Distribution Amount

On the Distribution Date in each month, we will pay principal in an aggregate amount (the “Group 1 Principal Distribution Amount”) equal to the *sum* of the following:

- the Category 1a Non-PO Principal Distribution Amount,
plus
- the Category 1a PO Principal Distribution Amount,
plus
- the Category 1b Principal Distribution Amount,
plus
- the Category 1c Principal Distribution Amount,
plus
- the Category 1d Principal Distribution Amount,
plus
- the Category 1e Principal Distribution Amount.

On each Distribution Date, we will pay the Category 1a Non-PO Principal Distribution Amount and the Category 1b Principal Distribution Amount as principal of the 1-A-1 Class, until its principal balance is reduced to zero.

On each Distribution Date, we will pay the Category 1a PO Principal Distribution Amount as principal of the 1-PO Class, until its principal balance is reduced to zero.

On each Distribution Date, we will pay the Category 1c Principal Distribution Amount as principal of the 1-A-2 Class, until its principal balance is reduced to zero.

On each Distribution Date, we will pay the Category 1d Principal Distribution Amount as principal of the 1-A-3 Class, until its principal balance is reduced to zero.

On each Distribution Date, we will pay the Category 1e Principal Distribution Amount as principal of the 1-A-4 Class, until its principal balance is reduced to zero.

} Pass-Through
Classes

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

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

Certain Definitions Relating to Payments on the Certificates

Category 1a Loans. Group 1 Loans having Net Mortgage Rates less than 6.00%.

Category 1a Non-PO Percentage. For any Category 1a Loan, the related Net Mortgage Rate divided by 6.00%, expressed as a percentage.

Category 1a Non-PO Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category 1a Loans, without duplication:

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

Category 1a PO Percentage. For any Category 1a Loan, (6.00% *minus* the related Net Mortgage Rate) *divided by* 6.00%, expressed as a percentage.

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

- the applicable Category 1a PO Percentage of the monthly payment of principal due on each Category 1a Loan during the related Due Period, *plus*

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

Category 1b Loans. Group 1 Loans having Net Mortgage Rates greater than or equal to 6.00% and less than 6.50%.

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

- the monthly payment of principal due on each Category 1b Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1b Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1b 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 Category 1b Loan.

Category 1c Loans. Group 1 Loans having Net Mortgage Rates greater than or equal to 6.50% and less than 7.00%.

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

- the monthly payment of principal due on each Category 1c Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1c Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1c 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 Category 1c Loan.

Category 1d Loans. Group 1 Loans having Net Mortgage Rates greater than or equal to 7.00% and less than 7.50%.

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

- the monthly payment of principal due on each Category 1d Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1d Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1d 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 Category 1d Loan.

Category 1e Loans. Group 1 Loans having Net Mortgage Rates greater than or equal to 7.50%.

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

- the monthly payment of principal due on each Category 1e Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1e Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Category 1e 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 Category 1e Loan.

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 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 repayment reported as having been received during the related Due Period from borrowers on any Group 2 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.
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.
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		
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.

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 1.48%;
- the Servicer does not exercise its repurchase option;
- the settlement date for the sale of the Certificates occurs on April 30, 2004; and
- each Distribution Date for the Certificates occurs on the 25th day of the month, beginning in May 2004.

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 Interest Only Classes.* The yields to investors in the 1-IO-1, 1-IO-2, 1-IO-3, 1-IO-4 and PT-1 Classes will be very sensitive to the rate of principal payments (including prepayments) of the related Mortgage Loans. The Mortgage Loans can be prepaid at any time without penalty. In particular, if Mortgage Loans in the related category or categories with relatively high interest rates prepay more rapidly than such Mortgage Loans with relatively low interest rates, the yields to investors in the 1-IO-1, 1-IO-2, 1-IO-3, 1-IO-4 and PT-1 Classes, as applicable, will decrease. Under certain interest rate and prepayment scenarios, it is possible that investors in the 1-IO-1, 1-IO-2, 1-IO-3, 1-IO-4 and PT-1 Classes 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, 1-IO-3, 1-IO-4 and PT-1 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, 1-IO-3, 1-IO-4 and PT-1 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, 1-IO-3, 1-IO-4 and PT-1 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	1.0%
1-IO-2	1.0%
1-IO-3	1.0%
1-IO-4	1.5%
PT-1	1.0%

* 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>15%</u>	<u>25%</u>	<u>35%</u>	<u>50%</u>
<u>Pre-Tax Yields to Maturity</u>	32.1%	17.6%	4.7%	(9.1)%	(32.0)%

* Applies only to Category 1b Loans.

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

	<u>CPR Prepayment Assumption</u>				
	<u>3%</u>	<u>15%</u>	<u>25%</u>	<u>35%</u>	<u>50%</u>
<u>Pre-Tax Yields to Maturity</u>	29.5%	15.2%	2.4%	(11.2)%	(33.9)%

* Applies only to Category 1c Loans.

Sensitivity of the 1-IO-3 Class to Prepayments*

	<u>CPR Prepayment Assumption</u>				
	<u>3%</u>	<u>15%</u>	<u>25%</u>	<u>35%</u>	<u>50%</u>
<u>Pre-Tax Yields to Maturity</u>	28.2%	14.0%	1.3%	(12.3)%	(34.9)%

* Applies only to Category 1d Loans.

Sensitivity of the 1-IO-4 Class to Prepayments*

	<u>CPR Prepayment Assumption</u>				
	<u>3%</u>	<u>15%</u>	<u>25%</u>	<u>35%</u>	<u>50%</u>
<u>Pre-Tax Yields to Maturity</u>	41.6%	26.6%	13.2%	(1.1)%	(24.8)%

* Applies only to Category 1e Loans.

Sensitivity of the PT-1 Class to Prepayments*

	CPR Prepayment Assumption				
	<u>3%</u>	<u>15%</u>	<u>25%</u>	<u>35%</u>	<u>50%</u>
Pre-Tax Yields to Maturity	36.3%	21.6%	8.5%	(5.5)%	(28.8)%

* Applies only to Category 1b, Category 1c, Category 1d and Category 1e Loans.

The 1-PO Class. The 1-PO Class will not bear interest. As indicated in the table below, a low rate of principal payments (including prepayments) on the Category 1a Loans will have a negative effect on the yield to investors in the 1-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 1-PO Class (expressed as a percentage of its original principal balance) is as follows:

<u>Class</u>	<u>Price</u>
1-PO	82.0%

Sensitivity of the 1-PO Class to Prepayments*

	CPR Prepayment Assumption				
	<u>3%</u>	<u>15%</u>	<u>25%</u>	<u>35%</u>	<u>50%</u>
Pre-Tax Yields to Maturity	1.6%	4.1%	6.7%	9.9%	15.8%

* Applies only to Category 1a 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 and 1-IO-2† Classes					1-A-3 and 1-IO-3† Classes				
	CPR Prepayment Assumption					CPR Prepayment Assumption					CPR Prepayment Assumption				
	0%	15%	25%	35%	50%	0%	15%	25%	35%	50%	0%	15%	25%	35%	50%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2005	99	84	74	64	49	99	84	74	64	49	99	84	74	64	49
April 2006	97	70	55	41	24	97	70	55	41	24	97	70	55	41	24
April 2007	96	59	40	26	12	96	59	40	26	12	96	59	40	26	12
April 2008	94	49	30	17	6	94	49	30	17	6	94	49	30	17	6
April 2009	92	41	22	11	3	92	41	22	11	3	92	41	22	11	3
April 2010	90	34	16	7	1	91	34	16	7	1	90	34	16	7	1
April 2011	88	28	12	4	1	89	28	12	4	1	88	28	12	4	1
April 2012	86	23	9	3	*	86	24	9	3	*	86	23	9	3	*
April 2013	84	19	6	2	*	84	19	6	2	*	84	19	6	2	*
April 2014	81	16	5	1	*	82	16	5	1	*	81	16	5	1	*
April 2015	78	13	3	1	*	79	13	3	1	*	78	13	3	1	*
April 2016	75	11	2	*	*	76	11	2	*	*	75	11	2	*	*
April 2017	72	9	2	*	*	73	9	2	*	*	72	9	2	*	*
April 2018	69	7	1	*	*	70	7	1	*	*	68	7	1	*	*
April 2019	66	6	1	*	*	66	6	1	*	*	64	6	1	*	*
April 2020	62	5	1	*	*	62	5	1	*	*	60	4	1	*	*
April 2021	58	4	*	*	*	58	4	*	*	*	56	4	*	*	*
April 2022	53	3	*	*	*	53	3	*	*	*	51	3	*	*	*
April 2023	49	2	*	*	*	48	2	*	*	*	45	2	*	*	*
April 2024	44	2	*	*	*	43	2	*	*	*	40	2	*	*	*
April 2025	39	1	*	*	*	38	1	*	*	*	33	1	*	*	*
April 2026	33	1	*	*	*	31	1	*	*	*	27	1	*	*	*
April 2027	27	1	*	*	*	25	1	*	*	*	19	*	*	*	*
April 2028	20	*	*	*	*	18	*	*	*	*	12	*	*	*	0
April 2029	14	*	*	*	0	10	*	*	*	0	3	*	*	*	0
April 2030	6	*	*	*	0	2	*	*	*	0	0	0	0	0	0
April 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	17.2	5.4	3.3	2.3	1.4	17.2	5.4	3.3	2.3	1.4	16.6	5.4	3.3	2.3	1.4

* 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.

Date	1-A-4 and 1-IO-4† Classes					1-IO-1† Class				
	CPR Prepayment Assumption					CPR Prepayment Assumption				
	0%	15%	25%	35%	50%	0%	15%	25%	35%	50%
Initial Percent	100	100	100	100	100	100	100	100	100	100
April 2005	99	84	74	64	49	99	84	74	64	49
April 2006	97	70	55	41	24	97	70	55	41	24
April 2007	95	59	40	26	12	96	59	40	26	12
April 2008	94	49	30	17	6	94	49	30	17	6
April 2009	91	41	22	11	3	92	41	22	11	3
April 2010	89	34	16	7	1	90	34	16	7	1
April 2011	87	28	12	4	1	88	28	12	4	1
April 2012	84	23	8	3	*	86	23	9	3	*
April 2013	81	19	6	2	*	84	19	6	2	*
April 2014	78	15	4	1	*	81	16	5	1	*
April 2015	75	13	3	1	*	79	13	3	1	*
April 2016	71	10	2	*	*	76	11	2	*	*
April 2017	67	8	2	*	*	73	9	2	*	*
April 2018	63	6	1	*	*	69	7	1	*	*
April 2019	58	5	1	*	*	66	6	1	*	*
April 2020	53	4	1	*	*	62	5	1	*	*
April 2021	47	3	*	*	*	58	4	*	*	*
April 2022	41	2	*	*	*	54	3	*	*	*
April 2023	34	2	*	*	*	49	2	*	*	*
April 2024	27	1	*	*	*	44	2	*	*	*
April 2025	18	1	*	*	*	39	1	*	*	*
April 2026	10	*	*	*	*	33	1	*	*	*
April 2027	0	0	0	0	0	27	1	*	*	*
April 2028	0	0	0	0	0	20	*	*	*	*
April 2029	0	0	0	0	0	13	*	*	*	0
April 2030	0	0	0	0	0	5	*	*	*	0
April 2031	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	15.1	5.3	3.3	2.3	1.4	17.2	5.4	3.3	2.3	1.4

Date	1-PO Class					PT-1† Class					2-A Class				
	CPR Prepayment Assumption					CPR Prepayment Assumption					CPR Prepayment Assumption				
	0%	15%	25%	35%	50%	0%	15%	25%	35%	50%	0%	9%	18%	27%	36%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2005	99	84	74	64	49	99	84	74	64	49	98	89	80	71	63
April 2006	97	70	55	41	24	97	70	55	41	24	95	79	64	51	39
April 2007	95	59	40	26	12	96	59	40	26	12	93	70	51	36	24
April 2008	94	49	30	17	6	94	49	30	17	6	90	62	41	26	15
April 2009	92	41	22	11	3	92	41	22	11	3	87	54	32	18	9
April 2010	90	34	16	7	1	90	34	16	7	1	84	48	26	13	6
April 2011	88	28	12	4	1	88	28	12	4	1	81	42	20	9	4
April 2012	86	23	9	3	*	86	23	9	3	*	78	37	16	6	2
April 2013	83	19	6	2	*	84	19	6	2	*	74	32	12	4	1
April 2014	81	16	5	1	*	81	16	5	1	*	71	28	10	3	1
April 2015	78	13	3	1	*	78	13	3	1	*	67	24	8	2	*
April 2016	75	11	2	*	*	75	11	2	*	*	64	20	6	1	*
April 2017	72	9	2	*	*	72	9	2	*	*	60	17	5	1	*
April 2018	69	7	1	*	*	68	7	1	*	*	56	15	3	1	*
April 2019	65	6	1	*	*	64	6	1	*	*	51	12	3	*	*
April 2020	61	5	1	*	*	60	4	1	*	*	47	10	2	*	*
April 2021	57	4	*	*	*	56	4	*	*	*	42	8	1	*	*
April 2022	53	3	*	*	*	51	3	*	*	*	37	7	1	*	*
April 2023	49	2	*	*	*	46	2	*	*	*	32	5	1	*	*
April 2024	44	2	*	*	*	40	2	*	*	*	27	4	1	*	*
April 2025	39	1	*	*	0	34	1	*	*	*	22	3	*	*	*
April 2026	33	1	*	*	0	28	1	*	*	*	16	2	*	*	*
April 2027	27	1	*	*	0	21	*	*	*	*	10	1	*	*	*
April 2028	21	*	*	*	0	15	*	*	*	0	4	*	*	*	*
April 2029	15	*	*	*	0	8	*	*	*	0	0	0	0	0	0
April 2030	8	*	*	*	0	3	*	*	*	0	0	0	0	0	0
April 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	17.2	5.4	3.3	2.3	1.4	16.8	5.4	3.3	2.3	1.4	14.4	7.2	4.3	2.9	2.1

* 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.

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, which fees will equal 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 performing our servicing responsibilities. 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.

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 Trust).

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.

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; or
- to cure any ambiguity or correct or add to any provision in the Trust Agreement, so long as no Certificateholder is adversely affected.

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. Moreover, these changes may be effective retroactively.
- This discussion addresses only Certificates acquired at original issuance and held as "capital assets" (generally, property held for investment).
- This discussion does not address tax consequences to beneficial owners subject to special rules, such as dealers in securities, certain traders in securities, banks, tax-exempt organizations, life insurance companies, persons that hold Certificates as part of a hedging transaction or as a position in a straddle or conversion transaction, or persons whose functional currency is not the U.S. dollar.
- This discussion does not address taxes imposed by any state, local or foreign taxing jurisdiction.

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

Taxation of Beneficial Owners of the Certificates

General

Dewey Ballantine LLP, special tax counsel to Fannie Mae, will deliver its opinion that, assuming compliance with the Trust Agreement, the Trust will be classified as a grantor trust under subpart E, part I of subchapter J of the Internal Revenue Code of 1986, as amended (the “Code”) and not as an association taxable as a corporation. The Mortgage Loans will be the assets of the Trust.

The Notional and Principal Only Classes

A beneficial owner of a Certificate of the Notional and Principal Only Classes 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 on the related Mortgage Loans. Fannie Mae intends to treat each such Certificate as a single debt instrument representing rights to future cashflows from the related Mortgage Loans for purposes of information reporting. You should consult your own tax advisor as to the proper treatment of a Certificate of the Notional and Principal Only Classes in this regard.

Under section 1286 of the Code, a beneficial owner of a Certificate of the Notional and Principal Only Classes must treat the Certificate as a debt instrument originally issued on the date the owner acquires it and as having original issue discount (“OID”) within the meaning of Section 1273(a) of the Code equal to the *excess*, if any, of its “stated redemption price at maturity” *over* the price paid by the owner to acquire it. The stated redemption price at maturity of a Certificate of the Notional or Principal Only Classes generally is equal to the sum of all distributions to be made on that Certificate. For information reporting purposes, we intend to treat all amounts to be distributed on each Certificate of the Notional or Principal Only Classes as included in the stated redemption price at maturity and, as a result, each Certificate of the Notional and Principal Only Classes will be treated as if issued with OID.

The beneficial owner of a Certificate of the Notional or Principal Only Classes 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.

Final regulations issued by the Treasury Department relating to the tax treatment of debt instruments with 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 Notional or Principal Only Classes 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 Notional and Principal Only Classes 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 Notional and Principal Only Classes are calculated based on the following:

- an assumption that the related Mortgage Loans prepay at a specified rate,
- the yield to maturity of the Certificate giving effect to the prepayment assumption,
- events (including actual prepayments) that have occurred prior to the end of the accrual period, and
- in the case of a Mortgage Loan calling for a variable rate of interest, an assumption that the value of the index upon which the variable rate is based remains the same as its value on the settlement date over the entire life of the Mortgage Loan.

Each beneficial owner of a Certificate of the Notional and Principal Only Classes determines its yield to maturity based on its purchase price. For a particular beneficial owner of a Certificate of the Notional and Principal Only Classes, 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 Notional and Principal Only Classes.

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 25% CPR for the Group 1 Loans. We make no representation, however, that the related Mortgage 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 Notional and Principal Only Classes.

The 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes

Interest paid on a Certificate of the 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes is taxable as ordinary interest income. A beneficial owner of a Certificate of the 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes 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 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes 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 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes 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.*" 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 Internal Revenue Service (the “IRS”).

A beneficial owner of a Certificate of the 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes 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 of 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 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes 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 the 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes.

If a beneficial owner acquires a Certificate of the 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes 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 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes 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.*”

A beneficial owner may elect to include in income its entire return on a Certificate of the 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes (i.e., the *excess* of all remaining payments to be received on the 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 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes 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.

The application of the market discount and premium provisions to a Certificate of the 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes is not clear. You should be aware that the IRS could assert that a beneficial owner of a Certificate of the 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes should (i) allocate its purchase price of that Certificate among the related Mortgage Loans in proportion to their relative fair market values at the time that Certificate was acquired and (ii) apply the market discount and premium provisions to each Mortgage Loan in light of the amount of the purchase price allocated to such loan. Given the lack of clear guidance in this regard, you should consult your tax advisor regarding the proper application of the market discount and premium provisions to a Certificate of the 1-A-1, 1-A-2, 1-A-3, 1-A-4 and 2-A Classes.

Expenses of the Trust

Each beneficial owner of a Certificate will be required to include in income its allocable share of the expenses paid by the Trust. Each beneficial owner of a Certificate can deduct its allocable share of 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 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 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

Upon the sale, exchange or other disposition of a Certificate, 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 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 the Notional or Principal Only Classes) 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 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

A Certificate 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, the Certificates 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 related Classes, 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

Within a reasonable time after the end of each calendar year, we will furnish or make available to each Holder of a Certificate 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, 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

Additional rules apply to a beneficial owner of a Certificate that is not a U.S. Person (a “Non-U.S. Person”). The term “U.S. Person” means:

- a citizen or resident of the United States,
- a corporation, partnership or other entity created or organized in or under the laws of the United States or any 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 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.

Taxation of Beneficial Owners of RCR Certificates

General. The RCR Class 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 Certificates that are exchanged for RCR Certificates (including any exchanges effective on the Settlement Date) will be assets of the trust and the RCR Certificates will represent an ownership of those Certificates. For a general discussion of the federal income tax treatment of beneficial owners of Certificates, see “—*Taxation of Beneficial Owners of the Certificates*” above.

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

Combination RCR Class. A beneficial owner of a Combination RCR Certificate will be treated as the beneficial owner of a proportionate interest in the 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 Combination RCR Certificate among the underlying 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 Certificate as described under “—*Taxation of Beneficial Owners of the Certificates*” above. When a beneficial owner sells a Combination RCR Certificate, the owner must allocate the sale proceeds among the underlying Certificates in proportion to their relative fair market values at the time of sale.

Exchanges. If a beneficial owner exchanges one or more Certificates for the related Combination RCR Certificate or Certificates in the manner described under “Description of the Certificates—Combination and Recombination” in this prospectus, the exchange will not be taxable. Likewise, if a beneficial owner exchanges one or more Combination RCR Certificates for the related underlying 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 underlying Certificates that it owned immediately prior to the exchange.

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 April 1, 2004)

Loan Group 1 — Fixed Rate

Issue Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Remaining Term (in Months) ("WARM")	Weighted Average Loan Age (in Months) ("WALA")	Weighted Average Original Term Reset Frequency (in Months)
\$120,716,809.07	5.8096381157%	6.3902074042%	324	26	350
196,346,421.84	6.3577981257	6.9343708496	320	36	356
193,149,870.23	6.8337596773	7.4092098474	315	43	358
85,885,889.95	7.3223571867	7.8978450434	304	53	357
95,434,182.50	8.1677663045	8.7431651819	276	81	357

Loan Group 2 — ARMs (1 Year CMT)

Issue Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average 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)
\$14,886,833.50	3.7450889875%	4.3200889875%	285	74	359	1.00%	11.08962%	2.61855%	12	12
20,393,094.04	4.3411103579	4.9164644736	300	60	360	1.00	10.90685	2.59756	9	12
16,660,979.53	4.2888249966	4.8649465639	295	65	360	1.00	10.98403	2.59439	3	12
24,998,879.14	4.3879225961	4.9705360227	299	61	360	1.00	11.15827	2.57382	6	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 Recombination (1)

Trust Certificates		RCR Certificates						
Classes	Original Notional Principal Balances	RCR Class	Original Notional Principal Balance	Interest Rate	Interest Type (2)	Principal Type (2)	CUSIP Number	Assumed Maturity Date (3)
1-10-1	\$ 196,346,421	PT-1	\$570,816,362	(4)	WAC/IO	NTL	31393X7L5	November 2033
1-10-2	193,149,870							
1-10-3	85,885,889							
1-10-4	95,434,182							

(1) The relative proportions of the Classes of Certificates to be delivered (or, if applicable, received) in an exchange will equal the proportions reflected by the outstanding notional principal balances of those Classes at the time of exchange.
(2) See "Description of Certificates—Class Definitions and Abbreviations." —Interest Payments on the Certificates" and "—Principal Payments on the Certificates" in this prospectus.
(3) The Assumed Maturity Date is calculated assuming the maturity dates of the Mortgage Loans are not modified.
(4) The PT-1 Class will bear interest during the initial Interest Accrual Period at a per annum rate equal to approximately 0.39615%. During each subsequent Interest Accrual Period, the PT-1 Class will bear interest on its notional principal balance at a per annum rate equal to the weighted average of the interest rates of the 1-10-1, 1-10-2, 1-10-3 and 1-10-4 Classes for that Interest Accrual Period (weighted on the basis of their respective notional principal balances).

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.

\$768,472,957
(Approximate)



Guaranteed Grantor Trust
Pass-Through Certificates
Fannie Mae Grantor Trust 2004-T2

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PROSPECTUS

LEHMAN BROTHERS

WAMU CAPITAL CORP.

April 5, 2004
