

\$1,555,368,213 (Approximate)



FannieMae®

## Guaranteed Pass-Through Certificates Fannie Mae Trust 2004-W2

Carefully consider the risk factors beginning on page 9 of this prospectus. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.

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

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

### The Certificates

We, the Federal National Mortgage Association (Fannie Mae), will issue and guarantee the certificates listed in the chart on this page. The certificates will represent beneficial ownership interests in the trust assets.

### Payments to Certificateholders

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

- interest to the extent described in this prospectus, and
- principal to the extent described in this prospectus.

### The Fannie Mae Guaranty

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

### The Trust and Its Assets

The trust assets will be divided into five groups.

- Group 1, Group 2 and Group 5 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 1, Group 2 and Group 5 will be treated as REMICs for tax purposes.
- Group 3 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. Group 3 will be treated as a grantor trust for tax purposes. The mortgage loans in Group 3 may not be qualified assets for REMIC purposes.
- Group 4 will consist of first lien, one- to four-family, fully amortizing, adjustable-rate mortgage loans insured by the FHA or partially guaranteed by the VA and having the characteristics described in this prospectus. Group 4 will be treated as a REMIC for tax purposes.

Class	Group*	Original Class Balance(1)	Principal Type(2)	Interest Rate	Interest Type(2)	CUSIP Number	Assumed Maturity Date(3)
1A	1	\$218,000,000	PT	6.0%	FIX	31393XGH4	February 2034
1A-1	1	79,300,000	SEQ/AD	4.5	FIX	31393XGJ0	February 2029
1A-2	1	9,654,000	SEQ/AD	5.0	FIX	31393XGK7	April 2030
1A-3F	1	85,736,000	SEQ/AD	(4)	FLT	31393XGL5	April 2030
1A-3S	1	85,736,000(5)	NTL	(4)	INV/IO	31393XGM3	April 2030
1A-4	1	9,929,525	SEQ	6.0	FIX/Z	31393XGN1	February 2034
2A-1	2	96,704,835	PT	6.5	FIX	31393XGP6	February 2034
2A-2	2	265,485,558	PT	7.0	FIX	31393XGQ4	February 2034
PT	1,2	16,724,547	CPT	(6)	CPT	31393XGR2	February 2034
3A	3	130,470,046	PT	(7)	WAC	31393XGS0	February 2034
4A	4	154,827,807	PT	(7)	WAC	31393XGT8	February 2034
5A	5	400,088,782	PT	7.5	FIX	31393XGU5	March 2034
5A-F	5	74,850,418	PT	(4)	FLT	31393XGV3	March 2034
5A-S	5	74,850,418(5)	NTL	(4)	INV/IO	31393XGW1	March 2034
5PT	5	13,596,695	CPT	(8)	CPT	31393XGX9	March 2034
R	(9)	0	NPR	0	NPR	31393XGY7	March 2034
RA	(10)	0	NPR	0	NPR	31393XGZ4	February 2034
RB	(11)	0	NPR	0	NPR	31393XHA8	February 2034
RC	(12)	0	NPR	0	NPR	31393XHB6	March 2034

\* Group 1, Group 2, Group 4 and Group 5 will be treated as REMICs for tax purposes. Group 3 will be treated as a grantor trust for tax purposes. The mortgage loans in Group 3 may not be qualified assets for REMIC purposes.

(1) Approximate. May vary by plus or minus 10%.

(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. See “Description of the Certificates—Maturity Considerations.” 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 February 2044 for the Group 1, Group 2, Group 3 and Group 4 Classes and the distribution date in March 2044 for the Group 5 Classes.

(4) Based on One-Month LIBOR.

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

(6) The PT Class will bear interest at the variable annual rate described in this prospectus. During the initial interest accrual period, the PT Class is expected to bear interest at the annual rate of approximately 0.21403%. Interest on the PT Class is calculated with reference to its notional principal balance and not with reference to its principal balance.

(7) The 3A and 4A Classes will bear interest at the variable annual rates described in this prospectus. During the initial interest accrual period, the 3A and 4A Classes are expected to bear interest at annual rates of approximately 4.38929% and 4.54514%, respectively.

(8) The 5PT Class will bear interest at the variable annual rate described in this prospectus. During the initial interest accrual period, the 5PT Class is expected to bear interest at the annual rate of approximately 0.27832%. Interest on the 5PT Class is calculated with reference to its notional principal balance and not with reference to its principal balance.

(9) The R Class relates to Groups 1, 2, 4 and 5 only.

(10) The RA Class relates to Group 1 and Group 2 only.

(11) The RB Class relates to Group 4 only.

(12) The RC Class relates to Group 5 only.

The dealers will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be March 19, 2004.

**Countrywide Securities Corporation**  
(Lead Dealer)

**Nomura**  
(Co-Dealer)

**RBS Greenwich Capital**  
(Co-Dealer)

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## AVAILABLE INFORMATION

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

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

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

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

You also can obtain additional copies of the Disclosure Documents by writing or calling the dealers at:

Countrywide Securities Corporation  
Prospectus Department  
4500 Park Grenada  
Calabasas, California 91302  
(telephone 800-669-6091)  
or  
Nomura Securities International, Inc.  
Prospectus Department  
2 World Financial Center  
New York, New York 10021  
(telephone 212-667-1120).

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](http://www.sec.gov). You may also read and copy any document we file with the SEC by visiting the SEC’s Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the operation of the Public Reference Room. We are providing the address of the SEC’s 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 Trust 2004-W2.
- The trust assets will be divided into five mortgage loan groups. All of the mortgage loans previously were repurchased from Ginnie Mae pools as a result of past delinquency.
- Group 1, Group 2 and Group 5 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 3 and Group 4 will consist of first lien, one- to four-family, fully amortizing, adjustable-rate mortgage loans insured by the FHA or partially guaranteed by the VA.

### Certain Characteristics of the Mortgage Loans

Each of the mortgage loans was originated in accordance with the underwriting guidelines of the FHA, 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 March 19, 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 March 2004 for the Group 1, Group 2, Group 3 and Group 4 Classes, and beginning in April 2004 for the Group 5 Classes.

### Book-Entry Certificates

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

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

**DTC Book-Entry**

All classes other than the R, RA, RB and RC Classes

**Physical**

R, RA, RB and RC Classes

**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 IO-1, IO-2 and IO-5 Components and the 3A and 4A Classes will bear interest at the applicable rates described in this prospectus supplement.

During the initial interest accrual period, the floating rate and inverse floating rate classes will bear interest at the initial interest rates listed below except that the initial interest rates for the 5A-F and 5A-S Classes are assumed rates. During subsequent interest accrual periods, the floating rate and inverse floating rate classes will bear interest based on the formulas indicated below, but always subject to the specified maximum and minimum interest rates:

<u>Class</u>	<u>Initial Interest Rate</u>	<u>Maximum Interest Rate</u>	<u>Minimum Interest Rate</u>	<u>Formula for Calculation of Interest Rate (1)</u>
1A-3F	1.45%	7.50%	0.35%	LIBOR + 35 basis points
1A-3S	6.05%	7.15%	0.00%	7.15% – LIBOR
5A-F	1.45% (2)	8.00%	0.35%	LIBOR + 35 basis points
5A-S	6.55% (2)	7.65%	0.00%	7.65% – LIBOR

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

(2) Assumed initial rates. We will calculate the actual initial interest rates on March 23, 2004 using the applicable formulas.

**Components**

The PT Class is made up of four payment components and the 5PT Class is made up of two payment components. Each component will have the original principal or notional principal balance, principal type and interest type set forth below.

<u>PT Class</u>	<u>Original Principal or Notional Principal Balance</u>	<u>Principal Type</u>	<u>Interest Type</u>
PO-1.....	\$ 9,134,981	PT	PO
IO-1 .....	411,754,506	NTL	WAC/IO
PO-2.....	7,589,566	PT	PO
IO-2 .....	369,779,959	NTL	WAC/IO
<b><u>5PT Class</u></b>			
PO-5.....	\$ 13,596,695	PT	PO
IO-5 .....	488,535,895	NTL	WAC/IO

The PO-1, PO-2 and PO-5 Components are principal only components and will not bear interest. See “Description of the Certificates—Principal Payments on the Certificates” in this prospectus.

The IO-1, IO-2 and IO-5 Components are notional components. See “—Notional Classes and Components” below and “Description of the Certificates—Interest Payments on the Certificates—*Notional Components*” in this prospectus.

**Notional Classes and Notional Components**

A notional class or notional component will not receive any principal. Its notional principal balance is the balance used to calculate accrued interest. The notional principal balances of the



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

**Class or Component**

1A-3S.....	100% of the 1A-3F Class
5A-S .....	100% of the 5A-F Class
IO-1 .....	100% of the stated principal balance of the Group 1 Loans
IO-2 .....	100% of the stated principal balance of the Group 2 Loans
IO-5 .....	100% of the stated principal balance of the Group 5 Loans

**Payments of Principal**

*Group 1 Principal Distribution Amount*

On each distribution date, we will pay the 1A-4 Accrual Amount as follows:

*first*, to the 1A-1 and 1A-3F Classes in the proportions of 50% and 50%, respectively, until the 1A-1 Class is reduced to zero;

*second*, to the 1A-2 and 1A-3F Classes in the proportions of 60% and 40%, respectively, to zero; and

*third*, to the 1A-4 Class to zero.

On each distribution date, we will pay the Group 1 Non-PO Principal Distribution Amount as principal of the classes specified below as follows:

(a) 54.1454118501% to the 1A Class to zero, and

(b) 45.8545881499% as follows:

*first*, to the 1A-1 and 1A-3F Classes in the proportions of 50% and 50%, respectively, until the 1A-1 Class is reduced to zero;

*second*, to the 1A-2 and 1A-3F Classes in the proportions of 60% and 40%, respectively, to zero; and

*third*, to the 1A-4 Class to zero.

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

For a description of the 1A-4 Accrual Amount, the Group 1 Principal Distribution Amount, the Group 1 Non-PO Principal Distribution Amount and the Group 1 PO Principal Distribution Amount, see “Description of the Certificates—Certain Definitions Relating to Payments on the Certificates.”

*Group 2 Principal Distribution Amount*

On each distribution date, we will pay the Group 2 Non-PO Principal Distribution Amount as principal of the 2A-1 and 2A-2 Classes, pro rata, to zero.

On each distribution date, we will pay the Group 2 PO Principal Distribution Amount as principal of the PO-2 Component to zero.

For a description of the Group 2 Principal Distribution Amount, the Group 2 Non-PO Principal Distribution Amount and the Group 2 PO Principal Distribution Amount, see “Description of the Certificates—Certain Definitions Relating to Payments on the Certificates.”

*Group 3 Principal Distribution Amount*

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

For a description of the Group 3 Principal Distribution Amount, see “Description of the Certificates—Certain Definitions Relating to Payments on the Certificates.”

#### *Group 4 Principal Distribution Amount*

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

For a description of the Group 4 Principal Distribution Amount, see “Description of the Certificates — Certain Definitions Relating to Payments on the Certificates.”

#### *Group 5 Principal Distribution Amount*

On each distribution date, we will pay the Group 5 Non-PO Principal Distribution Amount as principal of the 5A and 5A-F Classes, pro rata, to zero.

On each distribution date, we will pay the Group 5 PO Principal Distribution Amount as principal of the PO-5 Component to zero.

For a description of the Group 5 Principal Distribution Amount, the Group 5 Non-PO Principal Distribution Amount and the Group 5 PO Principal Distribution Amount, see “Description of the Certificates—Certain Definitions Relating to Payments on the Certificates.”

#### **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 certificates no later than the distribution date in February 2044 for the Group 1, Group 2, Group 3 and Group 4 Classes and the distribution date in March 2044 for the Group 5 Classes.

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

CPR Prepayment Assumption									
Group 1 and Group 2 Classes	0%	9%	12%	18%	20%	22%	25%	30%	35%
1A .....	17.3	7.9	6.4	4.5	4.1	3.7	3.2	2.6	2.2
1A-1 .....	14.0	5.3	4.3	3.0	2.7	2.4	2.1	1.7	1.5
1A-2 .....	23.3	14.5	12.3	9.1	8.4	7.7	6.8	5.7	4.8
1A-3F and 1A-3S .....	14.7	6.0	4.9	3.4	3.1	2.8	2.5	2.0	1.7
1A-4 .....	25.6	20.3	18.2	14.3	13.3	12.3	11.0	9.3	7.9
2A-1 and 2A-2 .....	16.6	7.8	6.4	4.5	4.1	3.7	3.2	2.6	2.2
PT .....	17.3	7.9	6.4	4.5	4.1	3.7	3.2	2.6	2.2
CPR Prepayment Assumption									
Group 3 Class	0%	10%	15%	20%	25%	30%	35%		
3A .....	14.3	6.7	5.0	3.9	3.1	2.6	2.2		
CPR Prepayment Assumption									
Group 4 Class	0%	10%	15%	20%	25%	30%	35%		
4A .....	14.2	6.7	5.0	3.9	3.1	2.6	2.2		
CPR Prepayment Assumption									
Group 5 Classes	0%	9%	12%	18%	20%	22%	25%	30%	35%
5A, 5A-F and 5A-S	16.3	7.8	6.4	4.6	4.1	3.8	3.3	2.7	2.3
5PT .....	16.4	7.8	6.4	4.6	4.1	3.8	3.3	2.7	2.3

\* 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.
- You should understand the terms of the certificates thoroughly.
- 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

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

- the price you paid for the certificates;
- how quickly or slowly borrowers prepay the related mortgage loans;
- if and when the related mortgage loans are liquidated due to borrower defaults, casualties or condemnations affecting the properties securing those loans;

- the extent of any uncovered prepayment interest shortfalls;
- if and when the related mortgage loans are repurchased;
- the actual characteristics of the related mortgage loans;
- in the case of the PT Class, fluctuations in the weighted averages of the net mortgage rates of the Group 1 and Group 2 Loans; and
- in the case of the 3A Class, the 4A Class and the 5PT Class, fluctuations in the weighted average of the net mortgage rates of the Group 3 Loans, the Group 4 Loans and the Group 5 Loans, respectively.

*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 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 at a discount and principal payments on the related mortgage loans are slower than you expect.

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

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 related 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.**

*In the future, the PT Class may receive interest payments only or principal payments only.* Interest payments on the PT Class will be calculated in relation to the net WAC of the Group 1 Non-Discount Loans and the net WAC of the Group 2 Non-Discount Loans, while principal payments on the PT Class will be based on principal payable on the Group 1 Discount Loans and the Group 2 Discount Loans. As a result, accrued interest on the PT Class will not be calculated on the basis of the principal balance of the PT Class and the interest payment rate and principal payment rate on the PT Class will not be directly related. Moreover, it is possible that the PT Class could in the future receive only principal payments in the event that the Group 1 Non-Discount and Group 2 Non-Discount Loans are repaid in full while the PT Class is still outstanding. Conversely, it is possible that the PT Class could in the future receive only interest payments in the event that the Group 1 Discount and Group 2 Discount Loans are repaid in full while the PT Class is still outstanding.

*In the future, the 5PT Class may receive interest payments only or principal payments only.* Interest payments on the 5PT Class will be calculated in relation to the net WAC of the Group 5 Non-Discount Loans, while principal payments on the 5PT Class will be based on principal payable on the Group 5 Discount Loans. As a result, accrued interest on the 5PT Class will not be calculated on the basis of the principal balance of the 5PT Class and the interest payment rate and principal payment rate on the 5PT Class will not be directly related. Moreover, it is possible that the 5PT Class could in the future receive only principal payments in the event that the Group 5 Non-Discount Loans are repaid in full while the 5PT Class is still outstanding. Conversely, it is possible that the 5PT Class could in the future receive only interest payments in the event that the Group 5 Discount Loans are repaid in full while the 5PT Class is still outstanding.

*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 February 2044 for the Group 1, Group 2, Group 3 and Group 4 Classes, and in March 2044 for the Group 5 Classes. If you assumed the actual final payment would occur on the distribution date occurring in February 2044 for the Group 1, Group 2, Group 3 and Group 4 Classes, and in March 2044 for the Group 5 Classes, your yield could be lower than you expect.

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

### **Prepayment Considerations**

*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.

The prepayment rate of mortgage loans, especially fixed rate loans, can be particularly sensitive to prevailing interest rates. In general, when the level of prevailing interest rates declines relative to the interest rates on fixed rate mortgage loans, the rate of prepayment is likely to increase. Similarly, declines in prevailing interest rates may lead to an increase in the rate of prepayment of adjustable rate mortgage loans by borrowers who wish to lock in relatively low fixed rates. The prepayment rate is influenced by a number of other factors as well, including general economic conditions and homeowner mobility. In addition, no one can predict the

degree to which interest rates must decline before significant prepayments are likely to occur. Increased borrower sophistication regarding the benefits of refinancing and extensive solicitation by lenders may result in an increase in the rate at which the mortgage loans are prepaid due to refinancing. Because of these and other factors, we are unable to estimate what the prepayment experience for the mortgage loans will be.

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 affected 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 affected 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, the master servicer is obligated to purchase 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.* The master 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 Feb-

ruary 2044 for the Group 1, Group 2, Group 3 and Group 4 Classes and March 2044 for the Group 5 Classes). To the extent that the master servicer recasts the amortization schedule or extends the term of a mortgage loan, the weighted average lives of the related classes of certificates could be extended.

*Exercise of any optional clean-up calls will have the same effect on the related certificates as borrower prepayments of the related mortgage loans.* Countrywide Servicing has the option to purchase from the trust all of the Group 1 and Group 2 Loans, all of the Group 3 Loans, all of the Group 4 Loans, or all of the Group 5 Loans, on or after the first distribution date when the aggregate principal balance of the related mortgage loans in each group (or in the case of the Group 1 and Group 2 Loans, the aggregate of such loans) is reduced to 5% or less of their related aggregate stated principal balance as of the cut-off date. If the master servicer purchases the mortgage loans in any loan group in this way, it would have the same effect on the related certificates as a borrower prepayment in full of all the mortgage loans in that group.

*Concentration of mortgaged properties in certain states could lead to increased delinquencies, with the same effect as borrower prepayments.* As of the issue date, the following states have the two largest concentrations of mortgaged properties in the specified loan groups:

- Group 1 Loans: Texas (11.16%), California (7.52%)
- Group 2 Loans: California (9.66%), Texas (9.58%)
- Group 3 Loans: California (10.35%), Illinois (8.33%)
- Group 4 Loans: California (11.87%), Maryland (9.29%)
- Group 5 Loans: California (11.17%), Michigan (8.69%).

If the economic conditions worsen, a natural disaster occurs or the residential real estate markets in the areas with the heaviest concentrations of mortgage loans should experience an overall decline in property values, the rates of delinquencies, foreclosures and bankruptcies on the related mortgage loans probably will increase and may increase substantially.

*Loan characteristics may differ from descriptions due to permitted variance.* The principal amount of mortgage loans included in

any loan group delivered to the trust on the settlement date may vary by plus or minus 10%. In that event the principal balances of the related certificates will be adjusted accordingly to reflect such variance. In addition, it is expected that additional mortgage loans may be added to, and certain mortgage loans may be deleted from, any loan group between the cut-off date and the settlement date. As a result, the characteristics of the mortgage loans actually included in a loan group may differ from the characteristics of the mortgage loans specified in this prospectus.

### **Reinvestment Risk**

*The certificates are subject to 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**

*Uncertain market for the certificates could make them difficult to sell and cause their values to fluctuate.* 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 mar-

ket. 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 related mortgage loans;
- past and expected prepayment levels of the related 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 did not perform under our guaranty, delinquencies and defaults on the related mortgage loans would directly affect your investment.* If we were unable to perform our guaranty obligations, certificateholders would receive only borrower payments and other recoveries on the mortgage loans. If that happened, delinquencies and defaults on the mortgage loans could directly affect the amounts that certificateholders would receive each month.

## **GENERAL**

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

*Structure.* We, the Federal National Mortgage Association (“Fannie Mae”), a corporation organized and existing under the laws of the United States, under the authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*), will create the Fannie Mae trust specified on the cover of this prospectus (the “Trust”) pursuant to a



trust agreement (the “Trust Agreement”) dated as of February 1, 2004. We will issue the Guaranteed Pass-Through Certificates (the “Certificates”) pursuant to that Trust Agreement. We will execute the Trust Agreement in our corporate capacity and as trustee (the “Trustee”).

The assets of the Trust will consist of five groups of mortgage loans (the “Group 1 Loans,” “Group 2 Loans,” “Group 3 Loans,” “Group 4 Loans” and “Group 5 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. The portions of the Trust relating to the Group 1, Group 2, Group 4 and Group 5 Loans will be treated as REMICs for tax purposes. The portion of the Trust relating to the Group 3 Loans will be treated as a grantor trust for tax purposes. The Group 3 Loans may not be qualified assets for REMIC purposes.

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

The following chart contains information about the assets, the “regular interests” and the “residual interests” of each REMIC.

<u>REMIC Designation</u>	<u>Assets</u>	<u>Regular Interests</u>	<u>Residual Interest</u>
Lower Tier REMIC I . . . . .	Group 1 Loans and Group 2 Loans	Interests in Lower Tier REMIC I other than the RA Class (the “Lower Tier REMIC I Regular Interests”)	RA
Lower Tier REMIC II . . . . .	Group 4 Loans	Interests in Lower Tier REMIC II other than the RB Class (the “Lower Tier REMIC II Regular Interests”)	RB
Lower Tier REMIC III . . . . .	Group 5 Loans	Interests in Lower Tier REMIC III other than the RC Class (the “Lower Tier REMIC III Regular Interests” and together with the Lower Tier REMIC I Regular Interests and the Lower Tier REMIC II Regular Interests, the “Lower Tier Regular Interests”)	RC
Upper Tier REMIC . . . . .	Lower Tier Regular Interests	Group 1, Group 2, Group 4 and Group 5 Classes	R

*Authorized Denominations.* We will issue the Certificates in the following denominations:

<u>Classes</u>	<u>Denominations</u>
The 1A-3S, PT, 5A-S and 5PT Classes	\$100,000 minimum plus whole dollar increments
All other Classes (except the R, RA, RB and RC Classes)	\$1,000 minimum plus whole dollar increments

We will issue the R, RA, RB and RC Classes as a single Certificate (the “Combined Residual Certificate”) with no principal balance.

*Characteristics of Certificates.* The Certificates (except the R, RA, RB and RC Classes) will be represented by one or more certificates (the “DTC Certificates”) to be registered at all times in the name of the nominee of The Depository Trust Company (“DTC”), a New York-chartered limited purpose trust company, or any successor or depository selected or approved by us. We refer to the nominee of DTC as the “Holder” or “Certificateholder” of the DTC Certificates. DTC will maintain the DTC Certificates through its book-entry facilities. A Holder is not necessarily the beneficial owner of a Certificate. Beneficial owners ordinarily will hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See “Description of the Certificates—Book-Entry Procedures” in this prospectus.

The holder of the Combined Residual Certificate will have the right to exchange the Combined Residual Certificate for four separate residual certificates (each, a “Separate Residual Certificate”) relating to each of the R, RA, RB and RC Classes.

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

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

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

- required installments of principal and interest on the Certificates on time, and
- the remaining principal balance of each Class of Certificates no later than the Distribution Date in February 2044 for the Group 1, Group 2, Group 3 and Group 4 Classes, and in March 2044 for the Group 5 Classes, whether or not we have received sufficient payments.

Our guaranty will *not* cover any uncovered prepayment interest shortfall amounts as described under the heading “Description of the Certificates—Interest Payments on the Certificates” in this prospectus.

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 March 2004 for the Group 1, Group 2, Group 3 and Group 4 Classes, and in April 2004 for the Group 5 Classes.



*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 (or on March 19, 2004 in the case of the Distribution Date in March 2004).

*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 and each Component. When the factor is multiplied by the original principal balance (or notional principal balance) of a Certificate of that Class or Component, the product will equal the remaining principal balance (or notional principal balance) of that Certificate or Component after taking into account payments on the Distribution Date in the same month.

*Optional Clean-up Calls by Countrywide Servicing.* Countrywide Servicing may elect to purchase

- all of the Group 1 and Group 2 Loans from Lower Tier REMIC I,
- all of the Group 3 Loans from the Trust,
- all of the Group 4 Loans from Lower Tier REMIC II, and/or
- all of the Group 5 Loans from Lower Tier REMIC III,

in each case, on or after the first Distribution Date on which the aggregate Stated Principal Balance of the related Mortgage Loans in each group (or in the case of the Group 1 and Group 2 Loans, the aggregate of such loans) has been reduced to no more than 5% of their related aggregate Stated Principal Balance on the Cut-off Date. If Mortgage Loans are purchased in this way, it will have the same effect on the related Certificates as a prepayment in full of those Mortgage Loans.

## **THE MORTGAGE LOANS**

### **General**

The Mortgage Loans to be delivered to the Trust on the Settlement Date will consist of the mortgage loans identified as of February 1, 2004 in the case of the Group 1, Group 2, Group 3 and Group 4 Loans, and as of March 1, 2004 in the case of the Group 5 Loans (the “Cut-off Date”), subject to any additions and deletions of mortgage loans on or prior to the Settlement Date. The Mortgage Loans identified as of the Cut-off Date are referred to in the aggregate as the “Initial Mortgage Pool.” Fannie Mae, as purchaser of the Mortgage Loans, Countrywide Home Loans, Inc., as seller of the Mortgage Loans (the “Seller” or “Countrywide”), and Countrywide Home Loans Servicing LP (“Countrywide Servicing”), an affiliate of the Seller, as master servicer of the Mortgage Loans (the “Master Servicer”), will be parties to a Sale and Servicing Agreement (the “Sale and Servicing Agreement”) dated as of the Cut-off Date.

The Mortgage Loans in each of the five loan groups are first lien, one- to four-family, fully amortizing loans. All of the Group 1, Group 2 and Group 5 Loans bear fixed rates of interest. All of the Group 3 and Group 4 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 Cut-off 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 Cut-off 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 Cut-off Date.

Each of the Mortgage Loans was originated in accordance with the underwriting guidelines of FHA, VA or RHS, as the case may be. Generally, the regulations applicable to FHA loans permit borrowers to finance up to 97% of the outstanding principal balance of the purchase price, although certain special FHA loan programs permit borrowers to finance 100% of the purchase price plus closing costs. The VA loan programs generally permit borrowers to finance 100% of the purchase price plus closing costs. If closing costs are financed, then the related loan-to-value may exceed 100%.

Each Mortgage Loan 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 previously pooled with Ginnie Mae and then purchased from Ginnie Mae pools when each such Mortgage Loan had a delinquency that was not cured for at least 90 days.

Certain of the Mortgage Loans to be transferred to the Trust are subject to arrearages arising from unreimbursed interest, principal and servicing advances made on or prior to the Cut-off Date. These arrearages will not be the property of the Trust and any collections of such arrearage amounts will be paid to the advancing party. Additionally, any arrearage amounts not paid as described above will be paid out of recoveries on the Mortgage Loans (including collections, insurance proceeds and liquidation proceeds) prior to the deposit of any such recoveries into the Trust. The following table describes the arrearages with respect to the Initial Mortgage Pool as of the Cut-off Date:

	<b>No. of Mortgage Loans in Initial Mortgage Pool</b>	<b>Approximate Aggregate Principal Balance of Mortgage Loans</b>	<b>Approximate Aggregate Amount of Arrearages*</b>
Group 1 . . . . .	3,848	\$411,754,507	\$ 8,827,837
Group 2 . . . . .	4,137	369,779,960	10,306,880
Group 3 . . . . .	1,409	130,470,046	1,842,732
Group 4 . . . . .	1,647	154,827,807	6,884,834
Group 5 . . . . .	5,745	488,535,896	27,409,464

\* The numbers representing the aggregate arrearage amounts are approximations only and are based on estimates that include (i) principal and interest payments on the related Mortgage Loans advanced by servicers on or prior to the Cut-off Date, *plus* (ii) the aggregate amount of outstanding servicing advances with respect to those loans as of the Cut-off Date. These estimates do not include certain related expenses incurred but not paid by servicers prior to the Cut-off Date that, if paid, would constitute servicing advances.

## Group 1 Loans

The Group 1 Loans are fixed-rate mortgage loans. The following tables set forth certain information regarding the Group 1 Loans as of the Cut-off Date.

References to “Principal Balance Outstanding” mean the aggregate of the Stated Principal Balances of the related Mortgage Loans as of the Cut-off Date. The sum of the percentage columns in the following tables may not equal 100% due to rounding.

### Contractual Delinquency\*

Contractual Delinquency (Days)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Current .....	1,088	\$115,196,454	27.98%	6.412%	324	23	4.3	6.8
30 Days .....	1,007	106,599,806	25.89	6.553	323	27	3.3	5.7
60 Days .....	714	76,970,865	18.69	6.563	328	25	2.4	4.7
90 Days .....	571	65,101,764	15.81	6.378	333	20	1.8	3.9
120 or more Days .....	468	47,885,618	11.63	6.554	316	36	2.6	4.9
Total .....	<u>3,848</u>	<u>\$411,754,507</u>	<u>100.00%</u>					

\* A Mortgage Loan is “contractually delinquent” if delinquencies that occurred at any time during the term of the loan were not cured as of the Cut-off Date.

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

Number of Payments Made in Last 3 Months	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1.....	480	\$ 55,397,488	13.45%	6.385%	335	18	1.0	3.7
2.....	949	100,821,905	24.49	6.522	325	26	2.0	4.5
3 or more .....	<u>2,419</u>	<u>255,535,114</u>	<u>62.06</u>	<u>6.496</u>	<u>323</u>	<u>27</u>	<u>4.0</u>	<u>6.2</u>
Total .....	<u>3,848</u>	<u>\$411,754,507</u>	<u>100.00%</u>					

(1) As of the Cut-off Date, the balance weighted number of payments on the Group 1 Loans (based on their Cut-off Date Stated Principal Balances) made in the last three months was approximately 3.1 payments.

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

Number of Payments Made in Last 6 Months	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
3.....	501	\$ 57,881,864	14.06%	6.312%	337	17	1.5	3.0
4.....	664	73,383,953	17.82	6.536	328	24	2.2	4.0
5.....	895	94,197,180	22.88	6.556	324	27	2.8	5.0
6 or more .....	<u>1,788</u>	<u>186,291,511</u>	<u>45.24</u>	<u>6.489</u>	<u>321</u>	<u>28</u>	<u>4.1</u>	<u>7.0</u>
Total .....	<u>3,848</u>	<u>\$411,754,507</u>	<u>100.00%</u>					

(1) As of the Cut-off Date, the balance weighted number of payments made on the Group 1 Loans (based on their Cut-off Date Stated Principal Balances) made in the last six months was approximately 5.5 payments.

### Cut-off Date Mortgage Loan Principal Balances (1)

Cut-off Date Mortgage Loan Stated Principal Balances (\$)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0.01- 25,000.00 .....	9	\$ 189,976	0.05%	6.674%	187	63
25,000.01- 50,000.00 .....	174	7,233,468	1.76	6.569	267	43
50,000.01- 75,000.00 .....	734	46,892,568	11.39	6.582	304	35
75,000.01-100,000.00 .....	982	85,604,026	20.79	6.550	318	30
100,000.01-150,000.00 .....	1,412	173,286,118	42.08	6.500	328	24
150,000.01-200,000.00 .....	401	67,638,622	16.43	6.392	340	19
200,000.01-250,000.00 .....	112	24,630,343	5.98	6.282	343	14
250,000.01-300,000.00 .....	24	6,279,387	1.53	6.334	340	15
Total.....	<u>3,848</u>	<u>\$411,754,507</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the average Stated Principal Balance for the Group 1 Loans was approximately \$107,004.

### Mortgage Interest Rates (1)

Mortgage Interest Rates (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
4.001-4.500 .....	5	\$ 456,517	0.11%	4.454%	311	49
4.501-5.000 .....	6	972,430	0.24	4.921	351	8
5.001-5.500 .....	104	12,383,296	3.01	5.483	325	10
5.501-6.000 .....	606	74,288,470	18.04	5.955	338	13
6.001-6.500 .....	1,408	154,055,613	37.41	6.446	325	26
6.501-7.000 .....	1,718	169,502,561	41.17	6.847	320	32
7.001-7.500 .....	1	95,620	0.02	7.100	341	19
Total.....	<u>3,848</u>	<u>\$411,754,507</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average Mortgage Interest Rate of the Group 1 Loans was approximately 6.488%.

### 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 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1-120 .....	4	\$ 195,125	0.05%	6.475%	89	31
151-180 .....	144	10,180,406	2.47	6.286	151	29
211-240 .....	84	7,274,199	1.77	6.539	213	27
241-270 .....	6	510,158	0.12	6.662	250	6
271-300 .....	80	7,493,458	1.82	6.511	279	18
301-360 .....	3,529	385,949,676	93.73	6.491	333	26
Greater than or equal to 361	1	151,484	0.04	6.500	356	56
Total.....	<u>3,848</u>	<u>\$411,754,507</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average original term to stated maturity of the Group 1 Loans was approximately 352 months.

### Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1-120 .....	32	\$ 1,581,737	0.38%	6.575%	103	68
121-150 .....	21	1,588,633	0.39	6.696	136	43
151-180 .....	113	8,554,638	2.08	6.222	165	24
181-210 .....	9	722,888	0.18	6.830	202	55
211-240 .....	91	7,726,773	1.88	6.565	227	44
241-270 .....	53	4,232,883	1.03	6.677	260	66
271-300 .....	598	53,406,417	12.97	6.656	294	56
301-360 .....	2,931	333,940,539	81.10	6.461	339	19
Total .....	3,848	\$411,754,507	100.00%			

(1) As of the Cut-off Date, the weighted average remaining term to stated maturity of the Group 1 Loans was approximately 325 months.

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

Mortgage Loan Ages (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0 .....	3	\$ 304,421	0.07%	6.056%	317	0
1- 14 .....	1,056	127,160,204	30.88	6.137	340	10
15- 24 .....	1,190	133,714,954	32.47	6.590	333	18
25- 36 .....	723	77,284,718	18.77	6.738	323	29
37- 60 .....	379	32,092,032	7.79	6.606	293	56
61-120 .....	476	39,763,616	9.66	6.673	283	67
121-180 .....	21	1,434,562	0.35	6.850	227	123
Total .....	3,848	\$411,754,507	100.00%			

(1) As of the Cut-off Date, the weighted average mortgage loan age of the Group 1 Loans was approximately 26 months.

### Geographic Distribution of Mortgaged Properties

State	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Texas .....	511	\$ 45,961,005	11.16%	6.520%	316	28	3.0	5.5
California .....	217	30,961,124	7.52	6.440	329	26	3.2	5.6
Georgia .....	230	24,750,826	6.01	6.604	325	29	2.9	5.3
Illinois .....	207	24,644,370	5.99	6.426	327	24	3.1	5.4
Florida .....	254	23,985,006	5.83	6.538	320	26	3.2	5.5
Colorado .....	150	23,034,286	5.59	6.323	339	18	3.0	5.3
Arizona .....	177	19,210,849	4.67	6.436	333	23	2.9	5.1
Maryland .....	140	17,241,211	4.19	6.510	322	30	2.9	5.2
Washington .....	116	16,328,055	3.97	6.384	333	23	3.2	5.5
Indiana .....	148	16,080,375	3.91	6.458	334	22	3.2	5.5
Other .....	1,698	169,557,400	41.18	6.512	323	26	3.1	5.5
Total .....	3,848	\$411,754,507	100.00%					

### Mortgage Loan Type

Mortgage Loan Type	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
RHS .....	25	\$ 2,259,964	0.55%	6.912%	325	32	2.4	5.0
FHA .....	2,998	317,954,771	77.22	6.491	327	24	3.1	5.4
VA .....	825	91,539,773	22.23	6.467	319	30	3.2	5.7
Total .....	<u>3,848</u>	<u>\$411,754,507</u>	<u>100.00%</u>					

### Bankruptcy Status

Bankruptcy Status	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Not in Bankruptcy .....	3,387	\$367,808,996	89.33%	6.477%	327	24	3.1	5.4
In Bankruptcy .....	461	43,945,511	10.67	6.581	310	41	3.0	5.5
Total .....	<u>3,848</u>	<u>\$411,754,507</u>	<u>100.00%</u>					

### Group 2 Loans

The Group 2 Loans are fixed-rate mortgage loans. The following tables set forth certain information regarding the Group 2 Loans as of the Cut-off Date.

References to “Principal Balance Outstanding” mean the aggregate of the Stated Principal Balances of the related Mortgage Loans as of the Cut-off Date. The sum of the percentage columns in the following tables may not equal 100% due to rounding.

### Contractual Delinquency\*

Contractual Delinquency (Days)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Current .....	862	\$ 77,217,252	20.88%	7.340%	308	43	4.2	7.0
30 Days .....	1,182	104,298,768	28.21	7.497	308	46	3.2	5.8
60 Days .....	1,010	88,412,589	23.91	7.568	308	46	2.4	4.8
90 Days .....	437	40,321,774	10.90	7.477	311	45	1.9	4.2
120 or more Days .....	646	59,529,577	16.10	7.167	302	53	3.1	5.7
Total .....	<u>4,137</u>	<u>\$369,779,960</u>	<u>100.00%</u>					

\* A Mortgage Loan is “contractually delinquent” if delinquencies that occurred at any time during the term of the loan were not cured as of the Cut-off Date.

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

Number of Payments Made in Last 3 Months	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1 .....	386	\$ 35,248,815	9.53%	7.444%	313	39	1.0	4.1
2 .....	1,164	105,794,610	28.61	7.520	309	45	2.0	4.7
3 or more .....	<u>2,587</u>	<u>228,736,535</u>	<u>61.86</u>	<u>7.379</u>	<u>305</u>	<u>48</u>	<u>3.9</u>	<u>6.3</u>
Total .....	<u>4,137</u>	<u>\$369,779,960</u>	<u>100.00%</u>					

(1) As of the Cut-off Date, the balance weighted number of payments on the Group 2 Loans (based on their Cut-off Date Stated Principal Balances) made in the last three months was approximately 3.1 payments.



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

Number of Payments Made in Last 6 Months	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
3.....	323	\$ 29,602,164	8.01%	7.469%	312	41	1.6	3.0
4.....	839	74,804,033	20.23	7.468	311	44	2.1	4.0
5.....	1,029	91,357,391	24.71	7.457	308	46	2.8	5.0
6 or more.....	1,946	174,016,371	47.06	7.384	304	49	3.8	7.1
Total.....	<u>4,137</u>	<u>\$369,779,960</u>	<u>100.00%</u>					

(1) As of the Cut-off Date, the balance weighted number of payments made on the Group 2 Loans (based on their Cut-off Date Stated Principal Balances) made in the last six months was approximately 5.6 payments.

### Cut-off Date Mortgage Loan Principal Balances (1)

Cut-off Date Mortgage Loan Stated Principal Balances (\$)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0.01- 25,000.00 .....	46	\$ 717,019	0.19%	8.214%	124	126
25,000.01- 50,000.00 .....	456	18,587,780	5.03	7.854	268	75
50,000.01- 75,000.00 .....	1,170	73,984,708	20.01	7.563	293	58
75,000.01-100,000.00 .....	1,055	91,207,650	24.67	7.408	307	47
100,000.01-150,000.00 .....	1,131	136,495,617	36.91	7.334	315	40
150,000.01-200,000.00 .....	242	40,503,006	10.95	7.307	321	36
200,000.01-250,000.00 .....	33	7,228,190	1.95	7.422	332	25
250,000.01-300,000.00 .....	4	1,055,988	0.29	7.644	327	31
Total.....	<u>4,137</u>	<u>\$369,779,960</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the average Stated Principal Balance for the Group 2 Loans was approximately \$89,383.

### Mortgage Interest Rates (1)

Mortgage Interest Rates (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
6.501- 7.000 .....	1,670	\$160,556,878	43.42%	6.999%	308	44
7.001- 7.500 .....	1,317	120,599,553	32.61	7.353	314	41
7.501- 8.000 .....	520	42,716,530	11.55	7.894	303	51
8.001- 8.500 .....	366	27,933,625	7.55	8.416	295	58
8.501- 9.000 .....	187	13,618,082	3.68	8.889	293	59
9.001- 9.500 .....	50	3,042,990	0.82	9.425	254	102
9.501-10.000 .....	16	898,665	0.24	9.910	218	125
10.001-10.500 .....	8	309,629	0.08	10.500	173	180
11.001-11.500 .....	1	53,056	0.01	11.500	139	217
11.501-12.000 .....	1	47,463	0.01	12.000	134	223
12.501-13.000 .....	1	3,487	0.00	13.000	26	225
Total.....	<u>4,137</u>	<u>\$369,779,960</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average Mortgage Interest Rate of the Group 2 Loans was approximately 7.426%.

### 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	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
151-180 .....	61	\$ 2,581,785	0.70%	7.302%	107	70
181-210 .....	1	67,002	0.02	7.500	160	35
211-240 .....	50	3,944,264	1.07	7.388	204	36
241-270 .....	9	676,306	0.18	7.081	245	8
271-300 .....	54	4,869,261	1.32	7.163	256	37
301-360 .....	3,961	357,594,653	96.7	7.431	311	47
Greater than or equal to 361 ..	1	46,688	0.01	7.500	258	207
Total .....	<u>4,137</u>	<u>\$369,779,960</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average original term to stated maturity of the Group 2 Loans was approximately 356 months.

### Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0 .....	2	\$ 70	0.00%	7.855%	0	351
1-120 .....	61	1,744,999	0.47	7.479	84	108
121-150 .....	36	1,789,121	0.48	8.391	136	136
151-180 .....	32	1,699,992	0.46	8.135	164	108
181-210 .....	46	2,604,773	0.70	8.504	196	113
211-240 .....	207	14,086,234	3.81	7.445	229	97
241-270 .....	248	17,623,163	4.77	7.751	258	86
271-300 .....	1,110	93,754,645	25.35	7.304	291	64
301-360 .....	2,395	236,476,963	63.95	7.424	327	31
Total .....	<u>4,137</u>	<u>\$369,779,960</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average remaining term to stated maturity of the Group 2 Loans was approximately 307 months.

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

Mortgage Loan Ages (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1- 14 .....	126	\$ 12,520,897	3.39%	7.089%	322	9
15- 24 .....	706	74,551,863	20.16	7.183	335	20
25- 36 .....	978	98,053,763	26.52	7.335	325	30
37- 60 .....	937	80,161,255	21.68	7.796	303	51
61-120 .....	1,172	93,141,930	25.19	7.373	280	73
121-180 .....	168	9,669,954	2.62	7.718	217	132
181-240 .....	38	1,604,010	0.43	9.536	152	205
241-320 .....	7	66,762	0.02	9.272	56	304
321-360 .....	5	9,525	0.00	8.562	28	331
Total .....	<u>4,137</u>	<u>\$369,779,960</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average mortgage loan age of the Group 2 Loans was approximately 46 months.

### Geographic Distribution of Mortgaged Properties

State	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
California .....	306	\$ 35,702,731	9.66%	7.399%	309	47	3.1	6.0
Texas .....	482	35,409,550	9.58	7.451	299	49	2.9	5.3
Florida .....	376	29,365,569	7.94	7.526	305	48	3.1	5.6
Georgia .....	278	26,575,059	7.19	7.355	312	44	3.0	5.3
Illinois .....	195	18,982,529	5.13	7.478	309	46	3.2	5.9
Maryland .....	177	18,007,194	4.87	7.324	302	54	3.1	5.9
Michigan .....	202	17,219,102	4.66	7.450	317	37	3.1	5.5
Arizona .....	142	13,897,728	3.76	7.256	315	39	3.1	5.6
Ohio .....	146	12,771,702	3.45	7.327	312	42	3.3	5.6
Virginia .....	130	11,491,397	3.11	7.400	298	57	2.7	5.4
Other .....	1,703	150,357,400	40.66	7.448	307	46	3.0	5.6
Total .....	<u>4,137</u>	<u>\$369,779,960</u>	<u>100.00%</u>					

### Mortgage Loan Type

Mortgage Loan Type	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
RHS .....	169	\$ 11,992,729	3.24%	7.946%	304	52	2.6	4.6
FHA .....	3,364	300,638,466	81.30	7.436	310	44	3.0	5.6
VA .....	604	57,148,765	15.45	7.264	292	60	3.2	5.9
Total .....	<u>4,137</u>	<u>\$369,779,960</u>	<u>100.00%</u>					

### Bankruptcy Status

Bankruptcy Status	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Not in Bankruptcy .....	3,447	\$308,355,635	83.39%	7.477%	309	44	3.0	5.5
In Bankruptcy .....	690	61,424,324	16.61	7.167	296	59	3.2	6.1
Total .....	<u>4,137</u>	<u>\$369,779,960</u>	<u>100.00%</u>					

### Group 3 Loans

Each Group 3 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 3 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 3 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”).

As of the Cut-off Date, no Group 3 Loan was 120 days or more contractually delinquent. Neither the Master Servicer nor Fannie Mae has the right to purchase a Group 3 Loan from the Trust based upon the Cut-off Date contractual delinquency of that loan. However, if at any time the aggregate

principal balance of the Group 3 Loans that are 90 days or more delinquent (the “90+ Delinquent Group 3 Loans”) exceeds 49.00% of the aggregate principal balance of the Group 3 Loans, the Seller is required to repurchase from the Trust a sufficient amount of 90+ Delinquent Group 3 Loans to reduce the aggregate principal balance of 90+ Delinquent Group 3 Loans to 49.00% or less of the aggregate principal balance of the Group 3 Loans (but not less than 45.00%).

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

#### Contractual Delinquency\*

Contractual Delinquency (Days)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
Current .....	520	\$ 46,343,314	35.52%	4.932%	294	66
30 Days .....	424	39,778,318	30.49	4.897	297	63
60 Days .....	214	20,168,003	15.46	4.906	302	58
90 Days .....	251	24,180,411	18.53	4.915	300	60
Total .....	<u>1,409</u>	<u>\$130,470,046</u>	<u>100.00%</u>			

\* A Mortgage Loan is “contractually delinquent” if delinquencies that occurred at any time during the term of the loan were not cured as of the Cut-off Date.

#### Cut-off Date Mortgage Loan Principal Balance (1)

Cut-off Date Mortgage Loan Stated Principal Balances (\$)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0.01– 25,000.00 .....	4	\$ 93,751	0.07%	5.505%	239	121
25,000.01– 50,000.00 .....	140	5,775,725	4.43	5.360	254	106
50,000.01– 75,000.00 .....	376	23,802,145	18.24	5.173	274	86
75,000.01–100,000.00 .....	360	31,206,823	23.92	5.040	288	71
100,000.01–150,000.00 .....	418	49,580,361	38.00	4.829	305	55
150,000.01–200,000.00 .....	86	14,586,758	11.18	4.496	328	32
200,000.01–250,000.00 .....	24	5,170,096	3.96	4.493	337	23
250,000.01–300,000.00 .....	1	254,387	0.19	4.125	342	18
Total .....	<u>1,409</u>	<u>\$130,470,046</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the average Stated Principal Balance for the Group 3 Loans was approximately \$92,597.

### Mortgage Interest Rates (1)

<u>Current Mortgage Interest Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
3.001-3.500 .....	6	\$ 643,136	0.49%	3.467%	331	29
3.501-4.000 .....	69	7,688,635	5.89	3.951	321	39
4.001-4.500 .....	452	49,923,780	38.26	4.324	323	37
4.501-5.000 .....	244	21,243,404	16.28	4.861	283	76
5.001-5.500 .....	255	21,372,772	16.38	5.368	273	87
5.501-6.000 .....	326	25,154,497	19.28	5.783	274	86
6.001-6.500 .....	33	2,453,910	1.88	6.223	256	104
6.501-7.000 .....	17	1,320,659	1.01	6.874	282	78
7.001-7.500 .....	7	669,254	0.51	7.203	267	93
Total .....	<u>1,409</u>	<u>\$130,470,046</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average Mortgage Interest Rate of the Group 3 Loans was approximately 5.094%.

### 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 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
271-300 .....	1	\$ 96,788	0.07%	4.875%	168	118
301-360 .....	<u>1,408</u>	<u>130,373,258</u>	<u>99.93</u>	<u>4.914</u>	<u>297</u>	<u>63</u>
Total .....	<u>1,409</u>	<u>\$130,470,046</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average original term to maturity of the Group 3 Loans was approximately 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 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
121-150 .....	7	\$ 326,677	0.25%	4.729%	143	217
151-180 .....	22	1,090,468	0.84	4.902	164	190
181-210 .....	3	176,442	0.14	5.250	205	155
211-240 .....	116	8,948,477	6.86	4.977	231	129
241-270 .....	282	20,800,012	15.94	5.468	255	105
271-300 .....	386	31,438,076	24.10	5.529	282	78
301-360 .....	<u>593</u>	<u>67,689,893</u>	<u>51.88</u>	<u>4.450</u>	<u>329</u>	<u>31</u>
Total .....	<u>1,409</u>	<u>\$130,470,046</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average remaining term to stated maturity of the Group 3 Loans was approximately 297 months.

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

<u>Mortgage Loan Ages (months)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
1- 14 .....	25	\$ 3,351,377	2.57%	4.709%	349	11
15- 24 .....	230	28,383,968	21.76	4.414	340	20
25- 36 .....	110	12,908,250	9.89	4.173	331	29
37- 60 .....	229	23,107,022	17.71	4.613	311	49
61-120 .....	671	52,536,537	40.27	5.498	271	89
121-180 .....	116	8,862,535	6.79	5.003	230	130
181-240 .....	28	1,320,357	1.01	4.861	158	202
Total.....	<u>1,409</u>	<u>\$130,470,046</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average mortgage loan age of the Group 3 Loans was approximately 63 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 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
8.501- 9.000 .....	4	\$ 574,882	0.44%	3.981%	347	13
9.001- 9.500 .....	38	4,017,293	3.08	4.249	328	32
9.501-10.000 .....	145	16,365,844	12.54	4.279	326	34
10.001-10.500 .....	294	30,278,374	23.21	4.621	308	52
10.501-11.000 .....	244	22,561,187	17.29	5.020	294	66
11.001-11.500 .....	267	22,824,378	17.49	5.284	283	77
11.501-12.000 .....	225	18,954,120	14.53	5.265	286	74
12.001-12.500 .....	128	10,704,064	8.20	5.263	281	79
12.501-13.000 .....	35	2,708,129	2.08	5.247	278	82
13.001-13.500 .....	14	767,831	0.59	5.449	230	130
13.501-14.000 .....	5	267,209	0.20	4.949	164	196
14.001-14.500 .....	9	390,721	0.30	4.641	153	207
14.501-15.000 .....	1	56,015	0.04	5.125	165	195
Total.....	<u>1,409</u>	<u>\$130,470,046</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average Mortgage Interest Rate Life Cap of the Group 3 Loans was approximately 11.073%.

### Mortgage Interest Rate Life Floors (1)

<u>Mortgage Interest Rate Life Floors (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
1.501-2.000 .....	221	\$ 17,534,451	13.44%	4.848%	248	112
2.001-2.500 .....	121	9,873,529	7.57	5.021	285	75
2.501-3.000 .....	1,037	101,472,749	77.77	4.912	308	52
3.001-3.500 .....	14	767,831	0.59	5.449	230	130
3.501-4.000 .....	5	267,209	0.20	4.949	164	196
4.001-4.500 .....	10	498,263	0.38	4.611	192	168
4.501-5.000 .....	1	56,015	0.04	5.125	165	195
Total.....	<u>1,409</u>	<u>\$130,470,046</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average Mortgage Interest Rate Life Floor of the Group 3 Loans was approximately 2.658%.



### 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 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
March 2004.....	10	\$ 785,106	0.60%	4.969%	240	120
April 2004 .....	299	28,429,436	21.79	5.131	293	66
May 2004 .....	8	557,158	0.43	4.919	233	127
June 2004 .....	6	476,759	0.37	5.418	236	124
July 2004 .....	373	35,153,085	26.94	4.814	303	57
August 2004 .....	7	579,603	0.44	5.250	240	120
September 2004 .....	2	221,102	0.17	5.914	264	96
October 2004 .....	347	32,031,403	24.55	4.890	301	59
November 2004 .....	5	255,274	0.20	4.875	165	195
December 2004.....	8	519,005	0.40	4.643	241	119
January 2005 .....	340	31,120,190	23.85	4.846	297	63
February 2005 .....	4	341,924	0.26	4.019	240	120
Total .....	<u>1,409</u>	<u>\$130,470,046</u>	<u>100.00%</u>			

### Interest Rate Margins (1)

<u>Interest Rate Margins ( % )</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
1.501-2.000 .....	273	\$ 20,451,858	15.68%	4.853%	244	116
2.001-2.500 .....	99	8,484,682	6.50	5.033	291	69
2.501-3.000 .....	1,037	101,533,507	77.82	4.916	308	52
Total .....	<u>1,409</u>	<u>\$130,470,046</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average Interest Rate Margin of the Group 3 Loans was approximately 2.628%.

### 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 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
1.000 .....	<u>1,409</u>	<u>\$130,470,046</u>	<u>100.00%</u>	4.914%	297	63

### 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 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
California .....	122	\$ 13,509,210	10.35%	5.113%	285	75
Illinois .....	118	10,866,899	8.33	5.041	288	71
Maryland .....	109	10,449,083	8.01	5.099	284	76
Colorado .....	68	10,261,150	7.86	4.382	332	28
Georgia .....	93	8,987,881	6.89	4.792	311	49
Washington .....	45	5,670,296	4.35	4.667	312	48
Florida .....	79	5,609,445	4.30	5.077	284	76
Ohio .....	57	4,966,702	3.81	4.887	301	59
Michigan .....	56	4,864,737	3.73	4.866	320	40
Virginia .....	54	4,520,364	3.46	5.028	291	69
Other .....	608	50,764,279	38.91	4.932	293	67
Total .....	<u>1,409</u>	<u>\$130,470,046</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 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
FHA .....	1,368	\$127,152,965	97.46%	4.911%	298	62
VA .....	41	3,317,081	2.54	5.024	242	116
Total .....	<u>1,409</u>	<u>\$130,470,046</u>	<u>100.00%</u>			

### Bankruptcy Status

<u>Bankruptcy Status</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Not in Bankruptcy .....	1,286	\$119,930,053	91.92%	4.873%	299	61
In Bankruptcy .....	123	10,539,993	8.08	5.383	279	81
Total .....	<u>1,409</u>	<u>\$130,470,046</u>	<u>100.00%</u>			

## Group 4 Loans

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

The following tables set forth certain information regarding the Group 4 Loans as of the Cut-off Date.

References to “Principal Balances Outstanding” mean the aggregate of the Stated Principal Balances of the related Mortgage Loans as of the Cut-off Date. The sum of the percentage columns in the following tables may not equal 100.00% due to rounding.

### Contractual Delinquency\*

Contractual Delinquency (Days)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 4 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Current .....	561	\$ 53,412,372	34.50%	4.898%	296	64	4.0	6.9
30 Days .....	268	25,649,014	16.57	4.888	298	62	3.1	5.7
60 Days .....	137	13,666,063	8.83	4.827	308	52	2.4	5.0
90 Days .....	66	6,534,944	4.22	4.786	312	48	2.4	4.9
120 or more Days .....	615	55,565,413	35.89	5.278	283	77	3.2	6.3
Total .....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>					

\* A Mortgage Loan is “contractually delinquent” if delinquencies that occurred at any time during the term of the loan were not cured as of the Cut-off Date.

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

Number of Payments Made in Last 3 Months	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 4 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1 .....	122	\$ 12,441,956	8.04%	4.950%	301	59	1.0	4.2
2 .....	273	25,328,867	16.36	5.014	297	63	2.0	4.9
3 or more .....	<u>1,252</u>	<u>117,056,983</u>	<u>75.60</u>	<u>5.031</u>	<u>292</u>	<u>68</u>	<u>3.9</u>	<u>6.7</u>
Total .....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>					

(1) As of the Cut-off Date, the balance weighted number of payments on the Group 4 Loans (based on their Cut-off Date Stated Principal Balances) made in the last three months was approximately 3.3 payments.

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

Number of Payments Made in Last 6 Months	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 4 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
3.....	96	\$ 9,866,424	6.37%	4.977%	304	56	1.7	3.0
4.....	174	16,543,418	10.69	5.043	295	65	2.2	4.0
5.....	269	26,497,385	17.11	4.916	303	57	2.7	5.0
6 or more.....	1,108	101,920,581	65.83	5.050	290	70	3.9	7.2
Total.....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>					

(1) As of the Cut-off Date, the balance weighted number of payments made on the Group 4 Loans (based on their Cut-off Date Stated Principal Balances) made in the last six months was approximately 6.2 payments.

### Cut-off Date Mortgage Loan Principal Balances (1)

Cut-off Date Mortgage Loan Stated Principal Balances (\$)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 4 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
25,000.01- 50,000.00 .....	138	\$ 5,783,797	3.74%	5.395%	256	104
50,000.01- 75,000.00 .....	446	28,366,709	18.32	5.354	270	90
75,000.01-100,000.00 .....	439	38,259,451	24.71	5.138	285	75
100,000.01-150,000.00 .....	491	58,851,487	38.01	4.952	301	59
150,000.01-200,000.00 .....	111	18,452,534	11.92	4.492	325	35
200,000.01-250,000.00 .....	18	3,993,986	2.58	4.544	328	32
250,000.01-300,000.00 .....	3	818,930	0.53	4.826	336	24
300,000.01-350,000.00 .....	1	300,912	0.19	4.500	313	47
Total.....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the average Stated Principal Balance of the Group 4 Loans was approximately \$94,005.

### Mortgage Interest Rates (1)

Mortgage Interest Rates (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 4 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
3.001-3.500 .....	4	\$ 346,522	0.22%	3.444%	314	46
3.501-4.000 .....	73	8,049,426	5.20	3.950	317	43
4.001-4.500 .....	464	53,565,624	34.6	4.333	323	37
4.501-5.000 .....	230	20,773,424	13.42	4.864	288	72
5.001-5.500 .....	287	23,788,626	15.36	5.342	271	89
5.501-6.000 .....	514	42,231,674	27.28	5.794	272	88
6.001-6.500 .....	52	4,206,146	2.72	6.207	256	104
6.501-7.000 .....	14	1,012,314	0.65	6.848	262	98
7.001-7.500 .....	6	527,086	0.34	7.356	258	102
7.501-8.000 .....	2	198,038	0.13	7.702	274	86
8.001-8.500 .....	1	128,926	0.08	8.490	347	13
Total.....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average Mortgage Interest Rate of the Group 4 Loans was approximately 5.488%.

### Original Terms to Stated Maturity (1)

Original Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 4 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
301-360 .....	1,647	\$154,827,807	100.00%	5.022%	294	66
Total .....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average original term to stated maturity of the Group 4 Loans was approximately 360 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 4 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
121-150 .....	4	\$ 216,485	0.14%	4.532%	143	217
151-180 .....	21	1,038,440	0.67	4.979	167	193
181-210 .....	9	534,804	0.35	5.348	204	156
211-240 .....	121	9,076,756	5.86	5.038	230	130
241-270 .....	389	30,629,630	19.78	5.600	257	103
271-300 .....	503	42,580,975	27.50	5.568	282	78
301-360 .....	600	70,750,717	45.70	4.440	328	32
Total .....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average remaining term to stated maturity of the Group 4 Loans was approximately 294 months.

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

Mortgage Loan Ages (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 4 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1- 14 .....	13	\$ 2,056,181	1.33%	4.799%	349	11
15- 24 .....	238	29,539,418	19.08	4.434	340	20
25- 36 .....	110	13,599,435	8.78	4.179	331	29
37- 60 .....	240	25,633,400	16.56	4.557	311	49
61-120 .....	898	73,706,225	47.61	5.573	271	89
121-180 .....	125	9,149,160	5.91	5.087	228	132
181-240 .....	23	1,143,987	0.74	4.972	161	199
Total .....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average mortgage loan age of the Group 4 Loans was approximately 66 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 4 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
8.501- 9.000 .....	1	\$ 96,587	0.06%	4.000%	352	8
9.001- 9.500 .....	29	3,918,014	2.53	4.314	330	30
9.501-10.000 .....	121	13,464,196	8.70	4.269	319	41
10.001-10.500 .....	319	33,475,907	21.62	4.617	310	50
10.501-11.000 .....	302	29,328,271	18.94	5.088	296	64
11.001-11.500 .....	336	28,730,528	18.56	5.411	282	78
11.501-12.000 .....	267	23,350,724	15.08	5.350	283	77
12.001-12.500 .....	180	15,516,640	10.02	5.295	278	82
12.501-13.000 .....	56	4,794,843	3.10	5.204	273	87
13.001-13.500 .....	23	1,383,593	0.89	5.294	219	141
13.501-14.000 .....	5	239,974	0.15	4.783	170	190
14.001-14.500 .....	7	399,603	0.26	4.654	158	202
15.001-15.500 .....	1	128,926	0.08	8.490	347	13
Total .....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average Mortgage Interest Rate Life Cap of the Group 4 Loans was approximately 11.200%.

### Mortgage Interest Rate Life Floors (1)

<u>Mortgage Interest Rate Life Floors (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 4 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
1.501-2.000 .....	206	\$ 16,672,695	10.77%	4.880%	256	104
2.001-2.500 .....	167	13,844,420	8.94	5.091	273	87
2.501-3.000 .....	1,238	122,034,437	78.82	5.028	303	57
3.001-3.500 .....	21	1,270,038	0.82	5.303	223	137
3.501-4.000 .....	5	239,974	0.15	4.783	170	190
4.001 or greater .....	10	766,243	0.49	5.380	239	121
Total .....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average Mortgage Interest Rate Life Floor of the Group 4 Loans was approximately 2.681%.

### Next Interest Rate Adjustment Dates

<u>Next Interest Rate Adjustment Dates</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 4 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
March 2004 .....	4	\$ 291,483	0.19%	4.875%	239	121
April 2004 .....	337	32,136,666	20.76	5.151	292	68
May 2004 .....	8	622,603	0.40	4.785	258	102
June 2004 .....	3	207,082	0.13	5.577	227	133
July 2004 .....	428	40,878,137	26.40	4.893	300	60
August 2004 .....	14	952,790	0.62	5.227	245	115
September 2004 .....	2	183,663	0.12	4.346	329	31
October 2004 .....	443	42,074,596	27.18	5.059	297	63
November 2004 .....	4	267,132	0.17	4.489	251	109
December 2004 .....	12	851,021	0.55	4.392	231	129
January 2005 .....	383	35,686,246	23.05	5.046	290	70
February 2005 .....	9	676,389	0.44	4.034	227	133
Total .....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>			



### Interest Rate Margins (1)

Interest Rate Margins (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 4 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1.501-2.000 .....	284	\$ 22,009,166	14.22%	4.902%	249	111
2.001-2.500 .....	135	11,414,988	7.37	5.132	279	81
2.501-3.000 .....	1,227	121,274,728	78.33	5.029	303	57
5.501-6.000 .....	1	128,926	0.08	8.490	347	13
Total .....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average mortgage Interest Rate Margin of the Group 4 Loans was approximately 2.641%.

### Mortgage Interest Rate Periodic Cap

Mortgage Interest Rate Periodic Cap (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 4 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1.000 .....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>	5.022%	294	66

### Geographic Distribution of Mortgaged Properties

State	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 4 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
California .....	163	\$ 18,371,587	11.87%	5.188%	283	77	3.6	6.5
Maryland .....	143	14,377,437	9.29	5.241	284	76	3.2	6.5
Illinois .....	126	12,216,935	7.89	4.984	291	69	3.5	6.3
Georgia .....	116	11,397,917	7.36	4.936	306	54	3.2	5.8
Michigan .....	106	9,907,670	6.40	4.718	323	37	3.2	5.6
Colorado .....	59	8,684,136	5.61	4.536	327	33	3.5	5.9
Ohio .....	90	7,403,934	4.78	5.127	289	71	3.7	6.8
Florida .....	80	5,792,613	3.74	5.179	279	81	3.1	6.8
Virginia .....	66	5,494,597	3.55	5.222	279	81	3.4	6.4
North Carolina .....	55	5,260,767	3.40	4.89	294	66	2.9	5.9
Other .....	643	55,920,213	36.12	5.027	291	69	3.3	6.2
Total .....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>					

### Mortgage Loan Type

Mortgage Loan Type	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 4 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
FHA .....	1,597	\$150,115,139	96.96%	5.010%	295	65	3.3	6.2
VA .....	50	4,712,669	3.04	5.382	250	110	3.4	6.2
Total .....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>					

### Bankruptcy Status

Bankruptcy Status	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 4 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Not in Bankruptcy .....	1,090	\$106,439,240	68.75%	4.861%	300	60	3.3	6.1
In Bankruptcy .....	557	48,388,567	31.25	5.374	279	81	3.4	6.6
Total .....	<u>1,647</u>	<u>\$154,827,807</u>	<u>100.00%</u>					

### Group 5 Loans

The Group 5 Loans are fixed-rate mortgage loans. The following tables set forth certain information regarding the Group 5 Loans as of the Cut-off Date.

References to “Principal Balance Outstanding” mean the aggregate of the Stated Principal Balances of the related Mortgage Loans as of the Cut-off Date. The sum of the percentage columns in the following tables may not equal 100% due to rounding.

### Contractual Delinquency\*

Contractual Delinquency (Days)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 5 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Current .....	1,040	\$ 85,453,738	17.49%	7.746%	301	51	4.6	7.6
30 Days .....	994	81,862,330	16.76	7.841	297	54	3.6	6.4
60 Days .....	732	61,426,123	12.57	7.878	298	56	3.1	6.1
90 Days .....	506	44,101,240	9.03	7.852	302	54	2.8	5.7
120 or more Days .....	<u>2,473</u>	<u>215,692,464</u>	<u>44.15</u>	<u>8.042</u>	<u>297</u>	<u>60</u>	<u>3.2</u>	<u>6.2</u>
Total .....	<u>5,745</u>	<u>\$488,535,896</u>	<u>100.00%</u>					

\* A Mortgage Loan is “contractually delinquent” if delinquencies that occurred at any time during the term of the loan were not cured as of the Cut-off Date.

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

Number of Payments Made in Last 3 Months	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 5 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1 .....	417	\$ 37,499,892	7.68%	7.889%	304	52	1.0	4.5
2 .....	936	81,176,182	16.62	7.892	300	54	2.0	5.1
3 or more .....	<u>4,392</u>	<u>369,859,822</u>	<u>75.71</u>	<u>7.927</u>	<u>297</u>	<u>57</u>	<u>4.1</u>	<u>6.9</u>
Total .....	<u>5,745</u>	<u>\$488,535,896</u>	<u>100.00%</u>					

(1) As of the Cut-off Date, the balance weighted number of payments on the Group 5 Loans (based on their Cut-off Date Stated Principal Balances) made in the last three months was approximately 3.5 payments.

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

Number of Payments Made in Last 6 Months	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 5 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
3.....	259	\$ 23,509,486	4.81%	7.775%	308	47	1.5	3.0
4.....	573	49,741,554	10.18	7.864	303	51	2.1	4.0
5.....	1,029	86,844,181	17.78	7.861	298	54	2.7	5.0
6 or more.....	3,884	328,440,675	67.23	7.952	297	58	4.0	7.4
Total.....	<u>5,745</u>	<u>\$488,535,896</u>	<u>100.00%</u>					

(1) As of the Cut-off Date, the balance weighted number of payments made on the Group 5 Loans (based on their Cut-off Date Stated Principal Balances) made in the last six months was approximately 6.4 payments.

### Cut-off Date Mortgage Loan Principal Balances (1)

Cut-off Date Mortgage Loan Stated Principal Balances (\$)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 5 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0.01- 25,000.00 .....	57	\$ 1,122,594	0.23%	8.309%	169	88
25,000.01- 50,000.00 .....	822	33,424,824	6.84	8.115	270	74
50,000.01- 75,000.00 .....	1,685	106,056,081	21.71	8.007	288	65
75,000.01-100,000.00 .....	1,469	126,466,746	25.89	7.924	298	57
100,000.01-150,000.00 .....	1,409	169,233,645	34.64	7.866	306	50
150,000.01-200,000.00 .....	269	44,567,222	9.12	7.782	312	45
200,000.01-250,000.00 .....	28	6,019,786	1.23	7.751	328	31
250,000.01-300,000.00 .....	5	1,340,784	0.27	7.161	337	23
300,000.01-350,000.00 .....	<u>1</u>	<u>304,215</u>	<u>0.06</u>	<u>7.750</u>	<u>335</u>	<u>25</u>
Total.....	<u>5,745</u>	<u>\$488,535,896</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the average Stated Principal Balance of the Group 5 Loans was approximately \$85,036.

### Mortgage Interest Rates (1)

Mortgage Interest Rates (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 5 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
4.001- 4.500 .....	1	\$ 126,423	0.03%	4.500%	348	12
4.501- 5.000 .....	4	556,118	0.11	4.987	305	8
5.001- 5.500 .....	3	367,338	0.08	5.500	267	8
5.501- 6.000 .....	18	2,173,082	0.44	5.931	339	10
6.001- 6.500 .....	38	3,856,166	0.79	6.326	323	12
6.501- 7.000 .....	27	2,527,473	0.52	6.872	312	47
7.001- 7.500 .....	2,028	184,522,484	37.77	7.435	303	51
7.501- 8.000 .....	1,709	143,230,552	29.32	7.900	294	60
8.001- 8.500 .....	1,219	96,333,421	19.72	8.417	295	61
8.501- 9.000 .....	558	44,215,266	9.05	8.894	294	61
9.001- 9.500 .....	114	9,141,692	1.87	9.401	296	62
9.501-10.000 .....	18	982,997	0.20	9.916	230	117
10.001-10.500 .....	5	366,985	0.08	10.500	205	155
10.501-11.000 .....	2	94,944	0.02	11.000	188	168
11.001-11.500 .....	<u>1</u>	<u>40,954</u>	<u>0.01</u>	<u>11.500</u>	<u>136</u>	<u>223</u>
Total.....	<u>5,745</u>	<u>\$488,535,896</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average Mortgage Interest Rate of the Group 5 Loans was approximately 7.919%.

### 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 5 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
59-120 .....	3	\$ 54,979	0.01%	7.426%	44	76
121-180 .....	106	4,188,347	0.86	7.620	113	66
181-240 .....	56	4,037,889	0.83	7.671	198	41
241-300 .....	88	7,101,627	1.45	7.668	246	48
301-360 .....	5,492	473,153,054	96.85	7.927	301	56
Total .....	<u>5,745</u>	<u>\$488,535,896</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average original term to stated maturity of the Group 5 Loans was approximately 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 5 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1-120 .....	79	\$ 2,644,843	0.54%	7.898%	88	92
121-180 .....	72	3,779,415	0.77	7.831	152	79
181-300 .....	2,684	204,203,943	41.80	7.915	273	79
301-360 .....	2,910	277,907,694	56.89	7.922	320	39
Total .....	<u>5,745</u>	<u>\$488,535,896</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average remaining term to stated maturity of the Group 5 Loans was approximately 298 months.

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

Mortgage Loan Ages (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 5 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0- 6 .....	20	\$ 2,415,194	0.49%	6.153%	317	1
7-12 .....	51	5,376,391	1.10	6.566	324	9
13-18 .....	53	5,749,782	1.18	7.182	339	16
19-24 .....	330	34,292,672	7.02	7.500	330	22
25-30 .....	289	29,410,159	6.02	7.588	328	28
31-36 .....	495	49,561,765	10.14	7.583	320	34
Greater than 36 .....	4,507	361,729,933	74.04	8.075	288	67
Total .....	<u>5,745</u>	<u>\$488,535,896</u>	<u>100.00%</u>			

(1) As of the Cut-off Date, the weighted average mortgage loan age of the Group 5 Loans was approximately 56 months.

### Geographic Distribution of Mortgaged Properties

State	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 5 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
California .....	516	\$ 54,552,817	11.17%	7.911%	294	61	3.5	6.5
Michigan .....	521	42,451,831	8.69	8.094	311	45	3.6	6.7
Texas .....	571	38,772,278	7.94	7.887	292	56	3.2	6.0
Maryland .....	354	37,031,073	7.58	7.941	300	57	3.4	6.5
Georgia .....	329	29,236,035	5.98	7.849	299	57	3.4	6.5
Florida .....	370	27,213,097	5.57	7.898	297	57	3.6	6.6
Illinois .....	292	25,727,398	5.27	7.854	298	58	3.7	6.8
New Jersey .....	206	18,788,178	3.85	8.219	285	69	3.6	6.4
Arizona .....	190	18,032,871	3.69	7.755	311	44	3.5	6.2
Tennessee .....	255	17,826,402	3.65	8.010	290	65	3.1	6.0
Other .....	2,141	178,903,917	36.62	7.881	298	56	3.5	6.4
Total .....	<u>5,745</u>	<u>\$488,535,896</u>	<u>100.00%</u>					

### Mortgage Loan Type

Mortgage Loan Type	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 5 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
FHA .....	4,946	\$415,734,686	85.10%	7.938%	300	54	3.5	6.4
VA .....	799	72,801,210	14.90	7.808	286	69	3.5	6.7
Total .....	<u>5,745</u>	<u>\$488,535,896</u>	<u>100.00%</u>					

### Bankruptcy Status

Bankruptcy Status	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 5 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Not in Bankruptcy .....	2,955	\$253,206,759	51.83%	7.792%	303	50	3.5	6.3
In Bankruptcy .....	2,790	235,329,137	48.17	8.054	293	63	3.4	6.6
Total .....	<u>5,745</u>	<u>\$488,535,896</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 DTC Certificates.* The DTC Certificates will be registered at all times in the name of the nominee of DTC. Under its normal procedures, DTC will record the amount of Certificates held by each firm which participates in the book-entry system of DTC (each, a “DTC Participant”), whether held for its own account or on behalf of another person. Initially, we will act as paying agent for the Certificates. In addition, US Bank will perform certain administrative functions in connection with the Certificates.

A “beneficial owner” or an “investor” is anyone who acquires a beneficial ownership interest in the DTC Certificates. As an investor, you will not receive a physical certificate. Instead, your interest will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary (a “financial intermediary”) that maintains an account for you. In turn, the record ownership of the financial intermediary that holds your DTC Certificates will be recorded by DTC. If the intermediary is not a DTC Participant, the record ownership of the intermediary will be recorded by a DTC Participant acting on its behalf. Therefore, you must rely on these various arrangements to transfer your beneficial ownership interest in the DTC Certificates only under the procedures of your financial intermediary and of DTC Participants. In general, ownership of DTC Certificates will be subject to the prevailing rules, regulations and procedures governing the DTC and DTC Participants.

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

### Interest Payments on the Certificates

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

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

<u>Interest Type*</u>	<u>Classes and Components</u>
<b>Group 1 Classes and Components</b>	
Fixed Rate	1A, 1A-1, 1A-2 and 1A-4
Floating Rate	1A-3F
Inverse Floating Rate	1A-3S
Accrual	1A-4
Weighted Average Coupon	IO-1
Interest Only	1A-3S and IO-1
Principal Only	PO-1
Component	PT

<u>Interest Type*</u>	<u>Classes and Components</u>
<b>Group 2 Classes and Components</b>	
Fixed Rate	2A-1 and 2A-2
Weighted Average Coupon	IO-2
Interest Only	IO-2
Principal Only	PO-2
Component	PT
<b>Group 3 Class</b>	
Weighted Average Coupon	3A
<b>Group 4 Class</b>	
Weighted Average Coupon	4A
<b>Group 5 Classes and Components</b>	
Fixed Rate	5A
Floating Rate	5A-F
Inverse Floating Rate	5A-S
Weighted Average Coupon	IO-5
Interest Only	5A-S and IO-5
Principal Only	PO-5
Component	5PT
<b>No Payment Residual</b>	R, RA, RB and RC

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

*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 (except in the case of the Accrual Class) on each Distribution Date, beginning in March 2004 for the Group 1, Group 2, Group 3 and Group 4 Classes, and beginning in April 2004 for the Group 5 Classes.

Interest to be paid on each Certificate (or added to principal, in the case of the Accrual Class) 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. But see “—*Uncovered Prepayment Interest Shortfalls*” below.

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

<u>Classes</u>	<u>Interest Accrual Periods</u>
All Floating Rate and Inverse Floating Rate Classes	One-month period beginning on the 25th day of the month preceding the month in which the Distribution Date occurs
All other interest-bearing Classes (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs

As a result of the foregoing, no interest will accrue on the 5A-F and 5A-S Classes prior to March 25, 2004.

*Accrual Class.* The 1A-4 Class is an Accrual Class. Interest will accrue on the Accrual Class at the annual rate specified on the cover of this prospectus. However, we will not pay any interest on the Accrual Class until the Distribution Date following the Distribution Date on which the principal balances of the 1A-2 and 1A-3F Classes are reduced to zero. Instead, interest accrued on the Accrual Class will be added as principal to its principal balance on each applicable Distribution Date. We will pay principal on the Accrual Class described under “—Distributions of Principal” below.

*Notional Classes and Notional Components.* The Notional Classes and Notional Components will not have principal balances. During each Interest Accrual Period, the Notional Classes and Notional Components will bear interest on their notional principal balances at their applicable interest rates. The notional principal balances of the Notional Classes and Notional Components will be calculated as specified under “Reference Sheet—Notional Classes and Notional Components” in this prospectus.

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

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

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

Our establishment of each Index value and our determination of the interest rate for each applicable Class for the related Interest Accrual Period will be final and binding in the absence of manifest error. You may obtain each such interest rate by telephoning us at 1-800-237-8627.

*Components.* For purposes of calculating the payments they receive, the PT Class and the 5PT Class consist of the payment components having the designations and original principal balances specified in this prospectus under “Reference Sheet—Components.” The payment characteristics of the PT Class and the 5PT Class will each reflect a combination of the payment characteristics of the related components. Components are not separately transferable from the related Class of Certificates.

*PT Class.* The PT Class is composed of two Principal Only Components and two Interest Only Components. Interest on the PT Class is calculated with reference to its notional principal balance and not with reference to its principal balance.

During each Interest Accrual Period, the IO-1 Component will bear interest on its notional principal balance at an annual rate equal to the *product* of

- the weighted average of the Net Mortgage Rates of the Group 1 Non-Discount Loans (weighted on the basis of their respective Stated Principal Balances) *minus* 6.0000%

*multiplied by*

- a fraction, the numerator of which is the aggregate Stated Principal Balance of the Group 1 Non-Discount Loans and the denominator of which is the aggregate Stated Principal Balance of the Group 1 Loans.

The notional principal balance of the IO-1 Component on any Distribution Date will equal 100% of the aggregate Stated Principal Balance of the Group 1 Loans immediately before that date.

During each Interest Accrual Period, the IO-2 Component will bear interest on its notional principal balance at an annual rate equal to the *product* of

- the weighted average of the Net Mortgage Rates of the Group 2 Non-Discount Loans (weighted on the basis of their respective Stated Principal Balances) *minus* 6.8665%

*multiplied by*

- a fraction, the numerator of which is the aggregate Stated Principal Balance of the Group 2 Non-Discount Loans and the denominator of which is the aggregate Stated Principal Balance of the Group 2 Loans.

The notional principal balance of the IO-2 Component on any Distribution Date will equal 100% of the aggregate Stated Principal Balance of the Group 2 Loans immediately before that date.

**3A Class.** We will pay interest on the 3A Class at an annual rate equal to the weighted average of the Net Mortgage Rates of the Group 3 Loans (weighted on the basis of their respective Stated Principal Balances).

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

**5PT Class.** The 5PT Class is composed of a Principal Only Component and an Interest Only Component. Interest on the 5PT Class is calculated with reference to its notional principal balance and not with reference to its principal balance.

During each Interest Accrual Period, the IO-5 Component will bear interest on its notional principal balance at an annual rate equal to the *product* of

- the weighted average of the Net Mortgage Rates of the Group 5 Non-Discount Loans (weighted on the basis of their respective Stated Principal Balances) *minus* 7.5788%

*multiplied by*

- a fraction, the numerator of which is the aggregate Stated Principal Balance of the Group 5 Non-Discount Loans and the denominator of which is the aggregate Stated Principal Balance of the Group 5 Loans.

The notional principal balance of the IO-5 Component on any Distribution Date will equal 100% of the aggregate Stated Principal Balance of the Group 5 Loans immediately before that date.

**Uncovered Prepayment Interest Shortfalls.** Uncovered Prepayment Interest Shortfalls with respect to the Group 1 Loans will reduce the amount of interest payable on the 1A, 1A-1, 1A-2, 1A-3F, 1A-3S and 1A-4 Classes and the IO-1 Component, pro rata, based on the amount of interest that otherwise would have been payable on those Classes and Component without giving effect to such reduction.

Uncovered Prepayment Interest Shortfalls with respect to the Group 2 Loans will reduce the amount of interest that otherwise would have been payable on the 2A-1 and 2A-2 Classes and the IO-2 Component, pro rata, based on the amount of interest that otherwise would have been payable on those Classes and Component without giving effect to such reduction.

Uncovered Prepayment Interest Shortfalls with respect to the Group 3 Loans will reduce the amount of interest payable on the 3A Class.

Uncovered Prepayment Interest Shortfalls with respect to the Group 4 Loans will reduce the amount of interest payable on the 4A Class.

Uncovered Prepayment Interest Shortfalls with respect to the Group 5 Loans will reduce the amount of interest payable on the 5A, 5A-F and 5A-S Classes and the IO-5 Component, pro rata,

based on the amount of interest that otherwise would have been payable on those Classes and Component without giving effect to such reduction.

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

### **Calculation of One-Month LIBOR**

*General.* The “Index Determination Date” for each Floating Rate and Inverse Floating Class means the second business day before the first day of each Interest Accrual Period (or, in the case of the initial Interest Accrual Period for the 5A-F and 5A-S Classes only, March 23, 2004). For purposes of calculating One-Month LIBOR, the term “business day” means a day on which banks are open for dealing in foreign currency and exchange in London and New York City.

We are responsible for calculating One-Month LIBOR on each Index Determination Date using the method described below. The Index value that we calculate on each Index Determination Date and the interest rate that we determine for each Floating Rate Class for the related Interest Accrual Period will be final and binding, absent manifest error. You may obtain each such interest rate by telephoning us in Washington, D.C. at 800-237-8627 or 202-752-6547.

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

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

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

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

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

If we are unable to calculate One-Month LIBOR on the initial Index Determination Date, One-Month LIBOR for the following Interest Accrual Period will be equal to 1.10%

## Principal Payments on the Certificates

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

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

<u>Principal Type*</u>	<u>Classes and Components</u>
<b>Group 1 Classes and Components</b>	
Pass-Through	1A and PO-1
Sequential Pay	1A-1, 1A-2, 1A-3F, 1A-4
Accretion Directed	1A-1, 1A-2, 1A-3F
Notional	1A-3S and IO-1
Component	PT
<b>Group 2 Classes and Components</b>	
Pass-Through	2A-1, 2A-2 and PO-2
Notional	IO-2
Component	PT
<b>Group 3 Class</b>	
Pass-Through	3A
<b>Group 4 Class</b>	
Pass-Through	4A
<b>Group 5 Classes and Components</b>	
Pass-Through	5A, 5A-F and PO-5
Notional	5A-S and IO-5
Component	5PT
<b>No Payment Residual</b>	R, RA, RB and RC

\* See “—Class Definitions and Abbreviations.”

*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.

### *Group 1 Principal Distribution Amount*

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

- the 1A-4 Accrual Amount
- plus*
- the Group 1 Non-PO Principal Distribution Amount
- plus*
- the Group 1 PO Principal Distribution Amount.

On each Distribution Date, we will pay the 1A-4 Accrual Amount as principal of the Group 1 Classes specified below in the following priority:



- (i) concurrently, to the 1A-1 and 1A-3F Classes, in the proportions of 50% and 50%, respectively, until the principal balance of the 1A-1 Class is reduced to zero;
- (ii) concurrently, to the 1A-2 and 1A-3F Classes, in the proportions of 60% and 40%, respectively, until their principal balances are reduced to zero; and
- (iii) to the 1A-4 Class, until its principal balance is reduced to zero.

Accretion  
Directed  
Classes and  
Accrual  
Class

On each Distribution Date, we will pay the Group 1 Non-PO Principal Distribution Amount as principal of the Group 1 Classes specified below as follows:

- (a) 54.1454118501% to the 1A Class, until its principal balance is reduced to zero, and

Pass-Through  
Class

- (b) 45.8545881499%, as follows:

*first*, concurrently, to the 1A-1 and 1A-3F Classes, in the proportions of 50% and 50%, respectively, until the principal balance of the 1A-1 Class is reduced to zero;

*second*, concurrently, to the 1A-2 and 1A-3F Classes, in the proportions of 60% and 40%, respectively, until their principal balances are reduced to zero; and

*third*, to the 1A-4 Class, until its principal balance is reduced to zero.

Sequential  
Pay  
Classes

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

Pass-Through  
Component

#### *Group 2 Principal Distribution Amount*

On the Distribution Date in each month, we will pay principal in an amount (the “Group 2 Principal Distribution Amount”) equal to the *sum* of the following:

- the Group 2 Non-PO Principal Distribution Amount
- plus*
- the Group 2 PO Principal Distribution Amount.

On each Distribution Date, we will pay the Group 2 Non-PO Principal Distribution Amount, concurrently, as principal of the 2A-1 and 2A-2 Classes, pro rata (or 26.7000000191% and 73.2999999809%, respectively), until their principal balances are reduced to zero.

Pass-Through  
Classes and  
Component

On each Distribution Date, we will pay the Group 2 PO Principal Distribution Amount as principal of the PO-2 Component, until its principal balance is reduced to zero.

#### *Group 3 Principal Distribution Amount*

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

Pass-Through  
Class

#### *Group 4 Principal Distribution Amount*

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

Pass-Through  
Class

### *Group 5 Principal Distribution Amount*

On each Distribution Date, we will pay principal in an amount (the “Group 5 Principal Distribution Amount”) equal to the *sum* of the following:

- the Group 5 Non-PO Principal Distribution Amount

*plus*

- the Group 5 PO Principal Distribution Amount.

On each Distribution Date, we will pay the Group 5 Non-PO Principal Distribution Amount, concurrently, as principal of the 5A and 5A-F Classes, pro rata (or 84.2399999832% and 15.7600000168%, respectively), until their principal balances are reduced to zero.

Pass-Through  
Classes and  
Component

On each Distribution Date, we will pay the Group 5 PO Principal Distribution Amount as principal of the PO-5 Component, until its principal balance is reduced to zero.

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

*1A-4 Accrual Amount.* With respect to each Distribution Date, the interest then accrued and added to the principal balance of the 1A-4 Class.

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

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

*Group 1 Discount Loans.* Group 1 Loans having Net Mortgage Rates less than 6.0000%.

*Group 1 Non-Discount Loans.* Group 1 Loans having Net Mortgage Rates greater than or equal to 6.0000%.

*Group 1 Non-PO Percentage.* For any Group 1 Discount Loan, the related Net Mortgage Rate divided by 6.0000%, expressed as a percentage. For any Group 1 Non-Discount Loan, 100%.

*Group 1 Non-PO Principal Distribution Amount.* For any Distribution Date, the aggregate of the following amounts for each Group 1 Loan, without duplication, in each case multiplied by the applicable Group 1 Non-PO Percentage:

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

*Group 1 PO Percentage.* For any Group 1 Discount Loan, (6.0000% *minus* the related Net Mortgage Rate) *divided* by 6.0000%, expressed as a percentage. For any Group 1 Non-Discount Loan, 0%.

*Group 1 PO Principal Distribution Amount.* For any Distribution Date, the aggregate of the following amounts for each Group 1 Loan, without duplication, in each case multiplied by the applicable Group 1 PO Percentage:

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

*Group 2 Discount Loans.* Group 2 Loans having Net Mortgage Rates less than 6.8665%.

*Group 2 Non-Discount Loans.* Group 2 Loans having Net Mortgage Rates greater than or equal to 6.8665%.

*Group 2 Non-PO Percentage.* For any Group 2 Discount Loan, the related Net Mortgage Rate divided by 6.8665%, expressed as a percentage. For any Group 2 Non-Discount Loans, 100%.

*Group 2 Non-PO Principal Distribution Amount.* For any Distribution Date, the aggregate of the following amounts for each Group 2 Loan, without duplication, in each case multiplied by the applicable Group 2 Non-PO Percentage:

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

*Group 2 PO Percentage.* For any Group 2 Discount Loan, (6.8665% *minus* the related Net Mortgage Rate) *divided* by 6.8665%, expressed as a percentage. For any Group 2 Non-Discount Loan, 0%.

*Group 2 PO Principal Distribution Amount.* For any Distribution Date, the aggregate of the following amounts for each Group 2 Loan, without duplication, in each case multiplied by the applicable Group 2 PO Percentage:

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

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

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

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

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

*Group 5 Discount Loans.* Group 5 Loans having Net Mortgage Rates less than 7.5788%.

*Group 5 Non-Discount Loans.* Group 5 Loans having Net Mortgage Rates greater than or equal to 7.5788%.

*Group 5 Non-PO Percentage.* For any Group 5 Discount Loan, the related Net Mortgage Rate divided by 7.5788%, expressed as a percentage. For any Group 5 Non-Discount Loan, 100%.

*Group 5 Non-PO Principal Distribution Amount.* For any Distribution Date, the aggregate of the following amounts for each Group 5 Loan, without duplication, in each case multiplied by the applicable Group 5 Non-PO Percentage:

- the monthly payment of principal due on each Group 5 Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Group 5 Loan that the Master Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Group 5 Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- any partial or full principal prepayment reported as having been received during the related Due Period from borrowers on any Group 5 Loan.

*Group 5 PO Percentage.* For any Group 5 Discount Loan, (7.5788% *minus* the related Net Mortgage Rate) *divided* by 7.5788%, expressed as a percentage. For any Group 5 Non-Discount Loan, 0%.

*Group 5 PO Principal Distribution Amount.* For any Distribution Date, the aggregate of the following amounts for each Group 5 Loan, without duplication, in each case multiplied by the applicable Group 5 PO Percentage:

- the monthly payment of principal due on each Group 5 Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Group 5 Loan that the Master Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Group 5 Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- any partial or full principal prepayment reported as having been received during the related Due Period from borrowers on any Group 5 Loan.

*Liquidated Loan.* A defaulted Mortgage Loan with respect to which the Master 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.

*Prepayment Interest Shortfall*—For any Mortgage Loan with respect to which the borrower made a prepayment of principal to the Master Servicer during a calendar month, an amount equal to:

- (i) one full month's interest on the principal balance of that Mortgage Loan (before applying the prepayment), *minus*
- (ii) the interest that the borrower paid on that Mortgage Loan in respect of that calendar month.

*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 Cut-off Date reduced by all amounts representing principal received or advanced by the Master Servicer and previously paid to Certificateholders with respect to that loan.

*Uncovered Prepayment Interest Shortfalls*—With respect to the Group 1, Group 2, Group 3, Group 4 or Group 5 Loans, as applicable, for any Distribution Date:

- (i) the aggregate Prepayment Interest Shortfalls on the related Mortgage Loans that prepaid during the Prepayment Period related to that Distribution Date, *minus*
- (ii) one-half of the aggregate servicing fee with respect to the related Mortgage Loans (calculated in each case at the related Servicing Fee Rate) for that Distribution Date.

## Class Definitions and Abbreviations

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

<u>Abbreviation</u>	<u>Category of Class or Component</u>	<u>Definition</u>
INTEREST TYPES		
Z	Accrual	Accretes the amount of accrued interest otherwise distributable on this class. This accreted amount will be added as principal to the principal balance of the class on each applicable Distribution Date. Accretion may continue until some specified event has occurred or until the Accrual Class is retired.
CPT	Component	Consists of two or more segments or “components.” The Components of a Component Class may have different interest payment characteristics but together constitute a single Class. Each Component of a Component Class is identified as falling into one or more of the other categories in this chart.
FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the class.
FLT	Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies directly with changes in the index.
INV	Inverse Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies inversely with changes in the index.
IO	Interest Only	Receives some or all of the interest payments made on the related mortgage loans but no principal. Interest Only Classes and Components have notional principal balances. A notional principal balance is the amount used as a reference to calculate amount of interest due on an Interest Only Class or Component.
NPR	No Payment Residual	Receives no payments of interest.
PO	Principal Only	Does not bear interest and is entitled to receive only payments of principal.
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period.



<u>Abbreviation</u>	<u>Category of Class or Component</u>	<u>Definition</u>
<b>PRINCIPAL TYPES</b>		
AD	Accretion Directed	Receives principal payments from the accrued and unpaid interest on one or more Accrual or Partial Accrual classes. It also may receive principal payments from principal paid on the underlying securities or other assets of the related series trust.
CPT	Component	Consists of two or more segments or “components.” The Components of a Component Class may have different principal payment characteristics but together constitute a single Class. Each Component of a Component Class is identified as falling into one or more of the other categories in this chart.
NPR	No Payment Residual	Receives no payments of principal.
NTL	Notional	Has no principal balance and bears interest on its notional principal balance. The notional principal balance is used to determine interest payments on an Interest Only Class that is not entitled to principal.
PT	Pass-Through	Is designed to receive principal payments in direct relation to actual or scheduled payments on some or all of the related mortgage loans.
SEQ	Sequential Pay	Receives principal payments in a prescribed sequence but without a predetermined schedule.

### **Special Characteristics of the R, RA, RB and RC Classes**

The R, RA, RB and RC Classes will not have principal balances and will not bear interest. If any assets of the Upper Tier REMIC remain after the principal balances of the Group 1, Group 2, Group 4 and Group 5 Classes are reduced to zero, we will pay the proceeds of those assets to the Holder of the R Class. If any assets of Lower Tier REMIC I remain after the principal balances of the Lower Tier REMIC I Regular Interests are reduced to zero, we will pay the Holder of the RA Class the proceeds of those assets. If any assets of Lower Tier REMIC II remain after the principal balance of the Lower Tier REMIC II Regular Interest is reduced to zero, we will pay the proceeds of those assets to the Holder of the RB Class. If any assets of Lower Tier REMIC III remain after the principal balances of the Lower Tier REMIC III Regular Interests are reduced to zero, we will pay the proceeds of those assets to the Holder of the RC Class. We do not expect that any material assets will remain in any of those cases.

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

- the transferee is a “U.S. Person” (as defined below) or a foreign person subject to United States income taxation on a net basis on income derived from that Certificate;

- if the transferee is a partnership for U.S. federal income tax purposes, each person or entity that holds an interest (directly, or indirectly through a pass-through entity) in the partnership is a U.S. Person or a foreign person subject to United States income taxation on a net basis on income derived from that Certificate;
- the transferee is not a disqualified organization,
- it is not acquiring the R, RA, RB or RC Certificate for the account of a disqualified organization,
- it consents to any amendment of the Trust Agreement that we deem necessary (upon the advice of our counsel) to ensure that the R, RA, RB or RC Certificate will not be owned directly or indirectly by a disqualified organization,
- it is not acquiring the R, RA, RB or RC Certificate to avoid or impede the assessment or collection of tax,
- it understands that it may incur tax liabilities in excess of any cash that it will receive on the R, RA, RB or RC Certificate,
- it intends to pay taxes on the R, RA, RB or RC Certificate as they become due,
- it will not cause income from the R, RA, RB or RC Certificate to be attributed to a foreign permanent establishment or fixed base of the transferee or another taxpayer, and
- it will not transfer the R, RA, RB or RC Certificate unless it has received from the new transferee an affidavit containing these same ten representations and it does not have actual knowledge that this other affidavit is false.

See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of a Residual Certificate—Sales and Other Dispositions of a Residual Certificate—Residual Certificate Transferred to or Held by Disqualified Organizations*” in this prospectus. The transferee also must deliver a properly executed Internal Revenue Service Form W-9 (or, if applicable, a Form W-8ECI) in which the transferee provides its taxpayer identification number. In addition, if a pass-through entity (including a nominee) holds a Residual Certificate, it may be subject to additional taxes if a disqualified organization is a record holder in the entity.

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

- a citizen or resident of the United States,
- a corporation, partnership or other entity created under the laws of the United States or any of the states or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of the source of its income or
- a trust if a court within the United States can exercise primary supervision over its administration and one or more U.S. Persons have the authority to control all substantial decisions of the trust.

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

Under the Regulations, the phrase “a significant purpose of the transfer to impede the assessment or collection of tax” means that the transferor of a Residual Certificate had “improper knowledge” at the time of the transfer. In other words, the transferor knew, or should have known, that the

transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the related REMIC. A transferor is presumed not to have improper knowledge if four conditions are met. First, the transferor conducts, at the time of the transfer, a reasonable investigation of the financial condition of the transferee and, based on the results, finds that the transferee has historically paid its debts as they come due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future. Second, the transferee makes certain representations to the transferor in the affidavit relating to disqualified organizations discussed above. Third, the transferee makes the representation to the transferor in the affidavit relating to foreign permanent establishments discussed above. Fourth, the transfer satisfies either the “asset test” or the “formula test.” If you plan to transfer a Residual Certificate, you should consult your own tax advisor for further information.

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

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

## **Structuring Assumptions**

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

- payments on all Mortgage Loans are due and received on the first day of each month;
- each year consists of twelve 30-day months;
- the Mortgage Loans prepay at the CPR levels specified in the related table;
- 1 year CMT is equal to 1.23%;
- One-month LIBOR is equal to 1.10%;
- the Master Servicer does not exercise its repurchase option for any Loan Group;

- the settlement date for the sale of the Certificates occurs on March 19, 2004; and
- each Distribution Date for the Certificates occurs on the 25th day of the month, beginning in March 2004 for the Group 1, Group 2, Group 3 and Group 4 Classes, and beginning in April 2004 for the Group 5 Classes.

*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 and, where specified, to changes in the Index. 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.

In addition, it is unlikely that the Index will correspond to the levels shown here. 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,
- all of such Mortgage Loans will prepay at the same rate, or
- the level of the Index will remain constant.

Further, Uncovered Prepayment Interest Shortfalls will reduce the yield to investors in the applicable Certificates.

***The PT Class.*** The yields to investors in the PT Class will be very sensitive to the rate of principal payments (including prepayments) of the Group 1 and Group 2 Loans. The Mortgage Loans can be prepaid at any time without penalty. In particular, if Group 1 Non-Discount Loans or Group 2 Non-Discount Loans with relatively high interest rates are

prepaid at a faster rate than Group 1 Non-Discount Loans or Group 2 Non-Discount Loans with relatively low interest rates, the yield to investors in the PT Class may decrease. On the other hand, a low rate of principal payments (including prepayments) on the Group 1 Discount Loans or Group 2 Discount Loans will have a negative effect on the yield to investors in the PT Class.

We cannot assure you that:

- the Group 1 and Group 2 Loans will prepay at any of the assumed rates in this prospectus or at any other particular rate;
- the pre-tax yields on the PT Class will correspond to the pre-tax yields shown in this prospectus; or
- the aggregate purchase price of the PT Class will be the price assumed below.

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 PT Class (expressed as a percentage of the original principal balance) is as follows:

<u>Class</u>	<u>Price*</u>
PT .....	114.0%

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

#### Sensitivity of the PT Class to Prepayments (Pre-Tax Yields to Maturity)

<u>Class</u>	<u>CPR Prepayment Assumption</u>								
	<u>0%</u>	<u>9%</u>	<u>12%</u>	<u>18%</u>	<u>20%</u>	<u>22%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>
PT.....	8.3%	7.3%	6.9%	6.0%	5.7%	5.3%	4.8%	3.9%	3.0%

#### Sensitivity of the PT Class to Prepayments (Pre-Tax Yields to Call\*)

<u>Class</u>	<u>CPR Prepayment Assumption</u>								
	<u>0%</u>	<u>9%</u>	<u>12%</u>	<u>18%</u>	<u>20%</u>	<u>22%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>
PT.....	8.3%	7.3%	6.9%	5.9%	5.6%	5.2%	4.7%	3.7%	2.7%

\* 5% optional termination.

**The Inverse Floating Rate Classes.** The yields on the 1A-3S and 5A-S Classes will be sensitive in varying degrees to the rate of principal payments, including prepayments, of the Group 1 and Group 5 Loans, respectively, and to the level of the Index. The Group 1 and Group 5 Loans generally can be prepaid at any time without penalty. In addition, the rate of principal payments (including prepayments) of the Group 1 and Group 5 Loans is likely to vary, and may vary considerably. As illustrated in the tables below, it is possible that investors in the 1A-3S and 5A-S Classes would lose money on their initial investments under certain Index and prepayment scenarios.

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

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

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

<u>Class</u>	<u>Price*</u>
1A-3S .....	10.0%
5A-S .....	12.0%

\* 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. In the case of the 5A-S Class, no interest will accrue prior to March 25, 2004.

### Sensitivity of the 1A-3S Class to Prepayments and LIBOR (Pre-Tax Yields to Maturity)

<u>LIBOR</u>	<u>CPR Prepayment Assumption</u>								
	<u>0%</u>	<u>9%</u>	<u>12%</u>	<u>18%</u>	<u>20%</u>	<u>22%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>
0.10%.....	78.7%	64.6%	59.6%	49.1%	45.4%	41.6%	35.6%	25.2%	14.1%
1.10%.....	65.8%	52.3%	47.4%	37.1%	33.5%	29.7%	23.9%	13.6%	2.5%
3.10%.....	41.4%	28.6%	23.9%	13.7%	10.1%	6.3%	0.5%	(9.9)%	(21.0)%
5.10%.....	18.1%	5.1%	0.1%	(10.9)%	(14.8)%	(18.9)%	(25.2)%	(36.1)%	(47.6)%
7.15%.....	*	*	*	*	*	*	*	*	*

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

### Sensitivity of the 1A-3S Class to Prepayments and LIBOR (Pre-Tax Yields to Call†)

<u>LIBOR</u>	<u>CPR Prepayment Assumption</u>								
	<u>0%</u>	<u>9%</u>	<u>12%</u>	<u>18%</u>	<u>20%</u>	<u>22%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>
0.10%.....	78.7%	64.6%	59.6%	49.1%	45.4%	41.6%	35.6%	25.2%	14.1%
1.10%.....	65.8%	52.3%	47.4%	37.1%	33.5%	29.7%	23.9%	13.6%	2.5%
3.10%.....	41.4%	28.6%	23.9%	13.7%	10.1%	6.3%	0.5%	(9.9)%	(21.0)%
5.10%.....	18.1%	5.1%	0.1%	(10.9)%	(14.8)%	(18.9)%	(25.2)%	(36.1)%	(47.6)%
7.15%.....	*	*	*	*	*	*	*	*	*

† 5% optional termination.

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



**Sensitivity of the 5A-S Class to Prepayments and LIBOR  
(Pre-Tax Yields to Maturity)**

LIBOR	CPR Prepayment Assumption								
	0%	9%	12%	18%	20%	22%	25%	30%	35%
0.10%.....	68.5%	56.8%	52.8%	44.5%	41.7%	38.9%	34.5%	27.0%	19.3%
1.10%.....	58.6%	47.3%	43.4%	35.4%	32.7%	29.9%	25.7%	18.4%	10.9%
3.10%.....	39.4%	28.7%	25.1%	17.6%	15.0%	12.4%	8.4%	1.6%	(5.4)%
5.10%.....	20.3%	10.4%	7.0%	(0.1)%	(2.5)%	(4.9)%	(8.6)%	(14.9)%	(21.5)%
7.10%.....	(2.5)%	(11.5)%	(14.6)%	(21.0)%	(23.1)%	(25.3)%	(28.7)%	(34.4)%	(40.4)%
7.65%.....	*	*	*	*	*	*	*	*	*

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

**Sensitivity of the 5A-S Class to Prepayments and LIBOR  
(Pre-Tax Yields to Call†)**

LIBOR	CPR Prepayment Assumption								
	0%	9%	12%	18%	20%	22%	25%	30%	35%
0.10%.....	68.5%	56.8%	52.8%	44.5%	41.7%	38.8%	34.3%	26.6%	18.3%
1.10%.....	58.6%	47.3%	43.4%	35.4%	32.6%	29.8%	25.4%	17.7%	9.5%
3.10%.....	39.4%	28.7%	25.1%	17.4%	14.7%	11.9%	7.6%	(0.2)%	(8.5)%
5.10%.....	20.3%	10.3%	6.8%	(1.0)%	(3.9)%	(6.8)%	(11.4)%	(19.8)%	(28.7)%
7.10%.....	(2.5)%	(12.1)%	(16.2)%	(26.1)%	(29.8)%	(33.6)%	(39.5)%	(50.0)%	(60.6)%
7.65%.....	*	*	*	*	*	*	*	*	*

† 5% optional termination.

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

**The 5PT Class.** The yield to investors in the 5PT Class will be very sensitive to the rate of principal payments (including prepayments) of the Group 5 Loans. The Group 5 Loans can be prepaid at any time without penalty. In particular, if Group 5 Non-Discount Loans with relatively high interest rates are prepaid at a faster rate than Group 5 Non-Discount Loans with relatively low interest rates, the yield to investors in the 5PT Class may decrease. On the other hand, a low rate of principal payments (including prepayments) on the Group 5 Discount Loans will have a negative effect on the yield to investors in the 5PT Class.

We cannot assure you that:

- the Group 5 Loans will prepay at any of the assumed rates in this prospectus or at any other particular rate;
- the pre-tax yield on the 5PT Class will correspond to the pre-tax yields shown in this prospectus; or
- the aggregate purchase price of the 5PT Class will be the price assumed below.

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 5PT Class (expressed as a percentage of the original principal balance) is as follows:

<u>Class</u>	<u>Price*</u>
5PT .....	114.75%

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

#### **Sensitivity of the 5PT Class to Prepayments (Pre-Tax Yields to Maturity)**

<u>Class</u>	<u>CPR Prepayment Assumption</u>								
	<u>0%</u>	<u>9%</u>	<u>12%</u>	<u>18%</u>	<u>20%</u>	<u>22%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>
5PT .....	8.3%	7.2%	6.8%	5.9%	5.6%	5.2%	4.7%	3.8%	2.9%

#### **Sensitivity of the 5PT Class to Prepayments (Pre-Tax Yields to Call\*)**

<u>Class</u>	<u>CPR Prepayment Assumption</u>								
	<u>0%</u>	<u>9%</u>	<u>12%</u>	<u>18%</u>	<u>20%</u>	<u>22%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>
5PT .....	8.3%	7.2%	6.8%	5.8%	5.5%	5.1%	4.6%	3.6%	2.6%

\* 5% optional termination.

#### **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.

As described under “Reference Sheet—Components,” the PT Class and 5PT Class each consists of multiple payment components. Since these components are not divisible, the payment characteristics of the PT Class and 5PT Class each will reflect a combination of the payment characteristics of the related components.

## **Maturity Considerations**

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.

The assumed maturity dates specified on the cover of this prospectus were calculated based on the assumptions that:

- the maturity dates of the Mortgage Loans are not modified;
- the Mortgage Loans have a weighted average remaining term to maturity of 360 months; and
- the Mortgage Loans prepay at 0% CPR.

## **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	1A Class									1A-1 Class								
	CPR Prepayment Assumption									CPR Prepayment Assumption								
	0%	9%	12%	18%	20%	22%	25%	30%	35%	0%	9%	12%	18%	20%	22%	25%	30%	35%
Initial Percent .....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 2005 .....	99	90	87	81	79	77	74	69	64	98	88	84	77	75	73	69	64	58
February 2006 .....	97	80	75	65	62	59	55	48	41	96	76	70	59	55	52	46	38	31
February 2007 .....	96	72	65	53	49	45	40	33	26	94	66	58	44	39	35	29	20	13
February 2008 .....	94	64	56	42	38	35	30	23	17	91	57	47	31	27	22	16	8	1
February 2009 .....	92	57	49	34	30	27	22	15	11	88	48	38	21	16	12	7	0	0
February 2010 .....	90	51	42	27	24	20	16	11	7	86	40	30	13	8	4	0	0	0
February 2011 .....	88	45	36	22	18	15	12	7	4	83	33	22	6	2	0	0	0	0
February 2012 .....	86	40	31	18	14	12	9	5	3	80	27	16	*	0	0	0	0	0
February 2013 .....	83	36	26	14	11	9	6	3	2	76	21	10	0	0	0	0	0	0
February 2014 .....	81	32	23	11	9	7	5	2	1	73	15	5	0	0	0	0	0	0
February 2015 .....	78	28	19	9	7	5	3	2	1	69	10	*	0	0	0	0	0	0
February 2016 .....	75	24	16	7	5	4	2	1	*	65	5	0	0	0	0	0	0	0
February 2017 .....	72	21	14	5	4	3	2	1	*	60	1	0	0	0	0	0	0	0
February 2018 .....	69	18	12	4	3	2	1	*	*	56	0	0	0	0	0	0	0	0
February 2019 .....	66	16	10	3	2	2	1	*	*	51	0	0	0	0	0	0	0	0
February 2020 .....	62	14	8	3	2	1	1	*	*	46	0	0	0	0	0	0	0	0
February 2021 .....	58	12	7	2	1	1	*	*	*	40	0	0	0	0	0	0	0	0
February 2022 .....	54	10	5	2	1	1	*	*	*	34	0	0	0	0	0	0	0	0
February 2023 .....	49	8	4	1	1	*	*	*	*	28	0	0	0	0	0	0	0	0
February 2024 .....	44	7	3	1	1	*	*	*	*	21	0	0	0	0	0	0	0	0
February 2025 .....	39	5	3	1	*	*	*	*	*	14	0	0	0	0	0	0	0	0
February 2026 .....	34	4	2	*	*	*	*	*	*	6	0	0	0	0	0	0	0	0
February 2027 .....	28	3	1	*	*	*	*	*	*	0	0	0	0	0	0	0	0	0
February 2028 .....	22	2	1	*	*	*	*	*	*	0	0	0	0	0	0	0	0	0
February 2029 .....	15	1	1	*	*	*	*	*	*	0	0	0	0	0	0	0	0	0
February 2030 .....	8	1	*	*	*	*	*	*	*	0	0	0	0	0	0	0	0	0
February 2031 .....	2	*	*	*	*	*	*	*	*	0	0	0	0	0	0	0	0	0
February 2032 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)** .....	17.3	7.9	6.4	4.5	4.1	3.7	3.2	2.6	2.2	14.0	5.3	4.3	3.0	2.7	2.4	2.1	1.7	1.5

Date	1A-2 Class									1A-3F and 1A-3S† Classes								
	CPR Prepayment Assumption									CPR Prepayment Assumption								
	0%	9%	12%	18%	20%	22%	25%	30%	35%	0%	9%	12%	18%	20%	22%	25%	30%	35%
Initial Percent .....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 2005 .....	100	100	100	100	100	100	100	100	100	98	89	85	79	77	75	72	66	61
February 2006 .....	100	100	100	100	100	100	100	100	100	96	78	73	62	59	55	50	43	36
February 2007 .....	100	100	100	100	100	100	100	100	100	94	69	61	48	44	40	35	26	19
February 2008 .....	100	100	100	100	100	100	100	100	100	92	60	51	36	32	28	23	15	9
February 2009 .....	100	100	100	100	100	100	100	94	39	89	52	43	27	23	19	14	7	3
February 2010 .....	100	100	100	100	100	100	96	33	0	87	45	35	19	15	12	7	2	0
February 2011 .....	100	100	100	100	100	84	41	0	0	84	38	28	13	9	6	3	0	0
February 2012 .....	100	100	100	100	66	35	0	0	0	81	32	22	8	5	3	0	0	0
February 2013 .....	100	100	100	55	23	0	0	0	0	78	27	17	4	2	0	0	0	0
February 2014 .....	100	100	100	15	0	0	0	0	0	75	22	12	1	0	0	0	0	0
February 2015 .....	100	100	100	0	0	0	0	0	0	71	17	8	0	0	0	0	0	0
February 2016 .....	100	100	60	0	0	0	0	0	0	67	12	5	0	0	0	0	0	0
February 2017 .....	100	100	23	0	0	0	0	0	0	63	8	2	0	0	0	0	0	0
February 2018 .....	100	69	0	0	0	0	0	0	0	59	5	0	0	0	0	0	0	0
February 2019 .....	100	31	0	0	0	0	0	0	0	55	2	0	0	0	0	0	0	0
February 2020 .....	100	0	0	0	0	0	0	0	0	50	0	0	0	0	0	0	0	0
February 2021 .....	100	0	0	0	0	0	0	0	0	44	0	0	0	0	0	0	0	0
February 2022 .....	100	0	0	0	0	0	0	0	0	39	0	0	0	0	0	0	0	0
February 2023 .....	100	0	0	0	0	0	0	0	0	33	0	0	0	0	0	0	0	0
February 2024 .....	100	0	0	0	0	0	0	0	0	27	0	0	0	0	0	0	0	0
February 2025 .....	100	0	0	0	0	0	0	0	0	20	0	0	0	0	0	0	0	0
February 2026 .....	100	0	0	0	0	0	0	0	0	13	0	0	0	0	0	0	0	0
February 2027 .....	76	0	0	0	0	0	0	0	0	6	0	0	0	0	0	0	0	0
February 2028 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2029 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2030 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2031 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February 2032 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)** .....	23.3	14.5	12.3	9.1	8.4	7.7	6.8	5.7	4.8	14.7	6.0	4.9	3.4	3.1	2.8	2.5	2.0	1.7

\* 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	1A-4 Class									2A-1 and 2A-2 Classes								
	CPR Prepayment Assumption									CPR Prepayment Assumption								
	0%	9%	12%	18%	20%	22%	25%	30%	35%	0%	9%	12%	18%	20%	22%	25%	30%	35%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 2005	106	106	106	106	106	106	106	106	106	99	90	87	81	79	77	74	69	64
February 2006	113	113	113	113	113	113	113	113	113	97	80	75	65	62	59	55	48	41
February 2007	120	120	120	120	120	120	120	120	120	96	72	65	53	49	45	40	33	26
February 2008	127	127	127	127	127	127	127	127	127	94	64	56	42	38	35	30	23	17
February 2009	135	135	135	135	135	135	135	135	135	92	57	49	34	30	27	22	15	11
February 2010	143	143	143	143	143	143	143	143	126	90	51	42	27	24	20	16	11	7
February 2011	152	152	152	152	152	152	152	135	80	88	45	36	22	18	15	12	7	4
February 2012	161	161	161	161	161	161	160	92	51	86	40	31	18	14	12	9	5	3
February 2013	171	171	171	171	171	166	116	63	32	83	36	26	14	11	9	6	3	2
February 2014	182	182	182	182	162	125	85	42	20	81	31	22	11	9	7	5	2	1
February 2015	193	193	193	164	125	95	61	29	13	78	28	19	9	7	5	3	2	1
February 2016	205	205	205	130	96	71	44	19	8	75	24	16	7	5	4	2	1	*
February 2017	218	218	218	102	74	53	32	13	5	71	21	14	5	4	3	2	1	*
February 2018	231	231	214	80	56	40	23	9	3	68	18	11	4	3	2	1	*	*
February 2019	245	245	179	62	43	29	16	6	2	64	16	9	3	2	2	1	*	*
February 2020	261	254	149	48	32	22	12	4	1	60	13	8	3	2	1	1	*	*
February 2021	277	217	123	37	24	16	8	3	1	55	11	6	2	1	1	*	*	*
February 2022	294	183	100	28	18	11	6	2	*	51	9	5	1	1	1	*	*	*
February 2023	312	152	81	21	13	8	4	1	*	45	8	4	1	1	*	*	*	*
February 2024	331	125	64	16	10	6	3	1	*	40	6	3	1	*	*	*	*	*
February 2025	351	101	50	11	7	4	2	*	*	34	5	2	1	*	*	*	*	*
February 2026	373	79	38	8	5	3	1	*	*	27	3	2	*	*	*	*	*	*
February 2027	396	59	27	5	3	2	1	*	*	20	2	1	*	*	*	*	*	*
February 2028	404	42	19	3	2	1	*	*	*	13	1	1	*	*	*	*	*	*
February 2029	280	27	11	2	1	1	*	*	*	5	*	*	*	*	*	*	*	*
February 2030	148	13	5	1	*	*	*	*	*	0	0	0	0	0	0	0	0	0
February 2031	41	3	1	*	*	*	*	*	*	0	0	0	0	0	0	0	0	0
February 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	25.6	20.3	18.2	14.3	13.3	12.3	11.0	9.3	7.9	16.6	7.8	6.4	4.5	4.1	3.7	3.2	2.6	2.2

Date	PT Class									3A Class						
	CPR Prepayment Assumption									CPR Prepayment Assumption						
	0%	9%	12%	18%	20%	22%	25%	30%	35%	0%	10%	15%	20%	25%	30%	35%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 2005	99	90	87	81	79	77	74	69	64	98	88	83	78	73	68	64
February 2006	97	80	75	65	62	59	55	48	41	95	77	69	61	54	47	40
February 2007	95	72	65	53	49	45	40	33	26	92	67	57	47	39	32	25
February 2008	94	64	56	42	38	35	30	23	17	90	59	47	37	28	22	16
February 2009	92	57	49	34	30	27	22	15	11	87	51	39	28	21	15	10
February 2010	90	51	42	27	24	20	16	11	7	84	45	32	22	15	10	6
February 2011	88	45	36	22	18	15	12	7	4	81	39	26	17	11	7	4
February 2012	86	40	31	18	14	12	9	5	3	77	33	21	13	8	4	2
February 2013	83	36	26	14	11	9	6	3	2	74	29	17	10	6	3	2
February 2014	81	31	23	11	9	7	5	2	1	71	25	14	8	4	2	1
February 2015	78	28	19	9	7	5	3	2	1	67	21	11	6	3	1	1
February 2016	75	24	16	7	5	4	2	1	*	63	18	9	4	2	1	*
February 2017	72	21	14	5	4	3	2	1	*	59	15	7	3	1	1	*
February 2018	69	18	12	4	3	2	1	*	*	55	13	6	2	1	*	*
February 2019	65	16	10	3	2	2	1	*	*	51	10	4	2	1	*	*
February 2020	62	14	8	3	2	1	1	*	*	47	9	3	1	*	*	*
February 2021	58	12	7	2	1	1	*	*	*	42	7	3	1	*	*	*
February 2022	53	10	5	2	1	1	*	*	*	37	6	2	1	*	*	*
February 2023	49	8	4	1	1	*	*	*	*	32	4	1	*	*	*	*
February 2024	44	7	3	1	1	*	*	*	*	27	3	1	*	*	*	*
February 2025	39	5	3	1	*	*	*	*	*	22	2	1	*	*	*	*
February 2026	33	4	2	*	*	*	*	*	*	16	2	*	*	*	*	*
February 2027	28	3	1	*	*	*	*	*	*	10	1	*	*	*	*	*
February 2028	21	2	1	*	*	*	*	*	*	4	*	*	*	*	*	*
February 2029	15	1	1	*	*	*	*	*	*	*	*	*	*	*	*	*
February 2030	7	1	*	*	*	*	*	*	*	0	0	0	0	0	0	0
February 2031	4	*	*	*	*	*	*	*	*	0	0	0	0	0	0	0
February 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	17.3	7.9	6.4	4.5	4.1	3.7	3.2	2.6	2.2	14.3	6.7	5.0	3.9	3.1	2.6	2.2

\* 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.

4A Class							
Date	CPR Prepayment Assumption						
	0%	10%	15%	20%	25%	30%	35%
Initial Percent .....	100	100	100	100	100	100	100
February 2005 .....	98	88	83	78	73	68	64
February 2006 .....	95	77	69	61	54	47	40
February 2007 .....	92	67	57	47	39	32	25
February 2008 .....	90	59	47	37	28	22	16
February 2009 .....	87	51	38	28	21	15	10
February 2010 .....	84	44	32	22	15	10	6
February 2011 .....	80	38	26	17	11	7	4
February 2012 .....	77	33	21	13	8	4	2
February 2013 .....	74	29	17	10	6	3	2
February 2014 .....	70	24	14	8	4	2	1
February 2015 .....	67	21	11	6	3	1	1
February 2016 .....	63	18	9	4	2	1	*
February 2017 .....	59	15	7	3	1	1	*
February 2018 .....	55	12	6	2	1	*	*
February 2019 .....	50	10	4	2	1	*	*
February 2020 .....	46	8	3	1	*	*	*
February 2021 .....	41	7	3	1	*	*	*
February 2022 .....	36	5	2	1	*	*	*
February 2023 .....	31	4	1	*	*	*	*
February 2024 .....	26	3	1	*	*	*	*
February 2025 .....	21	2	1	*	*	*	*
February 2026 .....	15	1	*	*	*	*	*
February 2027 .....	9	1	*	*	*	*	*
February 2028 .....	3	*	*	*	*	*	*
February 2029 .....	0	0	0	0	0	0	0
February 2030 .....	0	0	0	0	0	0	0
February 2031 .....	0	0	0	0	0	0	0
February 2032 .....	0	0	0	0	0	0	0
Weighted Average Life (years)** .....	14.2	6.7	5.0	3.9	3.1	2.6	2.2

Date	5A, 5A-F and 5A-S† Classes									5PT Class								
	CPR Prepayment Assumption									CPR Prepayment Assumption								
	0%	9%	12%	18%	20%	22%	25%	30%	35%	0%	9%	12%	18%	20%	22%	25%	30%	35%
Initial Percent .....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 2005 .....	99	90	87	81	79	77	74	69	64	99	90	87	81	79	77	74	69	64
March 2006 .....	97	80	75	65	62	59	55	48	41	97	80	75	65	62	59	55	48	41
March 2007 .....	96	72	65	53	49	45	40	33	26	95	72	65	53	49	45	40	33	26
March 2008 .....	94	64	56	42	38	35	30	23	17	94	64	56	42	38	35	30	23	17
March 2009 .....	92	57	49	34	30	27	22	15	11	92	57	48	34	30	27	22	15	11
March 2010 .....	90	51	42	27	24	20	16	11	7	90	51	42	27	24	20	16	11	7
March 2011 .....	88	45	36	22	18	15	12	7	4	88	45	36	22	18	15	12	7	4
March 2012 .....	86	40	31	17	14	12	9	5	3	85	40	31	17	14	12	9	5	3
March 2013 .....	83	36	26	14	11	9	6	3	2	83	35	26	14	11	9	6	3	2
March 2014 .....	80	31	22	11	9	7	5	2	1	80	31	22	11	9	7	5	2	1
March 2015 .....	77	27	19	9	7	5	3	2	1	77	27	19	9	7	5	3	2	1
March 2016 .....	74	24	16	7	5	4	2	1	*	74	24	16	7	5	4	2	1	*
March 2017 .....	71	21	13	5	4	3	2	1	*	71	21	13	5	4	3	2	1	*
March 2018 .....	67	18	11	4	3	2	1	*	*	67	18	11	4	3	2	1	*	*
March 2019 .....	63	15	9	3	2	2	1	*	*	63	15	9	3	2	2	1	*	*
March 2020 .....	58	13	8	2	2	1	1	*	*	59	13	8	2	2	1	1	*	*
March 2021 .....	54	11	6	2	1	1	*	*	*	54	11	6	2	1	1	*	*	*
March 2022 .....	49	9	5	1	1	1	*	*	*	49	9	5	1	1	1	*	*	*
March 2023 .....	43	7	4	1	1	1	*	*	*	44	7	4	1	1	*	*	*	*
March 2024 .....	37	6	3	1	*	*	*	*	*	38	6	3	1	*	*	*	*	*
March 2025 .....	30	4	2	*	*	*	*	*	*	32	4	2	*	*	*	*	*	*
March 2026 .....	23	3	1	*	*	*	*	*	*	25	3	2	*	*	*	*	*	*
March 2027 .....	16	2	1	*	*	*	*	*	*	18	2	1	*	*	*	*	*	*
March 2028 .....	7	1	*	*	*	*	*	*	*	10	1	*	*	*	*	*	*	*
March 2029 .....	1	*	*	*	*	*	*	*	*	2	*	*	*	*	*	*	*	*
March 2030 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2031 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March 2032 .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)** .....	16.3	7.8	6.4	4.6	4.1	3.8	3.3	2.7	2.3	16.4	7.8	6.4	4.6	4.1	3.8	3.3	2.7	2.3

\* 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 AGREEMENT**

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

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

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

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

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

### **Servicing Through Lenders**

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

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

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



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

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

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

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

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

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

## **Reports to Certificateholders**

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

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

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

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

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

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

## **Collection and Other Servicing Procedures**

We are responsible for servicing the Mortgage Loans and may 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.

## **Purchase of Mortgage Loans by the Master Servicer**

Under certain limited circumstances, the Mortgage Interest Rates on the Mortgage Loans may be reduced. In the event of any such reduction, the Master Servicer will be obligated to purchase from Lower Tier REMIC I, Lower Tier REMIC II, Lower Tier REMIC III or the Trust, as applicable, the related Mortgage Loan. Any such purchase of a Mortgage Loan from the Trust by the Master Servicer 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 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 of such Certificates.

## **Amendment**

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

- to add to our duties;
- to evidence that another party has become our successor and has assumed our duties under the Trust Agreement as Trustee or in our corporate capacity or both;
- to eliminate any of our rights in our corporate capacity under the Trust Agreement;
- to cure any ambiguity or correct or add to any provision in the Trust Agreement, so long as no Certificateholder is adversely affected; or
- to modify the Trust Agreement to maintain the legal status of the Upper Tier REMIC, Lower Tier REMIC I, Lower Tier REMIC II or Lower Tier REMIC III as a REMIC.

If Certificateholders who own at least 66% of the Certificates give their consent, we may amend the Trust Agreement to eliminate, change or add to its terms or to waive our compliance with any of those terms. Nevertheless, we may not terminate or change our guaranty obligations or reduce the

percentage of Certificateholders who must give their consent to the types of amendments listed in the previous sentence. In addition, unless each affected Certificateholder consents, no amendment may reduce or delay the funds that we must pay on any Certificate. Similarly, unless all affected Holders of any residual interest give their consent, no amendment may adversely affect their rights.

## **Termination**

The Trust 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 also will terminate if Countrywide Servicing exercises all of its optional clean-up calls. The purchase price for any such optional repurchase will equal the outstanding principal balance of each Mortgage Loan (plus one month's interest at the applicable Net Mortgage Rate).

Countrywide Servicing may exercise the following optional clean-up calls:

- all the Group 1 and Group 2 Loans together,
- all the Group 3 Loans,
- all the Group 4 Loans, or
- all the Group 5 Loans,

provided that the aggregate Stated Principal Balance of the related Mortgage Loans in each group (or in the case of the Group 1 and Group 2 Loans, the aggregate of such loans) is no more than 5% of their related aggregate Stated Principal Balance as of the Cut-off Date.

If Countrywide Servicing exercises any or all of its optional clean-up calls, the Certificates of the related Loan Group or Groups will be retired. In no event, however, will the Trust continue beyond the expiration of 21 years from the death of the last survivor of the persons named in the Trust Agreement. We will notify each affected Certificateholder in writing of the termination of the Trust Agreement, and will make the final payment to each person entitled to it.

## **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

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

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

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

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

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

- REMIC Elections and Special Tax Attributes for the Group 1, Group 2, Group 4 and Group 5 Classes
- Taxation of Beneficial Owners of Regular Certificates
- Taxation of Beneficial Owners of a Residual Certificate
- Taxes on the REMICs
- Reporting and Other Administrative Matters for REMIC Investors
- Backup Withholding for REMIC Investors
- Foreign Investors in REMICs
- Taxation of the Portion of the Trust with Respect to the 3A Class
- Taxation of Beneficial Owners of Certificates of the 3A Class
- Expenses of the Trust
- Sales and Other Dispositions of Certificates of the 3A Class
- Special Tax Attributes of Certificates of the 3A Class
- Modifications of FHA/VA Loans
- Information Reporting and Backup Withholding for Certificates of the 3A Class
- Foreign Investors in Certificates of the 3A Class

The discussion following the caption “—REMIC Elections and Special Tax Attributes for the Group 1, Group 2, Group 4 and Group 5 Classes” through the caption “Foreign Investors in REMICs” describes the current federal income tax treatment of beneficial owners of Certificates of the Group 1, Group 2, Group 4 and Group 5 Classes and the R, RA, RB and RC Classes (the “REMIC Certificates”). For a discussion of the current federal income tax treatment of beneficial owners of Certificates of the 3A Class, see the discussion following “—Taxation of the Portion of the Trust with Respect to the 3A Class” below.

***REMIC Elections and Special Tax Attributes for the Group 1,  
Group 2, Group 4 and Group 5 Classes***

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



REMIC I Regular Interests will be designated as the “regular interests” in Lower Tier REMIC I and the RA Class will be designated as the “residual interest” in Lower Tier REMIC I. The Lower Tier REMIC II Regular Interests will be designated as the “regular interests” in Lower Tier REMIC II and the RB Class will be designated as the “residual interest” in Lower Tier REMIC II. The Lower Tier REMIC III Regular Interests will be designated as the “regular interests” in Lower Tier REMIC III and the RC Class will be designated as the “residual interest” in Lower Tier REMIC III (together with the R, RA, and RB Classes, the “Residual Certificates”).

Because the Upper Tier REMIC, Lower Tier REMIC I, Lower Tier REMIC II and Lower Tier REMIC III will qualify as REMICs, the Regular and Residual Certificates will be “regular or residual interests in a REMIC” within the meaning of section 7701(a)(19)(C)(xi) of the Code and “real estate assets” within the meaning of section 856(c)(5)(B) of the Code. If at any time during a calendar year less than 95% of the assets of the Lower Tier REMICs consist of “real estate assets,” then the portion of the Regular and Residual Certificates that are qualifying assets under section 856(c)(5)(B) of the Code during the calendar year may be limited to the portion of the assets of the Lower Tier REMICs that are “real estate assets.” Similarly, income on the Regular and Residual Certificates will be treated as “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. In general, a Mortgage Loan will be a “qualified mortgage” if the Mortgage Loan is “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code. The assets of the Lower Tier REMICs will include, in addition to the Group 1, Group 2, Group 4 and Group 5 Loans, payments on the Group 1, Group 2, Group 4 and Group 5 Loans held pending distribution on the Regular and Residual Certificates and any reinvestment income thereon.

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

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

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

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

The 1A-3S, 1A-4, PT, 5A-S and 5PT Classes will be, and certain other Classes of Regular Certificates may be, issued with “original issue discount” (“OID”) within the meaning of section 1273(a) of the Code. A Regular Owner must include in gross income the sum of the “daily portions” of OID on its Regular Certificate for each day during its taxable year on which it held the Certificate, generally in advance of receipt of the cash attributable to that income. We will supply to Holders, brokers and middlemen information with respect to the original issue discount accruing on the Regular Certificates. We will supply this information at the time and in the manner required by the Internal Revenue Service (the “IRS”).

### *Definition of Original Issue Discount*

In general, a Regular Certificate will be considered to be issued with OID equal to the excess, if any, of its “stated redemption price at maturity” over its “issue price.” The issue price of a Regular Certificate is the initial price at which a substantial amount of the Regular Certificates was sold. The issue price also includes any accrued interest attributable to the period before the Settlement Date. The stated redemption price at maturity of a Regular Certificate generally is its stated principal amount, plus an amount equal to the excess (if any) of the interest payable on the first Distribution Date over the interest that accrues for the period from the Settlement Date to the first Distribution Date. The stated redemption price at maturity of a Regular Certificate of the 1A-3S, 1A-4, PT, 5A-S and 5PT Classes, however, is equal to the sum of all distributions to be made under that Regular Certificate.

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

- |                 |            |
|-----------------|------------|
| • Group 1 Loans | 20% of CPR |
| • Group 2 Loans | 20% of CPR |
| • Group 4 Loans | 20% of CPR |
| • Group 5 Loans | 20% of CPR |

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

### *Daily Portions of Original Issue Discount*

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

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

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

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



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

- the yield to maturity of the Regular Certificate, calculated as of the Settlement Date, giving effect to the applicable prepayment assumption,
- events (including actual prepayments) that have occurred prior to the end of the accrual period, and
- the prepayment assumption.

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

The Code requires that the prepayment assumption be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. The legislative history of this Code provision indicates that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. Fannie Mae believes that the prepayment assumption described above is consistent with this standard. Fannie Mae makes no representation, however, that the Group 1, Group 2, Group 4 or Group 5 Loans will prepay at the rate reflected in the prepayment assumptions described above or at any other rate. Each investor must make its own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the Regular or Residual Certificates. See “Description of the Certificates—Maturity Considerations and Final Distribution Date” and “—Decrement Tables” in this prospectus.

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

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

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

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

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

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

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

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

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

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

### **Special Election**

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

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

Upon the sale, exchange, retirement or other disposition of a Regular Certificate, the beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner's adjusted basis in the Certificate. In addition, the Code requires the recognition of gain upon the "constructive sale of an appreciated financial position." In general, a constructive sale of an appreciated financial position occurs if a taxpayer enters into certain transactions or series of transactions with respect to a financial instrument that have the effect of substantially eliminating the taxpayer's risk of loss and opportunity for gain with respect to the financial instrument. These provisions only apply to the 1A-3S, PT, 5A-S and 5PT Classes.

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

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

## **Termination**

In general, no special tax consequences will apply to a Regular Owner upon the termination of the Upper Tier REMIC by virtue of the final payment or liquidation of the last Group 1, Group 2, Group 4 or Group 5 Loan remaining in the Lower Tier REMICs.

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

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

The Treasury Department recently issued proposed regulations providing that, to clearly reflect income, an inducement fee paid to a transferee of a noneconomic residual interest in a REMIC must be included in income over a period that is reasonably related to the period during which the applicable REMIC is expected to generate taxable income or net loss allocable to the transferee. The proposed regulations set forth two safe harbor methods under which a taxpayer's accounting for the inducement fee will be considered to clearly reflect income for these purposes. The proposed regulations also provide that an inducement fee shall be treated as income from sources within the United States. If finalized as proposed, the regulations would be effective for taxable years ending on or after publication of the final regulations in the Federal Register. The proposed regulations contain additional details regarding their application and you should consult your own tax advisor regarding the application of the proposed regulations.

## Daily Portions

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

## Taxable Income or Net Loss of the REMICs

The taxable income or net loss of the Upper Tier REMIC, Lower Tier REMIC I, Lower Tier REMIC II, and Lower Tier REMIC III will be the income from the “qualified mortgages” they hold and any reinvestment earnings less deductions allowed to the related REMIC. In general, a Group 1, Group 2, Group 4 or Group 5 Loan will be a “qualified mortgage” if the Group 1, Group 2, Group 4 or Group 5 Loan is “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code.

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

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

The Upper Tier REMIC’s basis in its assets is the aggregate of the issue prices of all the Regular and Residual Certificates in the REMIC constituted by the Upper Tier REMIC on the Settlement Date. If,

however, the amount sold to the public of any Class of Regular or Residual Certificates is not substantial, then the fair market value of all the Regular or Residual Certificates in that Class as of the date of this prospectus should be substituted for the issue price. If the deductions allowed to a REMIC exceed its gross income for a calendar quarter, the excess will be a net loss for the REMIC for that calendar quarter.

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

### **Basis Rules and Distributions**

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

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

### **Treatment of Excess Inclusions**

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

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

If a Residual Certificate is held by a real estate investment trust, the aggregate excess inclusions with respect to the Residual Certificate reduced (but not below zero) by the real estate investment trust taxable income (within the meaning of section 857(b)(2) of the Code, excluding any net capital



gain) would, under regulations yet to be prescribed, be allocated among the shareholders of the trust in proportion to the dividends received by the shareholders from the trust, and any amount so allocated would be treated as an excess inclusion with respect to the Residual Certificate as if held directly by the shareholder. Similar rules would apply in the case of regulated investment companies, common trust funds and certain cooperatives that hold a Residual Certificate.

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

A Residual Owner who is an individual will be required to include in income a share of the administrative fees of the related REMIC, including the servicing and guaranty fees imposed at the level of the Group 1, Group 2, Group 4 and Group 5 Loans. See, for example, “Description of Certificates—Servicing Through Lenders” and “Certain Federal Income Tax Consequences” in our MBS prospectus. A deduction for such fees generally will be allowed to such a Residual Owner only to the extent that such fees, along with certain of the Residual Owner’s other miscellaneous itemized deductions, exceed 2% of the Residual Owner’s adjusted gross income. In addition, section 68 of the Code may provide for certain limitations on certain itemized deductions otherwise allowable for a Residual Owner who is an individual. Further, such a Residual Owner may not be able to deduct any portion of such fees in computing the Residual Owner’s alternative minimum tax liability. A Residual Owner’s share of such fees generally will be determined by (i) allocating the amount of such expenses for each calendar quarter on a *pro rata* basis to each day in the calendar quarter, and (ii) allocating the daily amount among the Residual Owners in proportion to their respective holdings on that day. Similar rules apply in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Residual Certificate through an investment in a “pass-through entity.” Pass-through entities include partnerships, S corporations, grantor trusts and non-publicly offered regulated investment companies, but do not include estates, trusts other than grantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies.

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

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

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

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

Section 860E(e) of the Code imposes a substantial tax, payable by the transferor (or, if a transfer is through a broker, nominee, or other middleman as the transferee’s agent, payable by that agent) upon any transfer of the Residual Certificate to a “disqualified organization.” A transfer includes any transfer of record or beneficial ownership, whether pursuant to a purchase, a default under a secured lending agreement or otherwise. The term “disqualified organization” is defined above under “Description of the Certificates—Special Characteristics of the R, RA, RB and RC Classes” in this prospectus. The transferor of a Residual Certificate (or an agent of the transferee of a Residual Certificate, as the case may be) will be relieved of this tax liability if (i) the transferee furnishes to the

transferor (or the transferee's agent) an affidavit that the transferee is not a disqualified organization, and (ii) the transferor (or the transferee's agent) does not have actual knowledge that the affidavit is false at the time of the transfer.

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

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

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

#### **Termination**

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

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

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

#### *Taxes on the REMICs*

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

#### **Prohibited Transactions**

The Code imposes a tax on a REMIC equal to 100% of the net income derived from "prohibited transactions." In general, the term "prohibited transaction" means the disposition of a qualified



mortgage other than pursuant to certain specified exceptions, the receipt of investment income from a source other than a qualified mortgage or certain other permitted investments, the receipt of compensation for services, or the disposition of a “cash flow investment” as defined in section 860G(a)(6) of the Code.

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

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

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

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

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

For purposes of the administrative provisions of the Code, each REMIC will be treated as a partnership and the related Residual Owners will be treated as partners in that REMIC. We will prepare, sign and file federal income tax returns for the REMICs, which returns are subject to audit by the IRS. We will also act as the tax matters partner for the REMICs, either as a beneficial owner of a Residual Certificate or as a fiduciary for a Residual Owner. Each Residual Owner, by the acceptance of a Residual Certificate, agrees that we will act as its fiduciary in the performance of any duties required of it in the event that it is the tax matters partner.

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

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

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

Distributions of interest and principal, as well as distributions of proceeds from the sale of Regular and Residual Certificates, may be subject to the “backup withholding tax” under section 3406 of the Code if recipients of the distributions fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from this tax. Any amounts deducted and withheld from a distribution to a recipient would be allowed as a credit against

the recipient's federal income tax. Certain penalties may be imposed by the IRS on a recipient of distributions required to supply information who does not do so in the proper manner.

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

#### **Regular Certificates**

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

#### **Residual Certificates**

Amounts paid to a Residual Owner that is a Non-U.S. Person generally will be treated as interest for purposes of applying the 30% (or lower treaty rate) withholding tax on income that is not effectively connected with a U.S. trade or business. Amounts not constituting excess inclusions that are paid on a Residual Certificate to a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, subject to the same conditions applicable to distributions on Regular Certificates, as described above, but only to the extent that the Group 1, Group 2, Group 4 and Group 5 Loans held by the related REMIC were originated after July 18, 1984. In no case will any portion of REMIC income that constitutes an excess inclusion be entitled to any exemption from the withholding tax or a reduced treaty rate for withholding. See "*Taxation of Beneficial Owners of a Residual Certificate—Treatment of Excess Inclusions.*"

### ***Taxation of the Portion of the Trust with Respect to the 3A Class***

Dewey Ballantine LLP, special tax counsel to Fannie Mae, will deliver its opinion that, assuming compliance with the Trust Agreement, the portion of the Trust with respect to the 3A Class will be classified as a trust under subpart E, part I of subchapter J of the Code and not as an association taxable as a corporation.

#### **The 3A Class**

Interest paid on a Certificate of the 3A Class is taxable as ordinary interest income. A beneficial owner of a Certificate of the 3A Class must report this income when it accrues or is paid, consistent with the beneficial owner's method of accounting.

A beneficial owner that acquires a Certificate of the 3A Class for less than its principal amount generally has market discount in the amount of the difference between the principal amount and the beneficial owner's basis in that certificate. In general, three consequences arise if a beneficial owner acquires an interest in a Certificate of the 3A Class with market discount. First, the beneficial owner must treat any principal payment with respect to that certificate as ordinary income to the extent of the market discount that accrued while the beneficial owner held an interest in that Certificate. Second, the beneficial owner must treat gain on the disposition or retirement of that Certificate as ordinary income under the circumstances discussed below under "*Sales and Other Dispositions of Certificates of the 3A Class.*" Third, if the beneficial owner incurs or continues indebtedness to acquire that Certificate the beneficial owner may be required to defer the deduction of all or a portion of the interest on the indebtedness until the corresponding amount of market discount is included in income. Alternatively, a beneficial owner may elect to include market discount in income on a current basis as it accrues, in which case the three consequences discussed above will not apply. If a beneficial owner

makes this election, the beneficial owner must also apply the election to all debt instruments acquired by the beneficial owner on or after the beginning of the first taxable year to which the election applies. A beneficial owner may revoke the election only with the consent of the IRS.

A beneficial owner of a Certificate of the 3A Class must determine the amount of accrued market discount for a period using a straight line method, based on the maturity of that Certificate, unless the beneficial owner elects to determine accrued market discount using a constant yield method. The IRS has authority to provide regulations for determining the accrual of market discount in the case of debt instruments that provide for more than one principal payment, but has not yet issued such regulations. In addition, the legislative history 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 3A Class is considered to be zero if the discount is less than 0.25% of the principal balance of that Certificate multiplied by the number of complete years from the date the beneficial owner acquires that Certificate to the maturity of that Certificate (“*de minimis* market discount”). The IRS has authority to provide regulations to adjust the computation of *de minimis* market discount in the case of debt instruments that provide for more than one principal payment, but has not yet issued such regulations. The IRS could assert, nonetheless, that *de minimis* market discount should be calculated using the remaining weighted average life of that certificate rather than its final maturity. You should consult your own tax advisors regarding the ability to compute *de minimis* market discount based on the final maturity of the 3A Class.

If a beneficial owner acquires a Certificate of the 3A Class for more than its principal amount, the beneficial owner generally will have premium with respect to that Certificate in the amount of the excess. In that event, the beneficial owner may elect to treat such premium as “amortizable bond premium.” If the election is made, a beneficial owner must also apply the election to all debt instruments the interest on which is not excludible from gross income (“fully taxable bonds”) held by the beneficial owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by the beneficial owner. A beneficial owner may revoke the election only with the consent of the IRS.

If a beneficial owner makes this election, the beneficial owner reduces the amount of any interest payment that must be included in the beneficial owner’s income by the portion of the premium allocable to the period based on the yield to maturity of that Certificate. Correspondingly, a beneficial owner must reduce its basis in that Certificate by the amount of premium applied to reduce any interest income. The amount of premium to be allocated among the interest payments on a Certificate of the 3A Class is determined by reference to an equivalent fixed rate debt instrument constructed as of the date the beneficial owner acquires an interest in that Certificate. If a beneficial owner does not elect to amortize premium, (i) the beneficial owner must include the full amount of each interest payment in income, and (ii) the premium must be allocated to the principal distributions on that Certificate and, when each principal distribution is received, a loss equal to the premium allocated to that distribution will be recognized. Any tax benefit from premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of that Certificate. See “—*Sales and Other Dispositions of Certificates of the 3A Class.*”

A beneficial owner may elect to include in income its entire return on a Certificate of the 3A Class (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 3A Class with amortizable bond premium (or market discount) will result in a deemed election to amortize premium for all the beneficial owner’s debt instruments with amortizable bond premium (or to accrue market discount currently for all the beneficial owner’s debt instruments with market discount) as discussed above.

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

Each beneficial owner of a Certificate of the 3A Class will be required to include in income its allocable share of the expenses paid by the Trust, with respect to the Group 3 Loans, as applicable. Each beneficial owner of a Certificate of the 3A Class 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 the 3A Class of Certificates. A beneficial owner's ability to deduct its share of these expenses is limited under section 67 of the Code in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Certificate of the 3A Class directly or through an investment in a "pass-through entity" (other than in connection with such individual's trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, certain limited liability companies and non-publicly offered regulated investment companies, but do not include estates, non-grantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies. Generally, such a beneficial owner can deduct its share of these costs only to the extent that these costs, when aggregated with certain of the beneficial owner's other miscellaneous itemized deductions, exceed 2% of the beneficial owner's adjusted gross income. For this purpose, an estate or nongrantor trust computes adjusted gross income in the same manner as in the case of an individual, except that deductions for administrative expenses of the estate or trust that would not have been incurred if the property were not held in the trust or estate are treated as allowable in arriving at adjusted gross income. In addition, section 68 of the Code may provide for certain limitations on certain itemized deductions otherwise allowable for a beneficial owner who is an individual. Further, a beneficial owner may not be able to deduct any portion of these costs in computing its alternative minimum tax liability.

### ***Sales and Other Dispositions of Certificates of the 3A Class***

Upon the sale, exchange or other disposition of a Certificate of the 3A Class, a beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner's adjusted basis in that Certificate. The adjusted basis of a Certificate of the 3A Class 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 and by any premium that has reduced the beneficial owner's interest income with respect to that Certificate. Any such gain or loss generally will be capital gain or loss, except (i) as provided in section 582(c) of the Code (which generally applies to banks) or (ii) to the extent any gain represents OID or accrued market discount not previously included in income (to which extent such gain would be treated as ordinary income). Any capital gain (or loss) recognized upon the sale, exchange or other disposition of a Certificate of the 3A Class will be long-term capital gain (or loss) if at the time of disposition the beneficial owner held that Certificate for more than one year. The ability to deduct capital losses is subject to limitations.

### ***Special Tax Attributes of Certificates of the 3A Class***

A Certificate of the 3A Class may not constitute:

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

In addition, distributions of interest may not constitute income described in section 856(c)(3)(B) of the Code with respect to a real estate investment trust. As a result, Certificates of the 3A Class 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 3A Class upon such exchange. Information will be made available to assist Holders in determining their share of any gain or loss due to a significant modification of an FHA/VA Loan or to enable Holders to make such information available to beneficial owners or other financial intermediaries for which Holders hold Certificates as nominees.

### ***Information Reporting and Backup Withholding for Certificates of the 3A Class***

Within a reasonable time after the end of each calendar year, we will furnish or make available to each Holder of a Certificate of the 3A Class that received a distribution on that Certificate during that year a statement setting forth such information as is required by the Code or Treasury Regulations and such other information as we deem necessary or desirable to assist Holders in preparing their federal income tax returns, or to enable Holders to make such information available to beneficial owners or other financial intermediaries for which the Holders hold Certificates as nominees.

Payments of interest and principal, as well as payments of proceeds from the sale of Certificates of the 3A Class, may be subject to the “backup withholding tax” under section 3406 of the Code if recipients of the payments fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from this tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the recipient’s federal income tax. The IRS may impose certain penalties on a recipient of payments required to supply information who does not do so in the proper manner.

### ***Foreign Investors in Certificates of the 3A Class***

Additional rules apply to a beneficial owner of a Certificate of the 3A Class that is not a U.S. Person (a “Non-U.S. Person”). The term “U.S. Person” means:

- a citizen or resident of the United States,
- a corporation, partnership or other entity created or organized in or under the laws of the United States or any of its political subdivisions,
- an estate the income of which is subject to U.S. federal income tax regardless of the source of its income, or
- a trust if a court within the United States can exercise primary supervision over its administration and at least one U.S. Person has the authority to control all substantial decisions of the trust.

Payments on a Certificate of the 3A Class to, or on behalf of, a beneficial owner that is a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, provided the following conditions are satisfied:

- the beneficial owner is not subject to U.S. tax as a result of a connection to the United States other than ownership of that Certificate,



- the beneficial owner signs a statement under penalties of perjury that certifies that the beneficial owner is a Non-U.S. Person, and provides for the name and address of the beneficial owner, and
- the last U.S. Person in the chain of payment to the beneficial owner receives the statement from the beneficial owner or a financial institution holding on its behalf and does not have actual knowledge that the statement is false.

You should be aware that the IRS might take the position that this exemption does not apply to a beneficial owner that also owns 10% or more of the voting stock of Fannie Mae, or to a beneficial owner that is a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code.

## LEGAL INVESTMENT CONSIDERATIONS

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities, you may be subject to restrictions on investment in certain classes of the Certificates. If you are a financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the Treasury or other federal or state agencies with similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing or pledging the Certificates. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Certificate. **Investors should consult their own legal advisors in determining whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment and whether and to what extent the Certificates can be used as collateral for various types of borrowings.**

## LEGAL OPINION

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

## ERISA CONSIDERATIONS

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

The U.S. Department of Labor issued a final regulation covering the acquisition by a Plan of a “guaranteed governmental mortgage pool certificate,” defined to include certificates which are “backed by, or evidencing an interest in specified mortgages or participation interests therein” and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a Plan in a “guaranteed governmental mortgage pool certificate” does not cause the assets of the Plan to include the mortgages underlying the certificate or cause the sponsor, trustee and



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

### **PLAN OF DISTRIBUTION**

We will acquire the Mortgage Loans from the Seller in exchange for the Certificates pursuant to the Sale and Servicing Agreement. The Seller has retained Countrywide Securities Corporation, Nomura Securities International, Inc. and Greenwich Capital Markets, Inc. (the “Dealers”), which propose to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealers may effect such transactions to or through 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. McKee Nelson LLP will provide legal representation for the Dealers.

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## Certain Assumed Characteristics of the Mortgage Loans

## Loan Group 1—Fixed Rate (As of February 1, 2004)

Cut-off Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Remaining Term to Maturity (in Months) ("WARM")	Weighted Average Loan Age (in Months) ("WALA")	Weighted Average Original Term (in Months)
\$143,352,632.53	5.6176569064%	335	16	351
268,401,874.74	6.2656573061	320	31	352

## Loan Group 2—Fixed Rate (As of February 1, 2004)

Cut-off Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Remaining Term to Maturity (in Months) ("WARM")	Weighted Average Loan Age (in Months) ("WALA")	Weighted Average Original Term (in Months)
\$227,292,624.97	6.6372195587%	312	42	355
142,487,334.74	7.5400689926	300	54	358

## Loan Group 3—ARMs (1 Year CMT) (As of February 1, 2004)

Cut-off Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Remaining Term to Maturity (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)
\$29,771,700.84	4.6060887481%	291	69	360	1.00%	11.0630515991%	2.6672820677%	2	12
36,209,446.97	4.3076276872	301	59	360	1.00	11.0534576384	2.6458701824	5	12
32,507,779.97	4.3684136372	299	61	360	1.00	11.1372100644	2.6594637614	8	12
31,981,118.56	4.3011584255	295	65	360	1.00	11.0400200710	2.6616579437	11	12

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### Loan Group 4—ARMs (1 Year CMT) (As of February 1, 2004)

Cut-off Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Remaining Term to Maturity (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	Weighed Average Lifetime Rate Floor	Weighted Average Months to Rate Change	Rate Reset Frequency (in Months)
\$33,050,751.87	4.6625068968%	5.1416981873%	291	69	360	1.00%	11.1580067093%	2.6991057568%	2	12
42,038,008.48	4.4351089721	4.9036184606	298	62	360	1.00	11.1530596379	2.6677909919	5	12
42,525,390.63	4.5729336421	5.0523170540	297	63	360	1.00	11.2098152503	2.6755641884	8	12
37,213,656.18	4.5334729654	5.0127960594	288	72	360	1.00	11.2775125135	2.6858260135	11	12

### Loan Group 5—Fixed Rate (As of March 1, 2004)

Cut-off Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Remaining Term to Maturity (in Months) ("WARM")	Weighted Average Mortgage Rate	Weighted Average Loan Age (in Months) ("WALA")	Weighted Average Original Term (in Months)	Weighted Average Periodic Rate Cap	Weighted Average Lifetime Rate Cap	Weighed Average Lifetime Rate Floor	Weighted Average Months to Rate Change	Rate Reset Frequency (in Months)
\$233,766,237.42	7.1379894063%	303	7.4347889199%	50	360	1.00%	11.1580067093%	2.6991057568%	2	12
254,769,658.39	8.1125111413	294	8.3625111413	62	360	1.00	11.2098152503	2.6755641884	8	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 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 Original Term" for any group of Mortgage Loans is the weighted average original amortization term 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.

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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.

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**\$1,555,368,213**  
(Approximate)



**Guaranteed**  
**Pass-Through Certificates**  
**Fannie Mae Trust 2004-W2**

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## PROSPECTUS

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**Countrywide Securities Corporation**  
(Lead Dealer)

**Nomura**  
(Co-Dealer)

**RBS Greenwich Capital**  
(Co-Dealer)

**February 11, 2004**

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