

\$494,550,228 (Approximate)

WISCONSIN AVENUE SECURITIES

REMIC Pass-Through Certificates

Fannie Mae REMIC Trust 2004-W4

Carefully consider the risk factors starting on page 10 of this prospectus. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.

This prospectus may not be used to offer and sell senior certificates unless it is accompanied by the senior supplement.

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

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

The Certificates

We, the Federal National Mortgage Association (Fannie Mae), will issue the classes of certificates listed in the chart on this page. These classes of certificates are being offered by this prospectus. We will also issue the subordinate classes in connection with the trust. The subordinate classes are not offered by this prospectus.

Subordination

We will not make monthly payments of interest on the mezzanine classes unless the holders of the senior classes have received all required payments of interest in that month to the extent described in this prospectus. Furthermore, we will not make monthly payments of principal of the mezzanine classes unless the holders of the senior classes have received all required payments of principal in that month to the extent described in this prospectus.

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 rate of principal payments may vary from time to time. On any particular distribution date, we may not pay principal to certain classes.

Proceeds of the trust assets are the sole source of payments on the mezzanine certificates. The mezzanine certificates, together with any interest thereon, are not guaranteed by or obligations of Fannie Mae, the United States or any other governmental entity.

The Trust and its Assets

The trust will own certain first lien, one- to four-family, fixed-rate, fully amortizing mortgage loans having the characteristics described in this prospectus.

Classes of Senior Certificates	Group	Original Class Balance(1)	Principal Type	Interest Rate	Interest Type	CUSIP Number
A-1	1,2	\$115,000,000	SR/PAC	2.750%(2)	FIX	31393X 3 E 5
A-2	1,2	69,800,000	SR/PAC	5.000 (2)	FIX	31393X 3 F 2
A-3	1,2	25,000,000	SR/PAC	4.625 (2)	FIX	31393X 3 G 0
A-4(3)	1,2	15,500,000	SR/PAC	5.500 (2)	FIX	31393X 3 H 8
A-5	1,2	50,000,000	SR/PAC	5.500 (2)	FIX	31393X 3 J 4
A-6	1,2	7,318,000	SR/PAC	5.500 (2)	FIX	31393X 3 K 1
A-7	1,2	110,687,000	SR/SCH/AD	5.500 (2)	FIX	31393X 3 L 9
A-8	1,2	9,705,094	SR/SUP	5.500 (2)	FIX/Z	31393X 3 M 7
A-9	1,2	11,270,000	SR/PAC	5.500 (2)	FIX	31393X 3 N 5
A-10	1,2	47,000,000	SR/PAC	3.500 (2)	FIX	31393X 3 P 0
A-11(3)	1,2	57,500,000(4)	NTL	5.500 (2)	FIX/IO	31393X 3 Q 8
A-12(3)	1,2	17,090,909(4)	NTL	5.500 (2)	FIX/IO	31393X 3 R 6
A-13(3)	1,2	6,345,454(4)	NTL	5.500 (2)	FIX/IO	31393X 3 S 4
A-14(3)	1,2	3,977,272(4)	NTL	5.500 (2)	FIX/IO	31393X 3 T 2
A-15(3)	1,2	7,500,000	SR/PAC	5.500 (2)	FIX	31393X 3 U 9
AR	1,2	100	SR/SEQ	5.500 (2)	FIX	31393X 3 V 7
PO	1,2	5,518,034	SR/PT/CPT	(5)	PO	31393X 3 W 5
IO-1	1	186,761,531(4)	NTL	(6) (2)	WAC/IO	31393X 3 X 3
IO-2	2	122,852,234(4)	NTL	(6) (2)	WAC/IO	31393X 3 Z 8
2A-IO	2	8,163,601(4)	NTL	5.750 (2)	FIX/IO	31393X 3 Y 1
RM		0	NPR	0	NPR	31393X 4 G 9
RL		0	NPR	0	NPR	31393X 4 H 7

Classes of Mezzanine Certificates(7)	Group	Original Class Balance(1)	Principal Type	Interest Rate	Interest Type	CUSIP Number
M	1,2	\$12,251,000	MEZZ	(8) (2)	WAC	31393X 4 A 2
B-1	1,2	5,250,000	MEZZ	(8) (2)	WAC	31393X 4 B 0
B-2	1,2	2,751,000	MEZZ	(8) (2)	WAC	31393X 4 C 8

(1) Classes in the aggregate may vary by plus or minus 10%.

(2) Subject to uncovered prepayment interest shortfalls as described in this prospectus.

(3) Exchangeable classes.

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

(5) Principal only class.

(6) These classes will bear interest at variable annual rates calculated as described in this prospectus. During the first interest accrual period, the IO-1 and IO-2 Classes are expected to bear interest at annual rates of approximately 0.09818% and 0.15033%, respectively.

(7) Payments of interest and principal on the mezzanine certificates are subordinated to the payments of interest and principal, respectively, on the senior certificates. Payments in respect of the mezzanine certificates are NOT guaranteed by Fannie Mae.

(8) These classes will bear interest at the variable annual rate calculated as described in this prospectus. During the first interest accrual period, each of the M, B-1 and B-2 Classes is expected to bear interest at an annual rate of approximately 5.600%.

If you own certificates of certain classes, you can exchange them for the corresponding RCR certificates issued at the time of the exchange. The A-16 and A-17 Classes are the RCR classes, as further described in this prospectus.

The dealers specified below will offer the certificates indicated below (other than the IO-1, IO-2 and PO Classes) from time to time in negotiated transactions at varying prices. We expect the settlement date to be April 30, 2004.

RBS Greenwich Capital
(Senior Classes only)

Countrywide Securities Corporation
(Mezzanine Classes only)

March 26, 2004

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
AVAILABLE INFORMATION	4	<i>Accrual Class</i>	29
REFERENCE SHEET	5	<i>Notional Classes</i>	29
RISK FACTORS	10	<i>The IO-1 and IO-2 Classes</i>	29
GENERAL	15	<i>The 2A-IO Class</i>	30
<i>Structure</i>	15	<i>The Mezzanine and Subordinate Classes</i>	30
<i>Authorized Denominations</i>	16	<i>Interest Payment Priorities</i>	30
<i>Characteristics of Senior and Mezzanine</i>		<i>Uncovered Prepayment Interest</i>	
<i>Certificates</i>	16	<i>Shortfalls</i>	30
<i>Distribution Date</i>	17	Principal Payments on the Senior and	
<i>Record Date</i>	17	Mezzanine Certificates	31
<i>Class Factors</i>	17	<i>Definitions</i>	31
<i>Optional Clean-up Call by Countrywide</i>		<i>Categories of Classes and</i>	
<i>Servicing</i>	17	<i>Components—Principal</i>	31
COMBINATION AND		<i>Principal Balance Calculation</i>	31
RECOMBINATION	17	<i>Principal Payment Priorities</i>	32
<i>General</i>	17	<i>A-8 Accrual Amount</i>	32
<i>Procedures</i>	17	<i>PO Principal Distribution Amount</i>	32
<i>Additional Considerations</i>	18	<i>Combined Group 1 and Group 2 Senior</i>	
THE MORTGAGE LOANS	18	<i>Non-PO Principal Distribution</i>	
General	18	<i>Amount</i>	32
Initial Pool Statistics	19	<i>Distributions from Remaining Principal</i>	
<i>Group 1 Loans</i>	19	<i>Collections for Both Loan Groups</i>	33
<i>Group 2 Loans</i>	21	Certain Definitions Relating to	
Fannie Mae Mortgage Purchase		Payments on the Certificates	34
Program	23	Allocation of Losses	42
<i>General</i>	23	Subordination	43
<i>Selling and Servicing Guides</i>	23	Class Definitions and Abbreviations	43
<i>Mortgage Loan Eligibility</i>		Special Characteristics of the AR, RM	
<i>Standards—Conventional Loans</i>	23	and RL Classes	45
The Seller	24	Structuring Assumptions	47
Servicing of Mortgage Loans	24	<i>Pricing Assumptions</i>	47
<i>The Servicer</i>	24	<i>Prepayment Assumption</i>	47
<i>Foreclosure, Delinquency and Loss</i>		<i>Structuring Ranges</i>	47
<i>Experience</i>	25	<i>Initial Effective Ranges</i>	48
DESCRIPTION OF THE SENIOR AND		Yield Tables	49
MEZZANINE CERTIFICATES	27	<i>General</i>	49
General	27	<i>The Fixed Rate Interest Only Classes</i> ...	49
Book-Entry Procedures	27	<i>The IO-1 and IO-2 Classes</i>	51
<i>DTC</i>	27	<i>The Principal Only Class</i>	52
<i>Title to DTC Certificates</i>	28	Weighted Average Lives of the Senior	
<i>Method of Payment</i>	28	and Mezzanine Certificates	53
Interest Payments on the Senior and		Maturity Considerations, Last	
Mezzanine Certificates	28	Scheduled Distribution Date of the	
<i>Definitions</i>	28	Mezzanine Classes and Final	
<i>Categories of Classes and</i>		Distribution Dates of the Senior	
<i>Components—Interest</i>	28	Classes	53
<i>Interest Calculation</i>	29	Decrement Tables	54
<i>Interest Accrual Periods</i>	29	THE AGREEMENTS	58

	<u>Page</u>		<u>Page</u>
Transfer of Mortgage Loans to the Lower Tier REMIC	58	Treatment of Excess Inclusions	71
Servicing Through Countrywide Home Loans Servicing LP	58	Pass-Through of Servicing and Guaranty Fees to Individuals	71
Payments on Mortgage Loans; Deposits in the Certificate Account ..	59	Sales and Other Dispositions of a Residual Certificate	72
Reports to Certificateholders	60	<i>Residual Certificate Transferred to or Held by Disqualified Organizations ...</i>	72
Collection and Other Servicing Procedures	60	<i>Other Transfers of a Residual Certificate</i>	72
Certain Matters Regarding Fannie Mae	61	Termination	73
Events of Default	62	<i>Taxation of Beneficial Owners of RCR Certificates</i>	73
Rights upon Event of Default	62	<i>Taxes on the REMICs</i>	74
Amendment	62	Prohibited Transactions	74
Voting Rights	62	Contributions to a REMIC after the Startup Day	74
Termination	63	Net Income from Foreclosure Property	74
CERTAIN FEDERAL INCOME TAX CONSEQUENCES	63	<i>Reporting and Other Administrative Matters</i>	74
<i>REMIC Elections and Special Tax Attributes</i>	64	<i>Tax Return Disclosure Requirements</i>	75
<i>Taxation of Beneficial Owners of Regular Certificates</i>	64	<i>Backup Withholding</i>	75
Treatment of Original Issue Discount ..	65	<i>Foreign Investors</i>	75
<i>Definition of Original Issue Discount</i>	65	Regular Certificates	75
<i>Daily Portions of Original Issue Discount</i>	66	Residual Certificates	75
Subsequent Holders' Treatment of Original Issue Discount	67	LEGAL INVESTMENT CONSIDERATIONS	76
Regular Certificates Purchased at a Premium	67	General	76
Regular Certificates Purchased with Market Discount	67	Mezzanine Certificates	76
Special Election	68	SMMEA Eligibility of the M Class	76
Sales and Other Dispositions of Regular Certificates	68	LEGAL OPINION	76
Termination	69	ERISA CONSIDERATIONS	77
<i>Taxation of Beneficial Owners of Residual Certificates</i>	69	General	77
Amounts Paid to a Transferee of a Residual Certificate	69	Senior Certificates	77
Daily Portions	69	Mezzanine Certificates	77
Taxable Income or Net Loss of the REMICs	69	PLAN OF DISTRIBUTION	78
Basis Rules and Distributions	70	RATINGS	78
		LEGAL MATTERS	79
		INDEX TO DEFINED TERMS	80
		EXHIBIT A	A-1
		SCHEDULE 1	A-2
		PRINCIPAL BALANCE SCHEDULES ..	B-1

AVAILABLE INFORMATION

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

- this prospectus,
- the senior supplement (if you are purchasing senior certificates), and
- any Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that we file with the SEC during the period specified in the final paragraph of this page.

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

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

In addition, the Disclosure Documents, together with the class factors, are available on our corporate Web site at www.fanniemae.com.

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

Greenwich Capital Markets, Inc.
Prospectus Department
600 Steamboat Road
Greenwich, Connecticut 06830
(telephone 203-618-2318)

or

Countrywide Securities Corporation
Prospectus Department
4500 Park Grenada
Calabasas, California 91302
(telephone 800-669-6091).

In the first quarter of 2003, we began filing periodic reports with the SEC under the Exchange Act of 1934. These filings include Form 10-Ks, Form 10-Qs and Form 8-Ks. Our SEC filings are available at the SEC’s Web site at www.sec.gov. You may also read and copy any document we file with the SEC by visiting the SEC’s Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the operation of the Public Reference Room. We are providing the address of the SEC’s Web site solely for the information of prospective investors. We do not intend the Web site address to be an active link.

Information contained in any Form 10-K, Form 10-Q and Form 8-K that we file with the SEC prior to the termination of the offering of the senior and mezzanine 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 Securities Exchange Act of 1934, 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 listed on page 4.

The Certificates

- The certificates will represent beneficial ownership interests in Fannie Mae REMIC Trust 2004-W4.
- The assets of the trust will consist of two groups of first lien, one- to four-family, fixed-rate, fully amortizing mortgage loans having the characteristics described in this prospectus.

Certain Characteristics of the Mortgage Loans

For additional information about the nature of the mortgage loans in the trust, see “The Mortgage Loans” in this prospectus. In addition, see Exhibit A for a list of certain assumed characteristics of the mortgage loans.

General

The certificates will consist of the classes described below, which represent the entire ownership interest in the trust.

Twenty-two classes of senior REMIC certificates (plus two additional classes of senior RCR certificates) having the following designations will be issued and guaranteed by Fannie Mae:

		RCR classes		}	
		• A-16	• A-17		
• A-1	• A-10				Combined Group 1 and Group 2 Senior Classes
• A-2	• A-11				
• A-3	• A-12				
• A-4	• A-13				
• A-5	• A-14				
• A-6	• A-15				
• A-7	• AR				
• A-8	• PO				
• A-9					
• IO-1					
• IO-2				}	Group 1 Senior Class
• 2A-IO					
• AR				}	Group 2 Senior Classes
• RM					
• RL					
				}	Residual Classes

In addition, the PO Class of senior certificates is composed of the following components:

- PO-1 }
 - PO-2 }
- Group 1 Component
- Group 2 Component

Three classes of mezzanine certificates having the following designations will be issued, but **not guaranteed**, by Fannie Mae:

- M Class }
 - B-1 Class }
 - B-2 Class }
- Mezzanine Classes

Three classes of subordinate certificates having the following designations will be issued, but **not guaranteed**, by Fannie Mae:

- B-3 Class }
 - B-4 Class }
 - B-5 Class }
- Subordinate Classes

Only the senior and mezzanine certificates are being offered by this prospectus and, in the case of the senior certificates, by the senior supplement. On the settlement date, we also will issue the subordinate certificates and, at the direction of the seller, deliver them to or on behalf of the applicable dealer, which may sell them at any time thereafter in limited private offerings. We have included in this prospectus certain information about the subordinate certificates only to help you understand the senior and mezzanine certificates.

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 payments in the same month). We will publish the class factors for the certificates on or shortly after the 23rd day of each month.

Settlement Date

We expect to issue the certificates on April 30, 2004.

Distribution Date

We will make payments on the classes of certificates on the 25th day of each calendar month, or on the next business day if the 25th day is not a business day beginning in May 2004.

Book-Entry and Physical Certificates

We issue 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:

<u>DTC Book-Entry</u>	<u>Physical</u>
All classes of senior and mezzanine certificates other than the AR, RM and RL Classes	AR, RM and RL Classes

Interest Payments

On each distribution date, each class of senior certificates will be entitled to receive its monthly payment of interest and, subject to available funds, each class of mezzanine certificates will be entitled to receive the applicable Specified Non-Senior Interest Distribution Amount, in each case to the extent described in this prospectus. See “Description of the Senior and Mezzanine Certificates—Interest Payments on the Senior and Mezzanine Certificates—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

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

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

During each interest accrual period, each class of mezzanine certificates and subordinate certificates will bear interest at the variable rate described in this prospectus.

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

Components

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

	<u>Original Principal Balance</u>	<u>Principal Type</u>	<u>Interest Type</u>
PO-1	\$3,555,451	SR/PT	PO
PO-2	1,962,583	SR/PT	PO

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

Notional Classes

A notional class 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 will equal the percentages of the principal balances specified below immediately before the related distribution date:

<u>Class</u>	
A-11	50% of the A-1 Class
A-12	36.3636363636% of the A-10 Class
A-13	9.0909090909% of the A-2 Class
A-14	15.9090909091% of the A-3 Class
2A-IO	4.3478260870% of the Group 2 Senior Non-PO Balance*
IO-1	100% of the aggregate stated principal balance of Group 1 Non-Discount Loans
IO-2	100% of the aggregate stated principal balance of Group 2 Non-Discount Loans
A-16	50% of the A-1 Class
	9.0909090909% of the A-2 Class
	15.9090909091% of the A-3 Class
	36.3636363636% of the A-10 Class

* For a description of the Group 2 Senior Non-PO Balance, see “Description of the Senior and Mezzanine Certificates—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

Principal Payments

A-8 Accrual Amount

1. To the A-7 Class to its Scheduled Balance.
2. To the A-8 Class.

For a description of the A-8 Accrual Amount, see “Description of the Senior and Mezzanine Certificates—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

PO Principal Distribution Amount

On each Distribution Date, we will pay the Group 1 PO Principal Distribution Amount and Group 2 PO Principal Distribution Amount as principal of the PO-1 and PO-2 Components, respectively, to zero.

For a description of the Group 1 PO Principal Distribution Amount and Group 2 PO Principal Distribution Amount, see “Description of the Senior and Mezzanine Certificates—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

Combined Group 1 and Group 2 Senior Principal Distribution Amount

1. To the AR Class to zero.
2. To the Aggregate Group to its Planned Balance.
3. To the A-7 Class to its Scheduled Balance.
4. To the A-8 Class to zero.
5. To the A-7 Class to zero.
6. To the Aggregate Group to zero.

For a description of the Group 1 and Group 2 Combined Senior Principal Distribution Amount and the Aggregate Group, see “Description of the Senior and Mezzanine Certificates—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

Non-Senior Principal Distribution Amount

To the mezzanine and subordinate certificates, pro rata, with funds available for such purpose to be applied as follows:

first, to the M, B-1 and B-2 Classes, in that order of priority, and

thereafter, to the subordinate certificates;

subject to certain limitations described in this prospectus.

For a description of the “Non-Senior Principal Distribution Amount,” see “Description of the Senior and Mezzanine Certificates—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

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

Weighted Average Lives (years) *

Group 1 and 2 Classes	PPC Prepayment Assumption **						
	0%	50%	75%	95%	100%	150%	200%
A-1 and A-11	7.6	1.3	1.3	1.3	1.3	1.2	1.0
A-2 and A-13	18.0	4.3	4.3	4.3	4.3	2.9	2.2
A-3, A-14 and A-15	21.4	6.0	6.0	6.0	6.0	3.9	2.9
A-4	23.3	7.7	7.7	7.7	7.7	4.9	3.6
A-5	24.7	11.0	11.0	11.0	11.0	6.5	4.5
A-6	25.9	19.5	19.5	19.5	19.5	11.9	6.1
A-7	24.2	12.6	4.9	1.9	1.9	0.9	0.6
A-8	29.3	23.8	18.7	12.0	1.5	0.2	0.1
A-9	22.4	6.8	6.8	6.8	6.8	4.4	3.2
A-10 and A-12	16.7	3.6	3.6	3.6	3.6	2.6	1.9
AR	0.1	0.1	0.1	0.1	0.1	0.1	0.1
IO-1	19.3	7.9	5.7	4.6	4.4	3.0	2.2
2A-IO	19.4	7.6	5.4	4.3	4.1	2.6	1.9
IO-2	19.4	7.9	5.7	4.6	4.4	2.9	2.2
M, B-1 and B-2	19.3	12.6	11.0	10.1	9.9	8.6	7.4
A-16	10.9	2.2	2.2	2.2	2.2	1.8	1.4
A-17	22.7	7.2	7.2	7.2	7.2	4.6	3.3
PO	19.1	7.8	5.7	4.6	4.4	2.9	2.2

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

** For a description of the Prepayment Assumption, see “Description of the Senior and Mezzanine Certificates—Structuring Assumptions—*Prepayment Assumption*” in this prospectus.

Ratings

We will not issue the certificates unless Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., assigns to the mezzanine certificates the ratings specified in the following table:

Class	Standard & Poor’s Rating
M	AA
B-1	A
B-2	BBB

RISK FACTORS

Risk Factors Affecting Senior and Mezzanine Certificates

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.

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; and
- the actual characteristics of the related mortgage loans.

Yields may be lower than expected due to unexpected rate of principal payments. 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 (including the PO Class) and principal payments on the related mortgage loans are slower than you expect.

In addition, in the case of interest only certificates and certificates purchased at a premium, you could lose money on your investment if prepayments of the related mortgage loans occur at a rapid rate.

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 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 decide what principal prepayment assumptions to use in deciding whether to purchase the certificates.

Exercise of the optional clean-up call will have the same effect on the certificates as borrower prepayments of the mortgage loans. The servicer has the option to purchase from the trust all of the mortgage loans on or after the first distribution date when the aggregate stated principal balance of all of the mortgage loans has been reduced to 5% or less of their aggregate stated principal balance as of the issue date.

Purchase of the mortgage loans will have the same effect on the certificates as borrower prepayments of the loans in full.

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, as well as because borrowers may prepay substantially all of the mortgage loans at any time without penalty.

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. 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.

In addition, prepayment rates can be affected if the mortgages include due-on-sale clauses requiring that the borrowers repay the mortgage loans in full if the mortgaged properties are sold.

Prepayment rates also can 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.

Purchase of a delinquent mortgage loan has the effect of a prepayment. Fannie Mae (after the aggregate principal balance of the mezzanine and subordinate certificates has been reduced to zero) and the servicer (at any time) have the option to purchase from the lower tier REMIC mortgage loans that are more than 90 days delinquent. The purchase price would be equal to the unpaid principal balance of each mortgage loan being purchased plus accrued interest. The effect of any such purchase would be the same as that of a prepayment in full of the related mortgage loans.

Loan characteristics affect weighted average lives and yields on the certificates. Slight variations in mortgage loan characteristics could affect the weighted average lives and yields of the related classes of certificates.

Your yield may be reduced due to uncovered prepayment interest shortfalls. The effective yields on the certificates will be reduced to the extent prepayments of the related mortgage loans result in uncovered prepayment interest shortfalls.

Delay classes have lower yields and market values. Since the classes of certificates do not receive interest immediately following each interest accrual period, they have lower yields and therefore lower market values than they would if there were no such delay.

Unpredictable timing of last payment affects yields on certificates. The actual final payment on each class of certificates is likely to occur earlier, and could occur much earlier, than the maturity date of the latest maturing mortgage loan in the related loan group or groups. If you assume the actual final payment will occur on that date, your yield may be lower than you expect.

Reinvestment of certificate payments may not achieve same yields as certificates. The rate of principal payments on the certificates is un-

certain. You may be unable to reinvest the payments on the certificates at the same yields provided by the certificates.

Delayed information can result in delayed distribution of prepayments. Provided that timely information is available, all principal prepayments received during a prepayment period will be passed through to the related certificateholders on the distribution date following the end of that prepayment period. However, in the event that timely information is not available, principal prepayments will be paid on the second distribution date following the end of that prepayment period.

Delays or reductions in cash flow can result from default and liquidation. Even assuming that the mortgaged properties provide adequate security for the mortgage loans, substantial delays could be encountered in connection with the liquidation of defaulted mortgage loans, and corresponding delays in distributing the related liquidation proceeds to holders of the related senior certificates and the mezzanine certificates could occur. Further, liquidation expenses (such as legal fees, real estate taxes and maintenance and preservation expenses) will reduce the proceeds of the mortgage loans payable to certificateholders.

Certain classes of certificates provide credit enhancement for other classes. For purposes of this discussion, the term “related junior classes” means:

- as to the senior certificates—the mezzanine certificates and subordinate certificates, and
- as to any class of mezzanine certificates—the subordinate certificates as well as each class of mezzanine certificates with a higher numerical class designation. The M Class is deemed to have a lower numerical designation, and to have a higher payment priority, than the other classes of non-senior certificates.

Credit enhancement will be provided for the senior and mezzanine certificates:

- first, by the right of the holders of the senior and mezzanine certificates to receive certain payments of principal prior to the related junior classes, and

- second, by the allocation of realized losses to the related junior classes.

Credit enhancement for the senior and mezzanine certificates is provided from collections on the mortgage loans otherwise payable to the holders of the related junior classes. In the case of the mezzanine certificates, collections on the mortgage loans comprise the sole source of funds from which the credit enhancement is provided. Accordingly, if the aggregate principal balance of the related junior classes were to be reduced to zero, delinquencies and defaults on the mortgage loans would affect monthly payments to holders of the outstanding mezzanine certificates. None of the seller, the trustee, the servicer or any of their respective affiliates will have any obligation to replace or supplement the credit enhancement.

Some investors may be unable to buy certain classes. 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 you may purchase the certificates.

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. As a result, you may be unable to sell your certificates easily or at a price that enables you to obtain your anticipated yield. In particular, it may be difficult to sell senior and mezzanine certificates that are designed for specific investment objectives or strategies or that have been structured to meet the investment requirements of limited categories of investors (including the interest only classes and the PO Class). Such certificates may have little or no liquidity. You should purchase certificates only if you understand and can bear the risk that the value of your certificates will vary over time and that your certificates may not be easily sold.

Concentration of mortgaged properties in certain states. The tables on pages 21 and 23 under “The Mortgage Loans—Initial Pool Statistics” set forth the geographic distribution of the mortgage loans.

As of the issue date, the following states have the largest concentrations of mortgage loans in the trust. Based on their aggregate stated principal balance,

- 23.01% and 8.86% of the Group 1 Loans are secured by mortgaged properties located in California and Florida, respectively; and
- 23.49% and 7.21% of the Group 2 Loans are secured by mortgaged properties located in California and Florida, respectively.

If 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, bankruptcies and realized losses on the 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 a loan group and 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 and maintain the required levels of subordination. In addition, it is expected that additional mortgage loans may be added to, and certain mortgage loans may be deleted from, a loan group between the issue 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.

Declines in real estate values and mortgaged property values diminish security for mortgage loans. An overall decline in residential real estate markets could adversely affect the values of the mortgaged properties that secure the mortgage loans. In that event, the outstanding balances of the mortgage loans could equal or exceed the values of the related mortgaged properties. Residential real estate markets in many states have experienced periods of softness and decline in the recent past. We cannot predict or quantify any future declines in property values. During a period of property value

decline, the rates of delinquencies, foreclosures and losses on the mortgage loans would probably be higher than those experienced in the mortgage lending industry in general. Geographic concentration of the mortgage loans may increase the impact of such market changes.

In addition, the actual value of a mortgaged property may decrease in relation to its appraised value at origination due to numerous other factors including

- a rise in interest rates over time,
- the general condition of the mortgaged property, and
- general employment levels.

If there is a reduction in the value of a mortgaged property, the loan-to-value ratio may increase relative to the original loan-to-value ratio. In that event, it will be less likely that the outstanding balance of the related mortgage loan would be paid in full from liquidation proceeds.

Additional Risk Factors Affecting Mezzanine Certificates

Yields will be affected by realized losses allocated to non-senior classes. If you are considering an investment in the mezzanine certificates, you should understand the impact on your yield if any defaulted mortgage loans remain in the trust until the final disposition of the related mortgaged properties. Any realized losses on the loans will be allocated to the classes of mezzanine and subordinate certificates in the reverse order of their numerical class designations. The proceeds of the final disposition may be insufficient to pay principal of the mezzanine certificates in an amount equal to the full balance of the related mortgage loan. (For purposes of allocating losses or payments to the mezzanine certificates, the M Class will be deemed to have a lower numerical designation, and to be of a higher payment priority, than the other classes of non-senior certificates.)

If the principal balances of the subordinate classes were reduced to zero due to the allocation of realized losses, the yields on the mezzanine certificates would be extremely sensitive to

- the default and realized loss experience on the mortgage loans, and

- the timing of any such defaults or realized losses.

The rights of holders of the mezzanine certificates to receive payments will be subordinate to the rights of holders of more senior classes to the extent described in this prospectus. In general, all realized losses and other shortfalls in collections on the mortgage loans will be allocated:

- *first*, to the subordinate classes and
- *second*, to the mezzanine classes,

in the reverse order of their numerical class designations, until their principal balances are reduced to zero. As a purchaser of mezzanine certificates, if you calculate your anticipated yield based on your estimates of the rate of default and amount of realized losses on the mortgage loans, and your estimates prove to be less than the levels experienced, your actual yield may be lower than your anticipated yield. In fact, your actual yield could be negative in the event of substantial realized losses. The timing of realized losses will also affect your actual yield, even if the default rate and amount of realized losses are consistent with your expectations. In general, the earlier a realized loss occurs, the greater the effect on your yield.

No one can predict the delinquency, foreclosure or realized loss experience of the mortgage loans. **Before investing in the mezzanine certificates, you should fully consider the risk that realized losses on the mortgage loans could result in a failure to recover your investment in full.**

Yields may be affected by disproportionate allocations of prepayments to the senior and mezzanine certificates. The yields and weighted average lives of the certificates probably will be affected by the disproportionately reduced allocation of mortgage loan prepayments to the mezzanine certificates relative to the senior certificates. This disproportionate allocation will have the effect of accelerating the amortization of the senior certificates while increasing the proportionate interest in the mortgage loans evidenced by the non-senior certificates. This feature is intended to preserve the subordination provided by the non-senior certificates to the senior certificates. The disproportionate allocation of prepayments will cause

the principal balances of the mezzanine certificates to decline more slowly than would be the case if the mezzanine certificates received their proportionate share of principal prepayments. As a result of this allocation of prepayments, the average lives of the mezzanine certificates will likely be longer than otherwise would be the case. In addition, the performance characteristics of the mezzanine certificates will be different from those of other mortgage pass-through certificates that do not provide for such disproportionate allocation of mortgage loan prepayments.

In addition, under the limited circumstances described in this prospectus, principal prepayments payable to the non-senior classes may be disproportionately allocated to those non-senior classes (including one or more of the mezzanine classes) having higher payment priorities.

Delinquencies may have an adverse effect on yield. The yield to maturity on the mezzanine certificates will be affected adversely by delinquencies on the mortgage loans that are not covered by a delinquency advance. As further described in this prospectus, amounts otherwise distributable to holders of the mezzanine certificates will be used to protect the holders of the related senior certificates against payment interruptions due to certain borrower delinquencies. Such delinquencies, even if subsequently cured, may affect the time when payments are received by holders of the mezzanine certificates. In addition, the rate of principal payments on the mezzanine certificates would be affected by aggregate realized losses under certain realized loss scenarios, because the senior prepayment percentage would not decrease as scheduled.

Collecting and obtaining recovery costs may be difficult due to state and federal laws. Certain states have imposed statutory prohibitions that limit the remedies of a beneficiary under a deed of trust or a mortgagee under a mortgage. In some states, statutes limit the right of the beneficiary or mortgagee to obtain a deficiency judgment against the borrower following foreclosure or sale. (A deficiency judgment is a personal judgment against the borrower generally equal to the difference between the net amount received upon the public sale of the real property and the amount due the lender.) Other

statutes require the beneficiary or mortgagee to foreclose in an attempt to satisfy the full debt before bringing a personal action against the borrower. Finally, following a judicial sale other statutory provisions limit any deficiency judgment against the borrower to the excess of the outstanding debt over the fair market value of the property at the time of the public sale. The purpose of these statutes is generally to prevent a beneficiary or a mortgagee from obtaining a large deficiency judgment against the borrower as a result of a low bid, or no bids, at the judicial sale.

Applicable state laws generally regulate interest rates and other charges, require certain disclosures, and require licensing of mortgage loan originators and servicers. In addition, other state laws, public policies and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of the mortgage loans. The seller will be required to repurchase any mortgage loans that, at the time of origination, did not comply with applicable federal and state laws and regulations. Depending on the provisions of the applicable law and the factual circumstances, violations of such laws, policies and principles may

- limit the ability of the trust to collect all or part of the principal of or interest on the related mortgage loans,

- entitle the related borrower to a refund of amounts previously paid, and
- subject the trust to monetary damages and administrative enforcement.

The mortgage loans also are subject to a number of federal laws, which, if violated, may limit the ability of the servicer to collect all or part of the principal of or interest on the mortgage loans and, in addition, could subject the trust to monetary damages and administrative enforcement.

Under federal and state environmental legislation and applicable case law, it is unclear whether liability for costs of eliminating environmental hazards on real property may be imposed on a secured lender (such as the trust) acquiring title to the real property. Such costs could be substantial.

In light of these legal factors, the amount of collections on the mortgage loans available for payment to investors could be limited or diminished.

GENERAL

The material under this heading summarizes certain features of the Senior and Mezzanine Certificates (each as defined in this prospectus). You will find additional information about the Senior and Mezzanine Certificates in the other sections of this prospectus. You will also find additional information about the Senior Certificates in the Senior Supplement. 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 REMIC Trust specified on the cover of this prospectus (the “Trust”) and two separate trusts (the “Lower Tier REMIC” and the “Middle Tier REMIC”) pursuant to a trust agreement dated as of April 1, 2004 (the “Issue Date”). We will issue the REMIC Pass-Through Certificates (the “REMIC Certificates”) pursuant to that trust agreement. We will issue the Combinable and Recombinable REMIC Certificates (the “RCR Certificates” and, together with the REMIC Certificates, the “Certificates”) pursuant to a separate trust agreement dated as of the Issue Date (together with the trust agreement relating to the REMIC Certificates, the “Trust Agreement”).

We will execute the Trust Agreement in our corporate capacity and as trustee (the “Trustee”). In general, the term “Classes” includes Classes of REMIC Certificates and RCR Certificates.

Fannie Mae, Countrywide Home Loans, Inc., as seller (the “Seller” or “Countrywide”), and Countrywide Home Loans Servicing LP (“Countrywide Servicing”), an affiliate of the Seller, as servicer (the “Servicer”) of the mortgage loans (the “Mortgage Loans”), will be parties to a sale and servicing agreement (the “Sale and Servicing Agreement”) dated as of the Issue Date.

The Trust, the Middle Tier REMIC and the Lower Tier REMIC will constitute “real estate mortgage investment conduits” (each, a “REMIC”) under the Internal Revenue Code of 1986, as amended (the “Code”).

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 Interests</u>
Lower Tier REMIC	Mortgage Loans	Interests in the Lower Tier REMIC other than the RL Class (the “Lower Tier Regular Interests”)	RL
Middle Tier REMIC	Lower Tier Regular Interests	Interests in the Middle Tier REMIC other than the RM Class (the “Middle Tier Regular Interests”)	RM
Trust	Middle Tier Regular Interests	REMIC Certificates other than the RL, RM and AR Classes	AR

As described in this prospectus, the Mortgage Loans are divided into two groups (each, a “Loan Group” and, together, the “Loan Groups”).

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

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

We will issue the AR, RM and RL Classes as a single Certificate (the “Combined Residual Certificate”) in a denomination of \$100.

Characteristics of Senior and Mezzanine Certificates. The Senior and Mezzanine Classes, other than the AR, RM and RL Classes, will be represented by one or more certificates (the “DTC Certificates”) to be registered at all times in the name of the nominee of The Depository Trust Company (“DTC”), a New York-chartered limited purpose trust company, or any successor or depository selected or approved by us. We refer to the nominee of DTC as the “Holder” or “Certificateholder” of the 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 Senior and Mezzanine 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 three separate residual certificates (each, a “Separate Residual Certificate”) relating to each of the AR, RM and RL 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 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. See also “Description of the Senior and Mezzanine Certificates—Special Characteristics of AR, RM and RL Classes” in this prospectus.

The Holder of the AR Class will receive the proceeds of any remaining assets of the Trust, the Holder of the RM Class will receive the proceeds of any remaining assets of the Middle Tier REMIC, and the Holder of the RL Class will receive the proceeds of any remaining assets of the Lower Tier REMIC, in each case only by presenting and surrendering the related Certificate at the office of the paying agent. Fannie Mae will be the initial paying agent.

Distribution Date. We will make monthly payments on the Certificates on the 25th day of each month (or, if the 25th day is not a business day, on the first business day after the 25th). We refer to each of these dates as a “Distribution Date.” We will make the first payments to Certificateholders the month after we issue the Certificates.

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

Class Factors. On or shortly after the twenty-third calendar day of each month, we will publish a 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 current principal balance (or notional principal balance) of the Certificate of that Class or Component after taking into account payments on the Distribution Date in the same month.

Optional Clean-up Call by Countrywide Servicing. Countrywide Servicing may elect to purchase all of the Mortgage Loans from the Lower Tier REMIC on or after the first Distribution Date on which the aggregate Stated Principal Balance of all of the Mortgage Loans has been reduced to 5% or less of their aggregate Stated Principal Balance on the Issue Date. If the Mortgage Loans are purchased in this way, it will have the same effect on the Certificates as a prepayment in full of the Mortgage Loans.

COMBINATION AND RECOMBINATION

General. You are permitted to exchange all or a portion of the A-4, A-11, A-12, A-13, A-14 and A-15 Classes of REMIC Certificates for a proportionate interest in the related RCR Certificates in the combinations shown on Schedule 1. You also may exchange all or a portion of the RCR Certificates for the related REMIC Certificates in the same manner. This process may occur repeatedly.

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

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

Procedures. If a Certificateholder wishes to exchange Certificates, the Certificateholder must notify our Structured Transactions Department through one of our “REMIC Dealer Group” dealers in writing or by telefax no later than two business days before the proposed exchange date. The exchange date can be any business day other than the first or last business day of the month subject to our approval. The notice must include the outstanding principal balance of both the Certificates to be exchanged and the Certificates to be received, and the proposed exchange date. After receiving the

Holder's notice, we will telephone the dealer with delivery and wire payment instructions. Notice becomes irrevocable on the second business day before the proposed exchange date.

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

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

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

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

THE MORTGAGE LOANS

General

The mortgage loans to be delivered to the Trust on the Settlement Date will consist of the mortgage loans identified as of the Issue Date (the "Initial Mortgage Pool"), as modified to account for additions and deletions of mortgage loans on or prior to the Settlement Date. The statistical information presented in this prospectus is based on the characteristics of the Initial Mortgage Pool. As a result, the statistical distribution of characteristics of the mortgage loans as of the Settlement Date will vary from the statistical distribution of such characteristics of the mortgage loans as presented in this prospectus, although such variance will not be material. The Seller has provided us with detailed information regarding the Initial Mortgage Pool, which we summarize below.

The term "Mortgage Loans" as used in this prospectus generally refers to all of the mortgage loans actually included in the Trust. However, solely for purposes of the statistical information set forth under the heading "—General" below, the term "Mortgage Loans" refers to the mortgage loans included in the Initial Mortgage Pool.

Similarly, the terms "Group 1 Loans" and "Group 2 Loans" as used in this prospectus generally refer to all of the mortgage loans in the respective Loan Groups actually included in the Trust. However, solely for the purposes of the statistical information set forth under the headings "—*The Group 1 Loans*" and "—*The Group 2 Loans*" below, the terms "Group 1 Loans" or "Group 2 Loans" refer to the mortgage loans in the respective Loan Groups that are included in the Initial Mortgage Pool.

As of the Issue Date, the Initial Mortgage Pool consists of

- approximately 2,155 Group 1 Loans having an aggregate principal balance of approximately \$300,024,059, and
- approximately 1,258 Group 2 Loans having an aggregate principal balance of approximately \$200,026,788.

The aggregate amount of the mortgage loans actually delivered to the Trust on the Settlement Date may vary by plus or minus 10% by Loan Group. It is expected that additional mortgage loans will be added to, and certain mortgage loans may be removed from, the Initial Mortgage Pool between the Issue Date and the Settlement Date. Notwithstanding any such additions or removals, the characteristics of the Mortgage Loans actually included in the Loan Groups on the Settlement Date will not differ materially from the characteristics described in this prospectus.

The Mortgage Loans are first lien, one- to four-family, fixed-rate, fully amortizing loans.

Each of the Mortgage Loans was originated or acquired by the Seller.

The Mortgage Loans generally have terms of not more than 30 years. Each Mortgage Loan provides that the obligor on the related Mortgage Note (the “borrower”) must make monthly payments of principal and interest 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 in the related Mortgage Note (the “Mortgage Interest Rate”).

Initial Pool Statistics

Group 1 Loans

The following tables set forth certain additional information, as of the Issue Date, with respect to the Group 1 Loans in the Initial Mortgage Pool. References to “Issue Date Principal Balance” mean the aggregate of the Stated Principal Balances of the Group 1 Loans as of the Issue Date. The sum of the columns in the following tables may not equal the totals due to rounding.

Issue Date Principal Balances*

Range of Issue Date Principal Balances (\$)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0.01- 50,000.00	121	\$ 4,775,441.23	1.59%	6.106%	360	0
50,001.01-100,000.00	639	49,912,190.63	16.64	5.954	359	1
100,001.01-150,000.00	622	77,054,952.25	25.68	5.870	360	0
150,001.01-200,000.00	389	67,236,817.72	22.41	5.859	360	0
200,001.01-250,000.00	180	40,370,395.73	13.46	5.845	360	0
250,001.01-300,000.00	126	34,778,154.57	11.59	5.805	360	0
300,001.01-350,000.00	66	21,118,209.67	7.04	5.852	360	0
350,001.01-400,000.00	6	2,230,428.04	0.74	5.754	359	1
400,001.01-450,000.00	6	2,547,469.55	0.85	5.876	359	1
Total	<u>2,155</u>	<u>\$300,024,059.39</u>	<u>100.00%</u>			

* As of the Issue Date, the average principal balance of the Group 1 Loans was approximately \$139,222.

Mortgage Interest Rates*

<u>Range of Mortgage Interest Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Issue Date Principal Balance</u>	<u>Percentage by Issue Date Principal Balance</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
4.50001-5.00000	2	\$ 420,949.28	0.14%	4.909%	360	0
5.00001-5.50000	86	14,272,672.86	4.76	5.446	359	1
5.50001-6.00000	1,707	245,793,015.78	81.92	5.841	360	0
6.00001-6.50000	324	35,809,543.18	11.94	6.162	360	0
6.50001-7.00000	30	3,450,248.29	1.15	6.821	360	0
7.00001-7.50000	6	277,630.00	0.09	7.246	360	0
Total	<u>2,155</u>	<u>\$300,024,059.39</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average Mortgage Interest Rate of the Group 1 Loans was approximately 5.872%.

Remaining Term*

<u>Range of Remaining Terms (months)</u>	<u>Number of Mortgage Loans</u>	<u>Issue Date Principal Balance</u>	<u>Percentage by Issue Date Principal Balance</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
302-331	4	\$ 451,155.49	0.15%	5.853%	322	38
332-360	2,151	299,572,903.90	99.85	5.872	360	0
Total	<u>2,155</u>	<u>\$300,024,059.39</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average remaining term of the Group 1 Loans was approximately 360 months.

Mortgage Loan Age (months) *

<u>Range of Mortgage Loan Ages</u>	<u>Number of Mortgage Loans</u>	<u>Issue Date Principal Balance</u>	<u>Percentage by Issue Date Principal Balance</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
0-24	2,150	\$299,479,571.58	99.82%	5.872%	360	0
25-48	5	544,487.81	0.18	5.857	324	36
Total	<u>2,155</u>	<u>\$300,024,059.39</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average mortgage loan age of the Group 1 Loans was approximately 0 months.

Geographical Concentrations by State

State	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
California	346	\$ 69,040,444.04	23.01%	5.823%	360	0
Florida	212	26,587,467.11	8.86	5.900	359	1
Texas	126	14,964,867.04	4.99	5.880	360	0
Nevada	66	10,513,311.47	3.50	5.872	360	0
Ohio	104	10,707,401.67	3.57	5.943	360	0
Other	1,301	168,210,568.06	56.07	5.883	359	1
Total	<u>2,155</u>	<u>\$300,024,059.39</u>	<u>100.00%</u>			

Group 2 Loans

The following tables set forth certain additional information, as of the Issue Date, with respect to the Group 2 Loans in the Initial Mortgage Pool. References to “Issue Date Principal Balance” mean the aggregate of the Stated Principal Balances of the Group 2 Loans as of the Issue Date. The sum of the columns in the following tables may not equal the totals due to rounding.

Issue Date Principal Balances*

Range of Issue Date Principal Balances (\$)	Number of Mortgage Loans	Issue Date Principal Balance	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0.01- 50,000.00	41	\$ 1,682,073.17	0.84%	6.666%	355	5
50,001.01-100,000.00	269	22,001,341.49	11.00	6.216	359	1
100,001.01-150,000.00	356	44,362,088.72	22.18	6.230	360	0
150,001.01-200,000.00	259	45,155,835.31	22.57	6.137	359	1
200,001.01-250,000.00	175	39,091,107.63	19.54	6.112	360	0
250,001.01-300,000.00	84	22,971,973.08	11.48	6.107	360	0
300,001.01-350,000.00	68	21,937,706.06	10.97	6.141	359	1
350,001.01-400,000.00	1	376,000.00	0.19	6.000	360	0
400,001.01-450,000.00	3	1,265,895.13	0.63	6.042	352	8
550,001.01-600,000.00	1	559,442.52	0.28	6.000	359	1
600,001.01-650,000.00	1	623,325.00	0.31	6.000	360	0
Total	<u>1,258</u>	<u>\$200,026,788.11</u>	<u>100.00%</u>			

* As of the Issue Date, the average principal balance of the Group 2 Loans was approximately \$159,004.

Mortgage Interest Rates*

<u>Range of Mortgage Interest Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Issue Date Principal Balance</u>	<u>Percentage by Issue Date Principal Balance</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
5.50001-6.00000	414	\$ 76,512,013.23	38.25%	5.967%	360	0
6.00001-6.50000	787	117,396,562.87	58.69	6.247	359	1
6.50001-7.00000	41	5,131,157.80	2.57	6.829	356	4
7.00001-7.50000	12	771,570.00	0.39	7.215	360	0
8.00001-8.50000	2	105,204.93	0.05	8.432	289	71
8.50001-9.00000	2	110,279.28	0.06	8.737	300	60
Total	<u>1,258</u>	<u>\$200,026,788.11</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average Mortgage Interest Rate of the Group 2 Loans was approximately 6.161%.

Remaining Term*

<u>Range of Remaining Terms (months)</u>	<u>Number of Mortgage Loans</u>	<u>Issue Date Principal Balance</u>	<u>Percentage by Issue Date Principal Balance</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
242-271	1	\$ 155,437.80	0.08%	6.125%	263	97
272-301	4	460,757.30	0.23	7.446	294	66
302-331	1	60,746.80	0.03	8.625	318	42
332-360	<u>1,252</u>	<u>199,349,846.21</u>	<u>99.66</u>	<u>6.157</u>	<u>360</u>	<u>0</u>
Total	<u>1,258</u>	<u>\$200,026,788.11</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average remaining term of the Group 2 Loans was approximately 359 months.

Mortgage Loan Age (months) *

<u>Range of Mortgage Loan Ages</u>	<u>Number of Mortgage Loans</u>	<u>Issue Date Principal Balance</u>	<u>Percentage by Issue Date Principal Balance</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
0- 24	1,251	\$198,930,951.08	99.45%	6.157%	360	0
25- 48	2	479,641.93	0.24	6.442	333	27
49- 72	2	354,389.54	0.18	7.097	298	62
73- 96	2	106,367.76	0.05	8.608	280	80
97-120	<u>1</u>	<u>155,437.80</u>	<u>0.08</u>	<u>6.125</u>	<u>263</u>	<u>97</u>
Total	<u>1,258</u>	<u>\$200,026,788.11</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average mortgage loan age of the Group 2 Loans was approximately 1 month.

Geographical Concentrations by State

<u>State</u>	<u>Number of Mortgage Loans</u>	<u>Issue Date Principal Balance</u>	<u>Percentage by Issue Date Principal Balance</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Arizona	57	\$ 8,133,119.09	4.07%	6.159%	360	0
California	231	46,988,859.59	23.49	6.107	360	0
Florida	110	14,428,400.36	7.21	6.203	360	0
New York	41	9,103,623.49	4.55	6.203	359	1
Washington	52	8,251,645.16	4.13	6.118	359	1
Other	767	113,121,140.42	56.55	6.178	359	1
Total	<u>1,258</u>	<u>\$200,026,788.11</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—Conventional Loans

Dollar Limitations. The Charter Act requires that we establish maximum original principal balance dollar limitations for the conventional loans that we purchase. These limitations, which we refer to as our conforming loan limits, typically are adjusted annually. As of January 1, 2004, our conforming loan limit for conventional loans secured by first liens on residences containing one dwelling unit is \$333,700, except for mortgage loans secured by property in Alaska, Guam, Hawaii or the Virgin Islands where it is \$500,550. Our conforming loan limit as of January 1, 2004 for conventional loans secured by first liens on residences containing two dwelling units is \$427,150, three dwelling units is \$516,300 and four dwelling units is \$641,650, except for mortgage loans secured by property in Alaska, Guam, Hawaii, or the Virgin Islands where for two dwelling units it is \$640,725, for three dwelling units it is \$774,450 and for four dwelling units it is \$962,475. In addition, the aggregate original principal balance of all the mortgage loans we own that are secured by the same residence cannot exceed the amount of our first lien conforming loan limit for single family (1-4 unit)

residences. Aside from the limits imposed under the Charter Act, we may, from time to time, impose maximum dollar limitations on specific types of mortgage loans that we purchase.

Loan-to-Value Ratios. The Charter Act requires that we obtain credit enhancement whenever we purchase a conventional mortgage loan secured by a single-family one- to four-unit residence with a loan-to-value ratio over 80%. The credit enhancement may take several forms, including mortgage insurance issued by an insurer acceptable to us covering the amount in excess of 80%, repurchase arrangements with the seller of the mortgage loans, and seller-retained participation interests. In our discretion, we may impose credit enhancement requirements that are more restrictive than those of the Charter Act.

Our loan-to-value ratio requirements for loans we purchase vary depending upon a variety of factors which, for example, can include the type of loan, the loan purpose, loan amount, number of dwelling units in the property securing the loan, repayment terms and borrower credit history. Depending upon these factors, the loan-to-value ratio can be as high as 100%.

Underwriting Guidelines. We have established underwriting guidelines for mortgage loans that we purchase. These guidelines are designed to provide a comprehensive analysis of the characteristics of a borrower and a mortgage loan, including such factors as the borrower's credit history, the purpose of the loan, the property value and the loan amount.

We review and change our underwriting guidelines, from time to time, including expanding our underwriting criteria in order to make home loans more accessible to borrowers who are members of groups that have been underserved by mortgage lenders, including low and moderate income families, people with no prior credit history and those with less than perfect credit history, rural residents and people with special housing needs. In our discretion, we may grant waivers from our underwriting guidelines when we purchase any particular mortgage loan.

The Seller

The Seller, Countrywide Home Loans, Inc., is engaged primarily in the mortgage banking business, and as such, originates, purchases, sells and services (either directly or through subsidiaries) mortgage loans. The Seller originates mortgage loans through a retail branch system and through mortgage loan brokers and correspondents nationwide. The Seller's mortgage loans are principally first-lien, fixed or adjustable rate mortgage loans secured by single-family residences. Unless the context indicates otherwise, references in the remainder of this prospectus to the Seller or Countrywide should be read to include the Seller and its consolidated subsidiaries, including Countrywide Servicing.

The principal executive offices of the Seller are located at 4500 Park Granada, Calabasas, California 91302.

The Seller services substantially all of the mortgage loans it originates or acquires. In addition, the Seller has purchased in bulk the rights to service mortgage loans originated by other lenders. The Seller has in the past and may in the future sell to other mortgage bankers a portion of its portfolio of loan servicing rights. As of December 31, 2003, the Seller provided servicing for approximately \$644.855 billion aggregate principal amount of mortgage loans, substantially all of which are being serviced for unaffiliated persons.

Servicing of Mortgage Loans

The Servicer. Countrywide Servicing will act as Servicer. The principal executive offices of Countrywide Servicing are located at 7105 Corporate Drive, Plano, TX 75024. Countrywide Servicing is a Texas limited partnership directly owned by Countrywide GP, Inc. and Countrywide LP, Inc., each a Nevada corporation and a direct wholly owned subsidiary of the Seller. The Seller is a direct wholly owned subsidiary of Countrywide Financial Corporation, a Delaware corporation. Country-

wide GP, Inc. owns a 0.1% interest in Countrywide Servicing and is the general partner. Countrywide LP, Inc. owns a 99.9% interest in Countrywide Servicing and is a limited partner.

The Seller established Countrywide Servicing in February 2000 to service Countrywide originated mortgage loans that would otherwise have been serviced by Countrywide Home Loans. In January and February 2001, the Seller transferred to Countrywide Servicing all of its rights and obligations relating to mortgage loans serviced on behalf of Fannie Mae and Freddie Mac, respectively. In October 2001, the Seller transferred to Countrywide Servicing all of its rights and obligations to the bulk of its non-agency loan servicing portfolio. While the Seller expects to continue to service a portion of its loan portfolio directly, it is expected that the servicing rights for most of the Seller's newly originated mortgage loans will be transferred to Countrywide Servicing upon sale or securitization of the related mortgage loans. Countrywide Servicing is engaged in the business of servicing mortgage loans and will not originate or acquire loans, an activity that will continue to be performed by the Seller. In addition to acquiring mortgage servicing rights from the Seller, it is expected that Countrywide Servicing will service mortgage loans for non-Countrywide affiliated parties as well as subservice mortgage loans on behalf of other master servicers.

In connection with the establishment of Countrywide Servicing, certain employees of the Seller became employees of Countrywide Servicing. Countrywide Servicing has engaged the Seller as a sub-servicer to perform certain loan servicing activities on its behalf.

Countrywide Servicing is an approved mortgage loan servicer for Fannie Mae, Freddie Mac, Ginnie Mae, HUD and the VA and is licensed to service mortgage loans in each state where a license is required. Its loan servicing activities are guaranteed by Countrywide Financial and the Seller (when required by the owner of the mortgage loans). As of December 31, 2003, Countrywide Servicing had a net worth of approximately \$9.4 billion.

In its capacity as Servicer, Countrywide Servicing will be responsible for servicing the Mortgage Loans in accordance with the terms set forth in the Sale and Servicing Agreement. Countrywide Servicing will be the primary servicer for all of the Mortgage Loans.

Foreclosure, Delinquency and Loss Experience. Historically, a variety of factors, including the appreciation of real estate values, have limited the Seller's loss and delinquency experience on its portfolio of serviced mortgage loans. There can be no assurance that factors beyond the Seller's control, such as national or local economic conditions or downturns in the real estate markets of its lending areas, will not result in increased rates of delinquencies and foreclosure losses in the future.

A general deterioration of the real estate market in regions where the mortgaged properties are located may result in increases in delinquencies of loans secured by real estate, slower absorption rates of real estate into the market and lower sales prices for real estate. A general weakening of the economy may result in decreases in the financial strength of borrowers and decreases in the value of collateral serving as security for loans. If the real estate market and economy were to decline, the Seller may experience an increase in delinquencies on the loans it services and higher net losses on liquidated loans.

The following table summarizes the delinquency, foreclosure and loss experience, respectively, on the dates indicated, of the mortgage loans originated or acquired by the Seller, serviced or master serviced by the Seller or the Servicer and securitized in mortgage backed pass-through security transactions through their affiliates CWALT, Inc. and CWMBBS, Inc. The mortgage loans included in these transactions consist of both non-conforming and conforming balance mortgage loans. The delinquency, foreclosure and loss percentages may be affected by the size and relative lack of seasoning in the related servicing portfolio which increased from approximately \$2.247 billion at February 28, 2001, to approximately \$5.083 billion at December 31, 2001, to approximately \$9.862 billion at December 31, 2002, and to approximately \$14.733 billion at December 31, 2003. Accordingly, the information should not be considered as a basis for assessing the likelihood, amount or severity of delinquency or losses on the mortgage loans and no assurances can be given that the foreclosure,

delinquency and loss experience presented in the following table will be indicative of the actual experience on the Mortgage Loans (totals may not add due to rounding):

	<u>At February 28 (29),</u>		<u>At December 31,</u>	<u>At December 31,</u>	
	<u>2000</u>	<u>2001</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Delinquent Mortgage Loans and Pending Foreclosures at					
Period End:					
30-59 days	1.60%	2.28%	2.92%	3.08%	2.63%
60-89 days	0.26	0.51	0.65	0.86	0.72
90 days or more (excluding pending foreclosures) ...	0.13	0.19	0.21	0.45	0.53
Total of delinquencies	<u>1.99%</u>	<u>2.97%</u>	<u>3.77%</u>	<u>4.39%</u>	<u>3.87%</u>
Foreclosures pending	<u>0.18%</u>	<u>0.47%</u>	<u>0.43%</u>	<u>0.45%</u>	<u>0.91%</u>
Total delinquencies and foreclosures pending	<u>2.17%</u>	<u>3.44%</u>	<u>4.21%</u>	<u>4.84%</u>	<u>4.78%</u>
Net Gains/(Losses) on liquidated loans(1)	\$ (27,760)	\$ (374,332)	\$ (1,057,748)	\$ (5,372,415)	\$ (9,334,817)
Percentage of Net Gains/(Losses) on liquidated					
loans(1)(2)	(0.002)%	(0.017)%	(0.021)%	(0.054)%	(0.063)%
Percentage of Net Gains/(Losses) on liquidated loans					
(based on average outstanding principal balance)(1) ..	(0.002)%	(0.018)%	(0.021)%	(0.057)%	(0.063)%

(1) "Net Gains/(Losses)" are actual gains or losses incurred on liquidated properties that are calculated as net liquidation proceeds less book value (excluding loan purchase premium or discount).

(2) Based upon the total principal balance of the mortgage loans outstanding on the last day of the indicated period.

DESCRIPTION OF THE SENIOR AND MEZZANINE CERTIFICATES

General

The Certificates will consist of:

- twenty-two classes of guaranteed senior REMIC Certificates designated as the A-1, A-2, A-3, A-4, A-5, A-6, A-7, A-8, A-9, A-10, A-11, A-12, A-13, A-14, A-15, AR, PO, IO-1, IO-2, 2A-IO, RM and RL Classes (collectively, the “Senior REMIC Classes”),
- two classes of guaranteed RCR Certificates designated as the A-16 and A-17 Classes (collectively, the “Senior RCR Classes” and, together with the Senior REMIC Classes, the “Senior Classes”),
- three classes of mezzanine certificates designated as the M, B-1 and B-2 Classes (collectively, the “Mezzanine Classes”), and
- three classes of subordinate certificates designated as the B-3, B-4 and B-5 Classes (collectively, the “Subordinate Classes”).

We refer to the AR, RM and RL Classes together as the “Residual Classes.” We refer to the Mezzanine and Subordinate Classes or Certificates together as the “Non-Senior Classes” or “Non-Senior Certificates,” respectively. **Fannie Mae does not guarantee the Mezzanine Classes or the Subordinate Classes.** The Senior Classes, the Mezzanine Classes and the Subordinate Classes (collectively, the “Classes” or the “Certificates”) in the aggregate represent the entire beneficial ownership interest in the Trust.

The A-1, A-2, A-3, A-4, A-5, A-6, A-7, A-8, A-9, A-10, A-11, A-12, A-13, A-14, A-15, AR and PO Classes are sometimes referred to in this prospectus as the “Combined Group 1 and Group 2 Senior Classes.” The Combined Group 1 and Group 2 Senior Classes relate to both the Group 1 Loans and Group 2 Loans.

In this prospectus, we sometimes refer to the Group 1 Percentage of the Combined Group 1 and Group 2 Senior Classes, together with the IO-1 Class and the PO-1 Component, as the “Group 1 Senior Certificates.” Similarly, we sometimes refer to the Group 2 Percentage of the Combined Group 1 and Group 2 Senior Classes, together with the IO-2 and 2A-IO Classes and the PO-2 Component, as the “Group 2 Senior Certificates.” Finally, we sometimes refer to each of the Group 1 Senior Certificates and the Group 2 Senior Certificates as a “Senior Certificate Group.” See “—Certain Definitions Relating to Payments on the Certificates” below.

The initial aggregate principal balance of the Mezzanine Classes will be approximately \$20,252,000 and will initially evidence undivided ownership interests of approximately 4.05% in the Mortgage Loans. The initial aggregate principal balance of the Subordinate Classes will be approximately \$5,500,618 and will initially evidence undivided ownership interests of approximately 1.10% in the Mortgage Loans. Only the Senior and Mezzanine Classes are being offered by this prospectus and, in the case of the Senior Classes, by the Senior Supplement. On the Settlement Date, we will issue the Subordinate Classes and, at the direction of the Seller, deliver them to or on behalf of the applicable Dealer, which may sell them at any time thereafter in limited private offerings.

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. We will also 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 Senior and Mezzanine Certificates

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

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

<u>Interest Type*</u>	<u>Classes</u>
Combined Group 1 and Group 2 Senior Classes	
Fixed Rate	A-1, A-2, A-3, A-4, A-5, A-6, A-7, A-8, A-9, A-10, A-11, A-12, A-13, A-14, A-15 and AR
Accrual	A-8
Interest Only	A-11, A-12, A-13 and A-14
Principal Only	PO
RCR**	A-16 and A-17
Group 1 Senior Class	
Weighted Average Coupon	IO-1
Interest Only	IO-1
Group 2 Senior Classes	
Fixed Rate	2A-IO
Weighted Average Coupon	IO-2
Interest Only	IO-2 and 2A-IO

<u>Interest Type*</u>	<u>Classes</u>
Combined Group 1 and Group 2 Mezzanine Classes	
Weighted Average Coupon	M, B1 and B2
No Payment Residual	RM and RL

* See “—Class Definitions and Abbreviations” below.

** See “Combination and Recombination” and Schedule 1 in this prospectus for a further description of the RCR Classes.

Interest Calculation. Except as described below, we will pay interest on the Senior and Mezzanine Certificates at the applicable annual rates shown on the cover or described in this prospectus. We calculate interest based on a 360-day year consisting of twelve 30-day months. We pay interest monthly, on each Distribution Date, beginning in May 2004.

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 period set forth below (each, an “Interest Accrual Period”):

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

See “Risk Factors—*Delay classes have lower yields and market values*” in this prospectus.

The Dealer will treat the PO Class as a Delay Class, for the sole purpose of facilitating trading.

Accrual Class. The A-8 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. Instead, interest accrued on the Accrual Class will be added as principal to its principal balance on each Distribution Date. We will pay principal on the Accrual Class described under “—Principal Payments on the Senior and Mezzanine Certificates” below.

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

We use the notional principal balance of a Notional Class to determine interest payments on that Class. Although a Notional Class 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. References in this prospectus to the principal balances of the Certificates generally shall refer also to the notional principal balances of the Notional Classes.

The IO-1 and IO-2 Classes. During the initial Interest Accrual Period, we expect to pay interest on the IO-1 Class at an annual rate of approximately 0.09818%. During each subsequent Interest Accrual Period, interest will be calculated on the IO-1 Class at an annual rate equal to the *excess* 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 as of the related Due Date) *over* 5.50%.

During the initial Interest Accrual Period, we expect to pay interest on the IO-2 Class at an annual rate of approximately 0.15033%. During each subsequent Interest Accrual Period, interest will be calculated on the IO-2 Class at an annual rate equal to the *excess* 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 as of the related Due Date) *over* 5.75%.

Our determination of the interest rates for the IO-1 and IO-2 Classes 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.

The 2A-IO Class. During each Interest Accrual Period, interest on the 2A-IO Class will be calculated based on its notional principal balance which at all times will equal 4.3478260870% of the Group 2 Senior Non-PO Balance. See “—Certain Definitions Relating to Payments on the Certificates” below.

The Mezzanine Classes and Subordinate Classes. During the initial Interest Accrual Period, we expect to pay interest on each of the Mezzanine Classes and Subordinate Classes at an annual rate of approximately 5.600%. During each subsequent Interest Accrual Period, interest will be calculated on each of the Mezzanine Classes and Subordinate Classes at an annual rate equal to the weighted average of the following rates:

Loan Group 1	5.50%
Loan Group 2	5.75%

weighted on the basis of the related Assumed Subordination Balances immediately prior to the related Distribution Date.

Interest Payment Priorities. On each Distribution Date, we will pay interest on the Certificates as follows:

- A. from interest collections related to the Group 1 Loans, the Group 1 Senior Interest Distribution Amount to the interest-bearing Group 1 Senior Certificates,
- B. from interest collections related to the Group 2 Loans, the Group 2 Senior Interest Distribution Amount to the interest-bearing Group 2 Senior Certificates,
- C. from remaining interest collections for both Loan Groups after application of A. and B. above, to all of the interest-bearing Senior Certificates in amounts equal to the applicable Interest Payment Shortfalls, if any, for that date (with amounts distributed pursuant to this clause C. being allocated to the interest-bearing Senior Certificates, pro rata, based on their respective Interest Payment Shortfalls), and
- D. from remaining interest collections for both Loan Groups after application of A. through C. above, the Specified Non-Senior Interest Distribution Amount applicable to each of the Classes specified below in the following priority:

first, to the M Class;

second, to the B-1 Class;

third, to the B-2 Class; and

fourth, to the B-3, B-4 and B-5 Classes, in that order.

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

Uncovered Prepayment Interest Shortfalls. Uncovered Prepayment Interest Shortfalls with respect to the Group 1 Loans will reduce the amount of interest payable on the interest-bearing Group 1 Senior Certificates, the Mezzanine Classes and the Subordinate Classes, pro rata, based on the amount of interest that would have been payable thereon (in the case of the Mezzanine Classes and the Subordinate Classes, calculated based on each such Class’s share of the related Assumed Subordination Balance before giving effect to such reduction).

Uncovered Prepayment Interest Shortfalls with respect to the Group 2 Loans will reduce the amount of interest payable on the interest-bearing Group 2 Senior Certificates, the Mezzanine Classes and the Subordinate Classes, pro rata, based on the amount of interest that would have been payable thereon (in the case of the Mezzanine Classes and the Subordinate Classes, calculated based on each such Class's share of the related Assumed Subordination Balance before giving effect to such reduction).

Principal Payments on the Senior and Mezzanine Certificates

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

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

<u>Principal Type*</u>	<u>Classes and Components</u>
Combined Group 1 and Group 2 Senior Classes	
PAC	A-1, A-2, A-3, A-4, A-5, A-6, A-9, A-10 and A-15
Scheduled	A-7
Support	A-8
Sequential Pay	AR
Accretion Directed	A-7
Notional	A-11, A-12, A-13 and A-14
Component	PO
RCR**	A-16 and A-17
Group 1 Senior Class and Component	
Pass-Through	PO-1
Notional	IO-1
Group 2 Senior Classes and Component	
Pass-Through	PO-2
Notional	2A-IO and IO-2
Combined Group 1 and Group 2 Mezzanine Classes	
Mezzanine	M, B-1 and B-2
No Payment Residual	RM and RL

* See “—Class Definitions and Abbreviations” below.

** See “Combination and Recombination” and Schedule 1 in this prospectus for a further description of the RCR Classes.

Principal Balance Calculation. The outstanding principal balance of any Certificate as of any date of determination is equal to the initial outstanding principal balance of that Certificate (a) reduced by (i) all amounts previously paid as principal on that Certificate and (ii) in the case of any Non-Senior Certificate, all Realized Losses on the Mortgage Loans that were allocated to principal of that Certificate and (b) increased, in the case of any Non-Senior Certificate, by such Certificate's pro rata share of the applicable Non-PO Percentage of the applicable Subordinate Percentage of an amount equal to the Subsequent Recoveries that are allocated to the Class of which such Certificate forms a part, as described in this prospectus. The outstanding principal balance of any Certificate at

any time is the maximum amount that the Holder will be entitled to receive thereafter as principal from the cash flow on the related Mortgage Loans.

Principal Payment Priorities. We will make principal payments with respect to the Senior and Mezzanine Classes as specified below.

A-8 Accrual Amount

On each Distribution Date, we will pay the A-8 Accrual Amount as principal of the Classes specified below in the following priority:

- (i) to the A-7 Class, until its principal balance is reduced to its Scheduled Balance for that Distribution Date; and } Accretion Directed / Scheduled Class
- (ii) to the A-8 Class. } Accrual Class

PO Principal Distribution Amounts

On each Distribution Date, we will pay the Group 1 PO Principal Distribution Amount and Group 2 PO Principal Distribution Amount as principal of the PO-1 and PO-2 Components, respectively, until their principal balances are reduced to zero. } Pass-Through Components

Combined Group 1 and Group 2 Senior Principal Distribution Amount

On each Distribution Date, we will pay the Combined Group 1 and Group 2 Senior Principal Distribution Amount to the Classes specified below in the following priority:

- (i) to the AR Class, until its principal balance is reduced to zero; } Sequential Pay Class
- (ii) to the Aggregate Group (described below), until the Aggregate Balance (described below) is reduced to its Planned Balance for that Distribution Date; } PAC Group
- (iii) to the A-7 Class, until its principal balance is reduced to its Scheduled Balance for that Distribution Date; } Scheduled Class
- (iv) to the A-8 Class, until its principal balance is reduced to zero; } Support Class
- (v) to the A-7 Class, without regard to its Scheduled Balance and until its principal balance is reduced to zero; and } Scheduled Class
- (vi) to the Aggregate Group, without regard to its Planned Balance and until the Aggregate Balance is reduced to zero. } PAC Group

The “Aggregate Group” consists of the A-1, A-2, A-3, A-4, A-5, A-6, A-9, A-10 and A-15 Classes. On each Distribution Date, we will apply payments of the Aggregate Group as follows:

first, to the A-1 Class, until its principal balance is reduced to zero;

second, (a) 50.4888833531% of the remaining amount, sequentially, to the A-2 and A-9 Classes, in that order, until their principal balances are reduced to zero, and

(b) 49.5111166469% of such remaining amount as follows:

first, to the A-10 Class, until its principal balance is reduced to zero; and

second, concurrently, to the A-3 and A-15 Classes, pro rata (or 76.9230769231% and 23.0769230769%, respectively), until their principal balances are reduced to zero; and

third, sequentially, to the A-4, A-5 and A-6 Classes, in that order, until their principal balances are reduced to zero.

The “Aggregate Balance” is equal to the aggregate of the principal balances of the Classes in the Aggregate Group.

In addition, on each Distribution Date after a Senior Termination Date but prior to the Mezzanine Termination Date, the amount otherwise available for payment as principal of the Non-Senior Classes from Principal Collections on the Loan Group relating to the Senior Certificate Group that has been paid in full will instead be paid as principal of the remaining Senior Certificate Group (other than the related PO Component).

Distributions from Remaining Principal Collections for Both Loan Groups

On each Distribution Date, we will distribute the Principal Collections for both Loan Groups remaining after distributions of principal specified above, in the following priority:

(i) to the Trustee, an amount equal to certain taxes imposed on the Trust or its assets and certain other tax-related expenses of the Trust;

(ii) to Fannie Mae, an amount equal to the unpaid reimbursement amounts, if any, owing to Fannie Mae for any guaranty payments previously made in respect of the Senior Certificates;

(iii) concurrently, to the Classes of Mezzanine and Subordinate Certificates, pro rata (based on their outstanding principal balances), the Non-Senior Principal Distribution Amount, with the applicable Specified Non-Senior Principal Distribution Amounts for those Classes being applied in the following order of priority:

first, to the M Class,

second, to the B-1 Class,

third, to the B-2 Class, and

} Mezzanine
Classes

fourth, to the B-3, B-4 and B-5 Classes, in that order; and

} Subordinate
Classes

(iv) any remaining amount to the AR Class.

} Residual
Class

Notwithstanding the foregoing, if on any Distribution Date the Credit Support Percentage of a Non-Senior Class (other than the Non-Senior Class then outstanding with the highest payment priority) is less than the original Credit Support Percentage of that Class, no payment of partial or full principal prepayments from either Loan Group will be made to any Non-Senior Classes with lower payment priorities than that Class (collectively, the “Restricted Classes”). The amount of partial or full principal prepayments otherwise payable to the Restricted Classes will be allocated among the Non-Senior Classes other than the Restricted Classes, pro rata based on their respective principal balances, and will be paid in the sequential order described above.

We will include principal prepayments (including net liquidation proceeds) from the Mortgage Loans in the foregoing distributions on each Distribution Date provided that the Servicer gives us information about them in time for the published class factors to reflect these payments. See

“Reference Sheet—Class Factors” in this prospectus. If we do not receive the information on time, we will include the prepayments in distributions on the next Distribution Date.

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

Certain Definitions Relating to Payments on the Certificates

A-8 Accrual Amount—For any Distribution Date, the interest then accrued and added to the principal balance of the A-8 Class on that Distribution Date.

Assumed Subordination Balance—For any Distribution Date and each Loan Group, the applicable Subordinate Percentage *multiplied* by the aggregate of the applicable Non-PO Percentages of the Stated Principal Balances of the Mortgage Loans in that Loan Group.

Bankruptcy Code—The federal bankruptcy code, Title 11 of the United States Code, Section 101 *et seq.*, and the related rules and regulations promulgated thereunder.

Collateral Deficiency—With respect to any Distribution Date and Loan Group, the *excess*, if any, of

- the aggregate outstanding principal balance of the related Senior Certificate Group (other than the related PO Component), in all cases after giving effect to the application thereto on that date of the related Senior Principal Distribution Amount,

over

- the product of the aggregate Stated Principal Balance of the related Mortgage Loans as of the related Due Date multiplied by the applicable Non-PO Percentages.

Combined Group 1 and Group 2 Notional Classes—The A-11, A-12, A-13 and A-14 Classes.

Combined Group 1 and Group 2 Senior Principal Distribution Amount—For any Distribution Date, the sum of the Group 1 Senior Principal Distribution Amount and the Group 2 Senior Principal Distribution Amount for that date.

Credit Support Percentage—For any Distribution Date and Non-Senior Class, the percentage equivalent of a fraction the *numerator* of which is the aggregate principal balance (immediately prior to that Distribution Date) of that Class and all Non-Senior Classes having lower payment priorities than that Class, and the *denominator* of which is the aggregate Stated Principal Balance of all Mortgage Loans as of the related Due Date. The original Credit Support Percentage for any Non-Senior Class is the percentage equivalent of a fraction the *numerator* of which is the aggregate original principal balance of that Class and all Non-Senior Classes having lower payment priorities than that Class and the *denominator* of which is the aggregate Stated Principal Balance of all Mortgage Loans as of the Issue Date.

Cross Contribution Amount—On any Distribution Date that is not a Cross Payment Trigger Date, zero. On any Distribution Date that is a Cross Payment Trigger Date and with respect to the Senior Certificate Group that is *not* subject to a Collateral Deficiency on that date, an amount equal to the *lesser* of

- the Collateral Deficiency for that date, and
- the related Regular Senior Principal Distribution Amount for that date;

provided, however, that such amount will be reduced as necessary to avoid the creation of a Collateral Deficiency with respect to such Senior Certificate Group.

Cross Receipt Amount—On any Distribution Date that is a Cross Payment Trigger Date and with respect to the Senior Certificate Group that is subject to a Collateral Deficiency, an amount equal to the lesser of

- the related Collateral Deficiency for that date, and
- the Cross Contribution Amount for that date.

Cross Payment Trigger Date—Any Distribution Date on which a Collateral Deficiency exists with respect to one Senior Certificate Group but not with respect to the other Senior Certificate Group.

Debt Service Reduction—A court-ordered reduction in the scheduled monthly payment for any Mortgage Loan, issued by a court of competent jurisdiction in a proceeding under the Bankruptcy Code. After the court's final, non-appealable decision, we shall deem each Realized Loss associated with a Debt Service Reduction to be incurred on each Distribution Date, based upon the reduced payments received during the related Due Period on that Mortgage Loan.

Deficient Valuation—For any Mortgage Loan, a valuation of the related mortgaged property in an amount less than the then outstanding principal balance of that loan, issued by a court of competent jurisdiction in a proceeding under the Bankruptcy Code. We will not determine the Deficient Valuation or apply it as a Realized Loss until the court renders a final, non-appealable decision with respect to the valuation.

Discount Loan—A Group 1 Discount Loan or Group 2 Discount Loan.

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

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

Excess Compensating Interest—For each Loan Group on any Distribution Date, the excess, if any, of (i) 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 date over (ii) the aggregate Prepayment Interest Shortfalls on the related Mortgage Loans for that date. The Excess Compensating Interest for each Loan Group will be applied as necessary to all Certificates with respect to which Uncovered Prepayment Interest Shortfalls exist before giving effect to the Excess Compensating Interest allocation, pro rata, based on their respective shortfall amounts.

Foreclosure Surplus—With respect to a Liquidated Loan for any Distribution Date, the excess of net liquidation proceeds (i.e., after giving effect to payment of unreimbursed liquidation expenses and other unscheduled collections of principal) over the Stated Principal Balance of that Liquidated Loan.

Group 1 Discount Loans—Group 1 Loans having Net Mortgage Rates less than 5.50%.

Group 1 Non-Discount Loans—Group 1 Loans having Net Mortgage Rates equal to or greater than 5.50%.

Group 1 Non-Senior Principal Distribution Amount—The Non-Senior Principal Distribution Amount related to Loan Group 1.

Group 1 Percentage—For any Distribution Date, the percentage equivalent of a fraction, the numerator of which is the Group 1 Senior Non-PO Balance for that date and the denominator of which is the aggregate principal balance of the Combined Group 1 and Group 2 Senior Classes immediately prior to that date.

Group 1 Senior Interest Distribution Amount—For any Distribution Date and Loan Group 1, one-twelfth of the sum of:

(i) the *product* of the Group 1 Percentage of the aggregate principal balance of the Combined Group 1 and Group 2 Senior Classes immediately prior to that date *multiplied by* the weighted average of the annual interest rates of the Combined Group 1 and Group 2 Senior Classes for the related Interest Accrual Period (weighted on the basis of their principal balances immediately prior to such Distribution Date), *plus*

(ii) the *product* of the Group 1 Percentage of the aggregate notional principal balance of the Combined Group 1 and Group 2 Notional Classes *multiplied by* the weighted average of the annual interest rates of the Combined Group 1 and Group 2 Notional Classes for the related Interest Accrual Period (weighted on the basis of their notional principal balances immediately prior to such Distribution Date), *plus*

(iii) interest at the applicable annual rate on the notional principal balance of the IO-1 Class.

Group 1 Senior Non-PO Balance—For any Distribution Date, an amount equal to \$281,017,369 reduced by the sum of all amounts paid as principal of the Group 1 Senior Certificates (other than the PO-1 Component) on all prior Distribution Dates that are attributable to the Group 1 Loans.

Group 1 Senior Principal Distribution Amount—The Senior Principal Distribution Amount related to Loan Group 1.

Group 2 Discount Loans—Group 2 Loans having Net Mortgage Rates less than 5.75%.

Group 2 Non-Discount Loans—Group 2 Loans having Net Mortgage Rates equal to or greater than 5.75%.

Group 2 Non-Senior Principal Distribution Amount—The Non-Senior Principal Distribution Amount related to Loan Group 2.

Group 2 Percentage—For any Distribution Date, the percentage equivalent of a fraction, the *numerator* of which is the Group 2 Senior Non-PO Balance for that date and the *denominator* of which is aggregate principal balance of the Combined Group 1 and Group 2 Senior Classes immediately prior to that date.

Group 2 Senior Interest Distribution Amount—For any Distribution Date and Loan Group 2, one-twelfth of the sum of:

(i) the *product* of the Group 2 Percentage of the aggregate principal balance of the Combined Group 1 and Group 2 Senior Classes immediately prior to that date *multiplied by* the weighted average of the annual interest rates of the Combined Group 1 and Group 2 Senior Classes for the related Interest Accrual Period (weighted on the basis of their principal balances immediately prior to such Distribution Date), *plus*

(ii) the *product* of the Group 2 Percentage of the aggregate notional principal balance of the Combined Group 1 and Group 2 Notional Classes *multiplied by* the weighted average of the annual interest rates of the Combined Group 1 and Group 2 Notional Classes for the related Interest Accrual Period (weighted on the basis of their notional principal balances immediately prior to such Distribution Date), *plus*

(iii) interest at the applicable annual rates on the notional principal balances of the IO-2 and 2A-IO Classes.

Group 2 Senior Non-PO Balance—For any Distribution Date, an amount equal to \$187,762,825 reduced by the sum of all amounts paid as principal of the Group 2 Senior Certificates (other than the PO-2 Component) on all prior Distribution Dates that are attributable to the Group 2 Loans.

Group 2 Senior Principal Distribution Amount—The Senior Principal Distribution Amount related to Loan Group 2.

Interest Payment Shortfall—For any Distribution Date and Loan Group, the *excess*, if any, of

- interest accrued on the related Senior Certificate Group *minus* any Uncovered Prepayment Interest Shortfalls allocated thereto

over

- the amount of interest available for distribution to the related Senior Certificate Group pursuant to clauses A. through C. under the heading “—*Interest Payment Priorities*” above.

Liquidated Loan—Any defaulted Mortgage Loan as to which the Servicer has determined that all recoverable liquidation proceeds and insurance proceeds have been received.

Mezzanine Termination Date—The Distribution Date on which the aggregate principal balance of the Mezzanine and Subordinate Classes is reduced to zero.

Net Mortgage Rate—For any Mortgage Loan, its Mortgage Interest Rate *minus* the related Trust Expense Rate.

Non-Discount Loan—A Mortgage Loan other than a Discount Loan.

Non-PO Percentage—For any Discount Loan and Distribution Date, the related Net Mortgage Rate for that Distribution Date *divided by*

- 5.50%, in the case of the Group 1 Discount Loans, or
- 5.75%, in the case of the Group 2 Discount Loans,

in each case, expressed as a percentage. The Non-PO Percentage with respect to any Non-Discount Loan will be 100%.

Non-Senior Principal Distribution Amount—For any Distribution Date and Loan Group, the aggregate of the applicable Non-PO Percentages of the following amounts:

- (i) the applicable Subordinate Percentage of all monthly payments of scheduled principal due on each related Mortgage Loan during the related Due Period, *plus*
- (ii) the applicable Subordinate Percentage of the principal portion of the purchase price of each related Mortgage Loan that the Seller repurchases or Fannie Mae or the Servicer purchases with respect to that Distribution Date, *plus*
- (iii) the applicable Subordinate Percentage of the Substitution Adjustment Amount in connection with each related Mortgage Loan received with respect to that Distribution Date, *plus*
- (iv) the applicable Subordinate Percentage of any insurance proceeds or net liquidation proceeds received during the related Due Period that are allocable to recoveries of principal of related Mortgage Loans that are not yet Liquidated Loans, *plus*
- (v) for each related Mortgage Loan that became a Liquidated Loan during the related Due Period, the applicable Subordinate Percentage of the Stated Principal Balance of that related Mortgage Loan to the extent recovered, *plus*
- (vi) the applicable Subordinate Prepayment Percentage of all partial and full principal prepayments that we receive during the related Prepayment Period from the borrowers in respect of the related Mortgage Loans, *plus*
- (vii) the applicable Subordinate Percentage of any Subsequent Recoveries and Foreclosure Surplus with respect to the related Mortgage Loans received during the related Due Period.

Original Non-Senior Principal Balance—The aggregate outstanding principal balance of the Non-Senior Classes as of the Settlement Date.

PO Deferred Amount—The PO-1 Deferred Amount or PO-2 Deferred Amount.

PO Percentage—For any Discount Loan and Distribution Date,

- in the case of the Group 1 Discount Loans, (5.50% *minus* the Net Mortgage Rate of that Group 1 Discount Loan for that Distribution Date) *divided by* 5.50%, and
- in the case of the Group 2 Discount Loans, (5.75% *minus* the Net Mortgage Rate of that Group 2 Discount Loan for that Distribution Date) *divided by* 5.75%,

in each case, expressed as a percentage. The PO Percentage with respect to any Non-Discount Loan will be 0%.

PO Principal Distribution Amount—For any Distribution Date and with respect to the Discount Loans in each Loan Group, the aggregate of the following amounts:

(i) the applicable PO Percentages of the aggregate of the following:

(a) all monthly payments of principal due on each Discount Loan in that Loan Group during the related Due Period, *plus*

(b) the principal portion of the purchase price of each Discount Loan in that Loan Group that the Seller repurchases or Fannie Mae or the Servicer purchases with respect to that Distribution Date, *plus*

(c) the Substitution Adjustment Amount received with respect to that Distribution Date in connection with any Discount Loan in that Loan Group, *plus*

(d) any insurance proceeds or net liquidation proceeds received during the related Due Period that are allocable to recoveries of principal of Discount Loans in that Loan Group that are not yet Liquidated Loans, *plus*

(e) for each Discount Loan in that Loan Group which became a Liquidated Loan during the related Due Period, the amount of net liquidation proceeds received with respect to that Discount Loan which are allocable to principal, *plus*

(f) all partial and full principal prepayments by borrowers in respect of the Discount Loans in that Loan Group received during the related Prepayment Period, *plus*

(g) any Subsequent Recoveries and Foreclosure Surplus with respect to the Discount Loans in that Loan Group received during the related Due Period;

(ii) on the Mezzanine Termination Date, all PO Deferred Amounts that were not paid to Holders of the PO Class on or before the Mezzanine Termination Date *plus*

(iii) on each Distribution Date after the Mezzanine Termination Date, all Realized Losses allocated to the PO Class on that Distribution Date.

PO-1 Deferred Amount

or

PO-2 Deferred Amount—For any Distribution Date on or before the Mezzanine Termination Date, the related PO Percentage of Realized Losses with respect to each Discount Loan in the related Loan Group that became a Liquidated Loan in the related Prepayment Period.

Prepayment Interest Shortfall—For any Distribution Date and any Mortgage Loan with respect to which the related borrower made a prepayment of principal to the Servicer during the portion of the

related Prepayment Period ending in the month prior to the month of such Distribution Date, 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 related borrower paid on that Mortgage Loan in respect of that calendar month.

Prepayment Period—For any Distribution Date, the period beginning on the 16th day of the month preceding the month in which such Distribution Date occurs (or beginning on the Issue Date, in the case of the first Distribution Date), and ending on the 15th day of the calendar month in which such Distribution Date occurs.

Principal Collections—For any Distribution Date and Loan Group, the aggregate amount available on any Distribution Date to pay the Holders of the related Certificates, which will equal the following:

- (i) all scheduled principal payments on the related Mortgage Loans due during the related Due Period and received by the 15th day of the month of such Distribution Date (or if such 15th day is not a business day, the next business day), *plus*
- (ii) prepayments received on the related Mortgage Loans during the related Prepayment Period, *plus*
- (iii) net liquidation proceeds (*i.e.*, after giving effect to payment of unreimbursed liquidation expenses and other unscheduled collections of principal), Subsequent Recoveries and Foreclosure Surplus received on the related Mortgage Loans during the related Due Period, *plus*
- (iv) the principal portion of any Delinquency Advances the Servicer makes for that Distribution Date with respect to late payments in respect of the related Mortgage Loans, *minus*
- (v) certain amounts applicable to the related Mortgage Loans, including Servicing Advances, Delinquency Advances reimbursable to the Servicer.

Realized Loss—In general:

- (i) as to any Liquidated Loan, its Stated Principal Balance as of the date of liquidation minus the principal portion of net liquidation proceeds (*i.e.* after giving effect to payment of unreimbursed liquidation expenses realized on it),
- (ii) for each Mortgage Loan that has received a Deficient Valuation, the difference between the Stated Principal Balance of the Mortgage Loan immediately before the Deficient Valuation and the outstanding principal balance of the Mortgage Loan as reduced by the Deficient Valuation, and
- (iii) for each Mortgage Loan that has received a Debt Service Reduction, the reduction in monthly principal attributable to the court-ordered reduction of the monthly mortgage payment, calculated on a month to month basis.

Regular Senior Principal Distribution Amount—With respect to the Group 1 Senior Certificates and the Group 2 Senior Certificates for any Distribution Date, the aggregate of items (i) through (viii) of the definition of Senior Principal Distribution Amount for the related Loan Group.

Senior Percentage—For any Distribution Date and Loan Group, the *lesser* of

- (i) the percentage equivalent of a fraction, the *numerator* of which is the aggregate principal balance of the related Senior Certificate Group (other than the related PO Component) immediately before that Distribution Date, and the *denominator* of which is the aggregate of the

applicable Non-PO Percentages of the Stated Principal Balances of the related Mortgage Loans as of the related Due Date, and

(ii) 100%.

Senior Prepayment Percentage—For any Distribution Date during the periods specified below and with respect to each Senior Certificate Group:

<u>Distribution Date</u>	<u>Senior Prepayment Percentage</u>
May 2004 through April 2009	100%
May 2009 through April 2010	the applicable Senior Percentage plus 70% of the related Subordinate Percentage
May 2010 through April 2011	the applicable Senior Percentage plus 60% of the related Subordinate Percentage
May 2011 through April 2012	the applicable Senior Percentage plus 40% of the related Subordinate Percentage
May 2012 through April 2013	the applicable Senior Percentage plus 20% of the related Subordinate Percentage
May 2013 and thereafter	the applicable Senior Percentage

Exceptions:

(A) If on any Distribution Date the Senior Percentage of a Loan Group exceeds the initial Senior Percentage of that Loan Group, the Senior Prepayment Percentage for each Senior Certificate Group will equal 100%.

(B) In addition, no Senior Prepayment Percentage will decrease if cumulative Realized Losses exceed:

(i) with respect to the Distribution Date falling on or after the fifth, and prior to the sixth, anniversary of the first Distribution Date, 30% of the related Original Non-Senior Principal Balance,

(ii) with respect to the Distribution Date falling on or after the sixth, and prior to the seventh, anniversary of the first Distribution Date, 35% of the related Original Non-Senior Principal Balance,

(iii) with respect to the Distribution Date falling on or after the seventh, and prior to the eighth, anniversary of the first Distribution Date, 40% of the related Original Non-Senior Principal Balance,

(iv) with respect to the Distribution Date falling on or after the eighth, and prior to the ninth, anniversary of the first Distribution Date, 45% of the related Original Non-Senior Principal Balance, and

(v) with respect to the Distribution Date falling on or after the ninth anniversary of the first Distribution Date, 50% of the related Original Non-Senior Principal Balance.

Thereafter, if the Group 1 Senior Certificates or the Group 2 Senior Certificates, as applicable, are no longer outstanding, the Senior Prepayment Percentage for the Senior Certificates that are no longer outstanding will be 0%.

(C) Furthermore, no Senior Prepayment Percentage will decrease on any Distribution Date if the aggregate Stated Principal Balance of the Mortgage Loans that are delinquent 60 days or more (including Mortgage Loans in foreclosure, real estate owned by the Trust, and Mortgage Loans as to which the related borrowers are in bankruptcy), averaged over each of the preceding six months, as a percentage of the aggregate principal balance of the Non-Senior Certificates immediately prior to that Distribution Date, equals or exceeds 50%.

Senior Principal Distribution Amount—For any Distribution Date and each Senior Certificate Loan Group (other than the related PO Component), the sum of the applicable Non-PO Percentages of the following amounts:

- (i) the applicable Senior Percentage of all monthly payments of scheduled principal due on each related Mortgage Loan during the related Due Period, *plus*
- (ii) the applicable Senior Percentage of the principal portion of the purchase price of each related Mortgage Loan that the Seller repurchases or Fannie Mae or the Servicer purchases with respect to that Distribution Date, *plus*
- (iii) the applicable Senior Percentage of the Substitution Adjustment Amount received in connection with any related Mortgage Loan with respect to that Distribution Date, *plus*
- (iv) the applicable Senior Percentage of any insurance proceeds or net liquidation proceeds received during the related Due Period that are allocable to recoveries of principal of related Mortgage Loans that are not yet Liquidated Loans, *plus*
- (v) for each related Mortgage Loan that became a Liquidated Loan during the related Due Period, the applicable Senior Percentage of the Stated Principal Balance of that related Mortgage Loan to the extent recovered, *plus*
- (vi) the applicable Senior Prepayment Percentage of all partial and full principal prepayments that we receive during the related Prepayment Period from the borrowers in respect of the related Mortgage Loans, *plus*
- (vii) the applicable Senior Percentage of any Subsequent Recoveries and Foreclosure Surplus with respect to the related Mortgage Loans received during the related Due Period, *plus*
- (viii) beginning on the Mezzanine Termination Date, the *excess* of the amount of Realized Losses allocated to that Senior Certificate Group (other than the related PO Component) for that Distribution Date *over* any amount payable under clause (vii) above.

In addition to the foregoing, on any Distribution Date that is a Cross Payment Trigger Date, the Group 1 Senior Principal Distribution Amount or Group 2 Senior Principal Distribution Amount, as applicable, will be subject to the following adjustments:

- for a Senior Certificate Group that is subject to a Collateral Deficiency, an amount equal to the applicable Cross Receipt Amount will be added to the Senior Principal Distribution Amount otherwise payable in respect of that Senior Certificate Group on that date, and
- for a Senior Certificate Group that is *not* subject to a Collateral Deficiency, an amount equal to the applicable Cross Contribution Amount will be deducted from the Senior Principal Distribution Amount otherwise payable in respect of that Senior Certificate Group on that date.

Senior Termination Date—For either Senior Certificate Group, the Distribution Date on which the aggregate principal balance of that Senior Certificate Group (other than the related PO Component) has been reduced to zero.

Specified Non-Senior Interest Distribution Amount—For any Class of Non-Senior Certificates and any Distribution Date, an amount equal to the *sum* of:

- (i) one month's interest at the applicable rate on the outstanding principal balance of that Class less the Uncovered Prepayment Interest Shortfalls allocated to that Class, *plus*
- (ii) any interest remaining unpaid from previous Distribution Dates with respect to that Class (excluding any additional interest on the unpaid amount).

Specified Non-Senior Principal Distribution Amount—For any Distribution Date and any Class of Non-Senior Certificates, the *lesser* of the following amounts:

(a) that Class's pro rata portion (based on the ratio of the principal balance of that Class to the aggregate principal balance of all the Non-Senior Classes before that Distribution Date) of the Non-Senior Principal Distribution Amount for that Distribution Date, or

(b) the portion of remaining Principal Collections available for payment to the Non-Senior Certificates, applying the distribution priority described under “—Principal Payments on the Senior and Mezzanine Certificates—*Principal Payment Priorities*” above *minus* the portion of the PO Deferred Amount (if any) allocated to that Class in the reverse order of their numerical Class designations (beginning with the Class of outstanding Non-Senior Certificates with the highest numerical Class designation and lowest payment priority).

Stated Principal Balance—For any Mortgage Loan and any Due Date, the unpaid principal balance of that loan as of such date, after giving effect to (i) the payment of principal due on that Due Date, whether or not paid by the related borrower, (ii) prepayments of principal received through the last day of the related Prepayment Period and (iii) liquidation proceeds received in the prior calendar month.

Subordinate Percentage—For any Distribution Date and Loan Group, 100% *minus* the related Senior Percentage for that Distribution Date.

Subordinate Prepayment Percentage—For any Distribution Date, 100% *minus* the related Senior Prepayment Percentage for that Distribution Date.

Subsequent Recoveries—With respect to a Liquidated Loan for any Distribution Date, the amount of unexpected recoveries, net of any expenses reimbursable to the Servicer, with respect to that loan that resulted in a Realized Loss prior to the receipt of such recoveries.

Trust Expense Rate—With respect to each Mortgage for any Distribution Date, a fraction, expressed as a percentage, the *numerator* of which is the sum of various Trust expenses, including servicing fees payable to the Servicer, mortgage insurance fees payable by the lender, if any, and Fannie Mae's guarantee fee and the *denominator* of which is the Stated Principal Balance of that Mortgage Loan as of the related Due Date.

Uncovered Prepayment Interest Shortfalls—For any Distribution Date and Loan Group:

(i) the aggregate Prepayment Interest Shortfalls on the related Mortgage Loans for 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, *minus*

(iii) the allocable portion of any Excess Compensating Interest for that date with respect to the remaining Loan Group.

Allocation of Losses

On each Distribution Date, for so long as any Non-Senior Certificates remain outstanding, we will allocate the Non-PO Percentages of Realized Losses to the Non-Senior Certificates, in the reverse order of their numerical Class designations (beginning with the Class of Non-Senior Certificates with the highest numerical Class designation), in each case until the principal balance of that Class is reduced to zero. The M Class is deemed to have a lower numerical designation (and to have a higher payment priority) than the other Classes of Non-Senior Certificates.

On and after the Distribution Date on which the aggregate principal balance of the Non-Senior Certificates is reduced to zero, after application of the Non-PO Percentage of Realized Losses on that date to any remaining Class or Classes of Non-Senior Certificates until their principal balances are

reduced to zero, the Non-PO Percentage of Realized Losses on each Distribution Date will be allocated, pro rata, to the Senior Certificate Groups, on the basis of their respective outstanding principal balances.

On each Distribution Date, we will allocate the applicable PO Percentage of any Realized Loss on the Group 1 and Group 2 Discount Loans to the PO-1 and PO-2 Components, respectively, until their principal balances are reduced to zero. We will treat the amount of any such Realized Loss that is allocated to the PO-1 or PO-2 Components on or prior to the Mezzanine Termination Date as a PO-1 or PO-2 Deferred Amount, respectively.

To the extent funds are available on any Distribution Date, we will pay PO Deferred Amounts on each related PO Component from amounts that otherwise would be payable as principal of the Non-Senior Certificates. The principal balance of the outstanding Class of Non-Senior Certificates with the highest numerical Class designation will be reduced by the amount of any payments in respect of PO Deferred Amounts. Payments in respect of unpaid PO Deferred Amounts will not further reduce the principal balance of the related PO Component. The PO Deferred Amounts will not bear interest. After the Mezzanine Termination Date, we will not create any new PO Deferred Amounts.

Subordination

Before we make any payment of interest to holders of Non-Senior Certificates on any Distribution Date, we are obligated to pay holders of the Senior Certificates the interest to which they are entitled out of interest collections on the related Mortgage Loans on that Distribution Date. Similarly, before we make any payment of principal to holders of Non-Senior Certificates on any Distribution Date, we are obligated to pay holders of the Senior Certificates the principal to which they are entitled out of Principal Collections on the related Mortgage Loans on that Distribution Date.

In addition, the rights of holders of the B-1 and B-2 Classes to receive interest payments will be subordinate to the rights of holders of the M Class to receive payments of interest and the rights of the holders of the B-1 and B-2 Classes to receive principal payments will be subordinate to the rights of holders of the M Class to receive payments of principal.

Moreover, the rights of holders of the B-2 Class to receive interest payments will be further subordinate to the rights of holders of the B-1 Class to receive payments of interest and the rights of the holders of the B-2 Class to receive payments of principal will be further subordinate to the rights of the holders of the B-1 Class to receive principal payments.

See “—*Interest Payment Priorities*” and “—*Principal Payment Priorities*” above.

Class Definitions and Abbreviations

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

<u>Abbreviation</u>	<u>Category of Class or Component</u>	<u>Definition</u>
PRINCIPAL TYPES		
AD	Accretion Directed	Receives principal payments from the accrued and unpaid interest on the Accrual Class.
CPT	Component	Consists of two or more segments or “components” which 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.

<u>Abbreviation</u>	<u>Category of Class or Component</u>	<u>Definition</u>
MEZZ	Mezzanine	Is included in a group of classes that, together with the subordinate classes receive a specified subordinate percentage of available principal funds from designated trust assets, with such funds being applied to that group of classes in the order and priority specified before being applied to any subordinate class.
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.
PAC	PAC (or Planned)	Is designed to receive principal payments using a predetermined principal balance schedule (a “Planned Balance”). We derive this schedule by assuming two <i>constant</i> prepayment rates for the related mortgage loans. These two rates are the endpoints for the “structuring range” of the PAC Classes.
PT	Pass-Through	Receives a specified senior percentage of available funds from designated trust assets. In most cases, it will receive principal on each distribution date until it is retired.
SCH	Scheduled	Is designed to receive principal payments (or has a notional principal balance that is designed to decline) using a predetermined principal balance schedule (a “Scheduled Balance”) but is not designated as a PAC Class. In many cases, we derive the schedule by assuming two <i>constant</i> prepayment rates for the mortgage loans backing the related underlying securities. These two rates are the endpoints for the “structuring range” of the Scheduled Class.
SEQ	Sequential Pay	Receives principal payments in a prescribed sequence but without a predetermined schedule.
SR	Senior	Is included in a group of classes that receive a specified senior percentage of available principal funds from designated trust assets, with such funds being applied to that group of classes in the order and priority specified before being applied to any Mezzanine Class.
SUP	Support	Receives principal payments on any Distribution Date only if scheduled payments have been made on specified PAC and/or Scheduled Classes.

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.
FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the class.
IO	Interest Only	Receives some or all of the interest payments made on the Mortgage Loans or other assets of the trust but no principal. An Interest Only Class has a notional principal balance. A notional principal balance is the amount used as a reference to calculate the amount of interest due on an Interest Only Class.

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

Special Characteristics of the AR, RM and RL Classes

While the AR Class will receive payments of interest and principal, the RM and RL Classes will not have principal balances and will not bear interest. If any assets of the Trust remain after the principal balances of all Senior, Mezzanine and Subordinate Classes are reduced to zero, we will pay the Holder of the AR Class the proceeds from those assets. If any assets of the Middle Tier REMIC remain after the principal balances of the Middle Tier Regular Interests are reduced to zero, we will pay the Holder of the RM Class the proceeds of those assets. If any assets of the Lower Tier REMIC remain after the principal balances of the Lower Tier Regular Interests are reduced to zero, we will pay the Holder of the RL Class the proceeds of those assets. 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 Residual 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 Residual Certificates will not be owned directly or indirectly by a disqualified organization,
- it is not acquiring the Residual 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 Residual Certificate,
- it intends to pay taxes on the Residual Certificate as they become due,
- it will not cause income from the Residual Certificate to be attributed to a foreign permanent establishment or fixed base of the transferee or another taxpayer, and

- it will not transfer the Residual Certificate unless it has received from the new transferee an affidavit containing these same 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 Residual Certificates—Sales and Other Dispositions of Residual Certificates—Residual Certificates 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 its 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 United States persons have the authority to control all substantial decisions of the trust.

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

Under the Regulations, the phrase “a significant purpose of the transfer to impede the assessment or collection of tax” means that the transferor of the AR, RM or RL Class Certificate had “improper knowledge” at the time of the transfer. In other words, the transferor knew, or should have known, that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the related REMIC. A transferor is presumed not to have improper knowledge if four conditions are met. First, the transferor conducts, at the time of the transfer, a reasonable investigation of the financial condition of the transferee and, based on the results, finds that the transferee has historically paid its debts as they come due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future. Second, the transferee makes certain representations to the transferor in the affidavit relating to disqualified organizations discussed above. Third, the transferee makes the representation to the transferor in the affidavit relating to foreign permanent establishments discussed above. Fourth, the transfer satisfies either the “asset test” or the “formula test.” If you plan to transfer 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 AR Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Trust, the Holder of the RM Class will be considered to be the holder of the “residual interest” in the Middle Tier REMIC, and the Holder of the RL Class will be considered to be the holder of the “residual interest” in the Lower Tier REMIC. See “Certain Federal Income Tax Consequences—REMIC Elections and Special Tax Attributes.” Pursuant to the Trust Agreement we will be obligated to provide to the Holder or Holders of the AR, RM and RL Classes (i) information that they need to prepare their federal income tax returns and (ii) any reports regarding the AR, RM or RL Class that may be required under the Code.

Structuring Assumptions

Pricing Assumptions. Except where otherwise noted, the information in the tables in this prospectus has been prepared based on (i) the assumed characteristics of the Mortgage Loans set forth in 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 related Mortgage Loans prepay at the constant percentages of PPC or CPR specified in the related tables;
- there are no Uncovered Prepayment Interest Shortfalls;
- there are no defaults, losses, delinquencies or liquidations with respect to the Mortgage Loans;
- there are no substitutions of the Mortgage Loans after the Issue Date;
- the Servicer does not exercise its optional clean-up call;
- the settlement date for the sale of the Certificates is April 30, 2004; and
- each Distribution Date for the Certificates occurs on the 25th day of the related month beginning in May 2004.

Prepayment Assumption. Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this prospectus is the “PPC” model (the “Prepayment Assumption”).

The Constant Prepayment Rate or CPR represents an assumed constant rate of prepayment each month, expressed as an annual rate, relative to the then outstanding principal balance of a pool of new mortgage loans. Thus, “0% CPR” means no prepayments, “30% CPR” means an annual prepayment rate of 30%, and so forth.

A 100% PPC Prepayment Assumption assumes a CPR of 10% for the mortgage loans in the first month of the life of the mortgage loans and an additional 0.9090909091% (precisely $\frac{10}{11}\%$) of CPR for each month thereafter, building to 20% CPR in the twelfth month. Beginning in the twelfth month and in each month thereafter, 100% PPC assumes a 20% CPR each month. The Prepayment Assumption for the Certificates is 75% PPC.

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.

Structuring Ranges. The Principal Balance Schedules are found beginning on page B-1 of this prospectus. The Principal Balance Schedules have been prepared on the basis of the Pricing

Assumptions and the assumption that the related Mortgage Loans will prepay at a constant PPC rate within the structuring ranges set forth below.

<u>Principal Balance Schedule Reference</u>	<u>Related Group (1) and Class</u>	<u>Structuring Ranges</u>
Planned Balances	Aggregate Group	(2)
Scheduled Balances	A-7	Between 95% and 100% PPC

- (1) The structuring range for the Aggregate Group is associated with the Aggregate Balance but not with the individual balances of the related Classes.
- (2) The Planned Balances for the Aggregate Group have been structured at between 50% and 100% PPC but hold at between 51% and 99% PPC.

We cannot assure you that the balance of the Group or Class listed above will conform on any Distribution Date to the specified balance in the Principal Balance Schedules. As a result, we cannot assure you that payments of principal of the Group or Class listed above will begin or end on the Distribution Dates specified in the Principal Balance Schedules. We will distribute any excess of principal payments over the amount needed to reduce a Group or Class to its scheduled balance on a Distribution Date. Accordingly, the ability to reduce a Group or Class to its scheduled balance will not be improved by the averaging of high and low principal payments from month to month. In addition, even if the related Mortgage Loans prepay at the rate or at rates falling within the applicable structuring ranges, principal distributions may be insufficient to reduce the Group or Class to its scheduled balances if the prepayments do not occur at a *constant* PPC rate. Moreover, because of the diverse remaining terms to maturity of the related Mortgage Loans, which may include recently originated Mortgage Loans, the Group or Class specified above may not be reduced to its scheduled balances, even if prepayments occur at a *constant* rate within the applicable structuring ranges specified above.

Initial Effective Ranges. The effective range for a Group or Class is the range of prepayment rates (measured by *constant* PPC rates) which would reduce that Group or Class to its scheduled balance on each Distribution Date. The initial effective range shown in the table below is based upon the assumed characteristics of the related Mortgage Loans specified in the Pricing Assumptions.

<u>Group and Class</u>	<u>Initial Effective Ranges</u>
Aggregate Group	Between 51% and 99% PPC
A-7	Between 95% and 100% PPC

The actual effective range at any time will be based upon the actual characteristics of the related Mortgage Loans at that time, which are likely to vary (and may vary considerably) from the Pricing Assumptions. The actual effective range calculated on the basis of the actual characteristics is likely to differ from the initial effective range. As a result, the Group and Class might not be reduced to their scheduled balances even if prepayments were to occur at a *constant* PPC rate within the initial effective range. This is so particularly if the rate were at the lower or higher end of this range. In addition, even if prepayments occur at rates falling within the actual effective range, principal distributions may be insufficient to reduce the Group and Class to their scheduled balances if such prepayments do not occur at a *constant* PPC rate. It is highly unlikely that the related Mortgage Loans will prepay at any *constant* PPC rate. In general, the actual effective range may narrow, widen or shift upward or downward to reflect actual prepayment experience over time.

The stability in principal payment of the Classes specified below will be supported by the corresponding supporting Classes as indicated in the following table:

<u>Classes</u>	<u>Supporting Classes</u>
PAC	Scheduled and Support
Scheduled	Support

When the supporting Classes are retired, the Classes they support, if still outstanding, may no longer have effective ranges and will be more sensitive to prepayments.

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 PPC or CPR, as applicable. 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 payments on the Certificates. Accordingly, these calculations do not illustrate the return on any investment in the Certificates when such reinvestment rates are taken into account.

We cannot assure you that

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

Furthermore, because some of the Mortgage Loans are likely to have remaining terms to maturity shorter or longer than those assumed and interest rates higher or lower than those assumed, the principal payments on the related 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 PPC or CPR, as applicable. Moreover, it is unlikely that:

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

The Fixed Rate Interest Only Classes. The yields to investors in the Fixed Rate Interest Only Classes will be very sensitive to the rate of principal payments (including prepayments) of the Group 1 and Group 2 Loans (or the Group 2 Loans only, in the case of the 2A-IO Class). Substantially all of the Group 1 and Group 2 Loans can be prepaid by the related borrowers with no prepayment penalty. On the basis of the assumptions described below, the yield to maturity on the Fixed Rate Interest Only Classes would be 0% if

prepayments of the Group 1 and Group 2 Loans (or the Group 2 Loans only, in the case of the 2A-IO Class) were to occur at the constant rates shown in the following table:

<u>Class</u>	<u>0% Yield to Maturity</u>
A-11	27% CPR
A-12	23% CPR
A-13	22% CPR
A-14	22% CPR
2A-IO	20% CPR
A-16	24% CPR

For any Fixed Rate Interest Only Class, if the actual prepayment rate of the Group 1 and Group 2 Loans (or the Group 2 Loans only, in the case of the 2A-IO Class) were to exceed the level specified for as little as one month while equaling such level for the remaining months, the investors in the applicable Class would lose money on their initial investments.

We cannot assure you that:

- the related Mortgage Loans will prepay at any of the rates assumed in this prospectus or at any other particular rate;
- the pre-tax yields on the Fixed Rate Interest Only Classes will correspond to any of the pre-tax yields shown in this prospectus; or
- the aggregate purchase prices of the Fixed Rate Interest Only Classes will be the prices assumed below.

Further, Uncovered Prepayment Interest Shortfalls with respect to the Group 1 and Group 2 Classes (or the Group 2 Loans only, in the case of the 2A-IO Class) will reduce the yield to investors in the related Fixed Rate Interest Only Classes.

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

<u>Class</u>	<u>Price*</u>
A-11	6.25%
A-12	17.00%
A-13	20.00%
A-14	27.50%
2A-IO	22.50%
A-16	10.50%

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

Sensitivity of the A-11 Class to Prepayments†

	PPC Prepayment Assumption						
	<u>10%</u>	<u>50%</u>	<u>75%</u>	<u>95%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yield to							
Maturity	78.2%	9.2%	9.2%	9.2%	9.2%	1.8%	(24.3)%

Sensitivity of the A-12 Class to Prepayments†

	PPC Prepayment Assumption						
	<u>10%</u>	<u>50%</u>	<u>75%</u>	<u>95%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yield to Maturity	32.2%	7.8%	7.8%	7.8%	7.8%	(13.1)%	(39.8)%

Sensitivity of the A-13 Class to Prepayments†

	PPC Prepayment Assumption						
	<u>10%</u>	<u>50%</u>	<u>75%</u>	<u>95%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yield to Maturity	26.9%	6.2%	6.2%	6.2%	6.2%	(13.6)%	(37.9)%

Sensitivity of the A-14 Class to Prepayments†

	PPC Prepayment Assumption						
	<u>10%</u>	<u>50%</u>	<u>75%</u>	<u>95%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yield to Maturity	19.5%	5.7%	5.7%	5.7%	5.7%	(11.9)%	(32.6)%

Sensitivity of the 2A-IO Class to Prepayments†

	PPC Prepayment Assumption						
	<u>10%</u>	<u>50%</u>	<u>75%</u>	<u>95%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yield to Maturity	22.4%	13.3%	7.2%	2.1%	0.8%	(14.2)%	(36.4)%

Sensitivity of the A-16 Class to Prepayments†

	PPC Prepayment Assumption						
	<u>10%</u>	<u>50%</u>	<u>75%</u>	<u>95%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yield to Maturity	43.4%	7.0%	7.0%	7.0%	7.0%	(9.5)%	(34.3)%

† You should note that each “0% Yield to Maturity” for the Fixed Rate Interest Only Classes was computed on the basis of CPR while each “Pre-Tax Yield to Maturity” was computed on the basis of PPC. Consequently, the respective yields may not be directly comparable.

The IO-1 and IO-2 Classes. The yields to investors in the IO-1 and IO-2 Classes will be very sensitive to the rate of principal payments (including prepayments) of the Non-Discount Loans included in Loan Groups 1 and 2, respectively. Substantially all of the Mortgage Loans can be prepaid by the related borrowers with no prepayment penalty. Under various prepayment scenarios for the Non-Discount Loans, the investors in the IO-1 and IO-2 Classes would lose money on their initial investments.

We cannot assure you that:

- the Non-Discount Mortgage Loans will prepay at any of the rates assumed in this prospectus or at any other particular rate;
- the pre-tax yield on the IO-1 and IO-2 Classes will correspond to any of the pre-tax yields shown in this prospectus; or
- the aggregate purchase prices of the IO-1 and IO-2 Classes will be the prices assumed below.

Further, Uncovered Prepayment Interest Shortfalls with respect to the Group 1 and Group 2 Loans will reduce the yield to investors in the IO-1 and IO-2 Classes, respectively.

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

<u>Class</u>	<u>Price*</u>
IO-1	0.34%
IO-2	0.47%

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

Sensitivity of the IO-1 Class to Prepayments

	PPC Prepayment Assumption						
	<u>10%</u>	<u>50%</u>	<u>75%</u>	<u>95%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yield to Maturity	26.1%	17.5%	11.9%	7.4%	6.2%	(5.8)%	(18.6)%

Sensitivity of the IO-2 Class to Prepayments

	PPC Prepayment Assumption						
	<u>10%</u>	<u>50%</u>	<u>75%</u>	<u>95%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yield to Maturity	29.6%	20.8%	15.1%	10.4%	9.3%	(3.0)%	(16.0)%

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

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

<u>Class</u>	<u>Price</u>
PO	67.9%

Sensitivity of the PO Class to Prepayments*

	PPC Prepayment Assumption						
	<u>10%</u>	<u>50%</u>	<u>75%</u>	<u>95%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yield to Maturity	2.7%	5.8%	8.2%	10.2%	10.7%	16.1%	21.9%

* Applies only to Discount Mortgage Loans.

Weighted Average Lives of the Senior and Mezzanine Certificates

The weighted average life of a Class of Certificates refers to the average length of time, weighted by principal, that will elapse from the time we issue the Certificates 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 life of each Class of Senior and Mezzanine 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 Countrywide Servicing's call option. We will apply prepayments on the Mortgage Loans to principal payments on the Certificates, as described in this prospectus. The effect of these factors may differ as to various Classes of the Senior and Mezzanine Certificates and the effects on any Class may vary at different times during the life of that Class. Accordingly, we can give no assurance as to the weighted average life of any Class.

Maturity Considerations, Last Scheduled Distribution Date of the Mezzanine Classes and Final Distribution Date of the Senior Classes

We expect the original maturities of all the Mortgage Loans to be between 20 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 last scheduled Distribution Date for each Class of Mezzanine Certificates is the Distribution Date in June 2034. This date is determined on the basis that no Mortgage Loan is prepaid or repurchased from the Trust prior to its maturity date.

The final Distribution Date for the Senior Classes is the Distribution Date occurring in June 2034.

Decrement Tables

The following tables indicate the percentages of original principal balances or notional principal balance of the specified Classes that would be outstanding after each date shown at various constant percentages of PPC 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 related Mortgage Loans will have the interest rates or remaining terms to maturity assumed or
- that the related Mortgage Loans will prepay at any constant percentage of PPC.

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 PPC. This is the case even if the dispersion of weighted average maturities of the Mortgage Loans are identical to the dispersion of the weighted average maturities specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

Date	A-1 and A-11† Classes							A-2 and A-13† Classes							A-3, A-14† and A-15 Classes						
	PPC Prepayment Assumption							PPC Prepayment Assumption							PPC Prepayment Assumption						
	0%	50%	75%	95%	100%	150%	200%	0%	50%	75%	95%	100%	150%	200%	0%	50%	75%	95%	100%	150%	200%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2005	95	62	62	62	62	62	62	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2006	90	19	19	19	19	*	0	100	100	100	100	100	100	100	57	100	100	100	100	100	100
April 2007	84	0	0	0	0	0	0	100	83	83	83	83	43	0	100	100	100	100	100	100	31
April 2008	78	0	0	0	0	0	0	100	54	54	54	54	3	0	100	100	100	100	100	40	0
April 2009	72	0	0	0	0	0	0	100	28	28	28	28	0	0	100	94	94	94	94	0	0
April 2010	65	0	0	0	0	0	0	100	6	6	6	6	0	0	100	46	46	46	46	0	0
April 2011	58	0	0	0	0	0	0	100	0	0	0	0	0	0	100	9	9	9	9	0	0
April 2012	50	0	0	0	0	0	0	100	0	0	0	0	0	0	100	0	0	0	0	0	0
April 2013	42	0	0	0	0	0	0	100	0	0	0	0	0	0	100	0	0	0	0	0	0
April 2014	33	0	0	0	0	0	0	100	0	0	0	0	0	0	100	0	0	0	0	0	0
April 2015	24	0	0	0	0	0	0	100	0	0	0	0	0	0	100	0	0	0	0	0	0
April 2016	14	0	0	0	0	0	0	100	0	0	0	0	0	0	100	0	0	0	0	0	0
April 2017	4	0	0	0	0	0	0	100	0	0	0	0	0	0	100	0	0	0	0	0	0
April 2018	0	0	0	0	0	0	0	94	0	0	0	0	0	0	100	0	0	0	0	0	0
April 2019	0	0	0	0	0	0	0	85	0	0	0	0	0	0	100	0	0	0	0	0	0
April 2020	0	0	0	0	0	0	0	74	0	0	0	0	0	0	100	0	0	0	0	0	0
April 2021	0	0	0	0	0	0	0	63	0	0	0	0	0	0	100	0	0	0	0	0	0
April 2022	0	0	0	0	0	0	0	52	0	0	0	0	0	0	100	0	0	0	0	0	0
April 2023	0	0	0	0	0	0	0	40	0	0	0	0	0	0	100	0	0	0	0	0	0
April 2024	0	0	0	0	0	0	0	27	0	0	0	0	0	0	90	0	0	0	0	0	0
April 2025	0	0	0	0	0	0	0	13	0	0	0	0	0	0	61	0	0	0	0	0	0
April 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	30	0	0	0	0	0	0
April 2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2033	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April 2034	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	7.6	1.3	1.3	1.3	1.3	1.2	1.0	18.0	4.3	4.3	4.3	4.3	2.9	2.2	21.4	6.0	6.0	6.0	6.0	3.9	2.9

Date	A-4 Class							A-5 Class							A-6 Class						
	PPC Prepayment Assumption							PPC Prepayment Assumption							PPC Prepayment Assumption						
	0%	50%	75%	95%	100%	150%	200%	0%	50%	75%	95%	100%	150%	200%	0%	50%	75%	95%	100%	150%	200%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2005	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2006	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2007	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2008	100	100	100	100	100	100	0	100	100	100	100	100	100	76	100	100	100	100	100	100	100
April 2009	100	100	100	100	100	23	0	100	100	100	100	100	100	20	100	100	100	100	100	100	100
April 2010	100	100	100	100	100	0	0	100	100	100	100	100	60	0	100	100	100	100	100	100	55
April 2011	100	100	100	100	100	0	0	100	100	100	100	100	29	0	100	100	100	100	100	100	0
April 2012	100	17	17	17	17	0	0	100	100	100	100	100	12	0	100	100	100	100	100	100	0
April 2013	100	0	0	0	0	0	0	100	78	78	78	78	2	0	100	100	100	100	100	100	0
April 2014	100	0	0	0	0	0	0	100	58	58	58	58	0	0	100	100	100	100	100	77	0
April 2015	100	0	0	0	0	0	0	100	42	42	42	42	0	0	100	100	100	100	100	53	0
April 2016	100	0	0	0	0	0	0	100	29	29	29	29	0	0	100	100	100	100	100	36	0
April 2017	100	0	0	0	0	0	0	100	19	19	19	19	0	0	100	100	100	100	100	24	0
April 2018	100	0	0	0	0	0	0	100	11	11	11	11	0	0	100	100	100	100	100	16	0
April 2019	100	0	0	0	0	0	0	100	5	5	5	5	0	0	100	100	100	100	100	11	0
April 2020	100	0	0	0	0	0	0	100	1	1	1	1	0	0	100	100	100	100	100	7	0
April 2021	100	0	0	0	0	0	0	100	0	0	0	0	0	0	100	80	80	80	80	5	0
April 2022	100	0	0	0	0	0	0	100	0	0	0	0	0	0	100	61	61	61	61	3	0
April 2023	100	0	0	0	0	0	0	100	0	0	0	0	0	0	100	46	46	46	46	2	0
April 2024	100	0	0	0	0	0	0	100	0	0	0	0	0	0	100	34	34	34	34	1	0
April 2025	100	0	0	0	0	0	0	100	0	0	0	0	0	0	100	25	25	25	25	1	0
April 2026	100	0	0	0	0	0	0	100	0	0	0	0	0	0	100	18	18	18	18	1	0
April 2027	89	0	0	0	0	0	0	100	0	0	0	0	0	0	100	13	13	13	13	*	0
April 2028	0	0	0	0	0	0	0	82	0	0	0	0	0	0	100	9	9	9	9	*	0
April 2029	0	0	0	0	0	0	0	33	0	0	0	0	0	0	100	6	6	6	6	*	0
April 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	4	4	4	4	*	0
April 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	3	3	3	3	*	0
April 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	*	0
April 2033	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	*	0
April 2034	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	23.3	7.7	7.7	7.7	7.7	4.9	3.6	24.7	11.0	11.0	11.0	11.0	6.5	4.5	25.9	19.5	19.5	19.5	19.5	11.9	6.1

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

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

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

Date	A-7 Class							A-8 Class							A-9 Class						
	PPC Prepayment Assumption							PPC Prepayment Assumption							PPC Prepayment Assumption						
	0%	50%	75%	95%	100%	150%	200%	0%	50%	75%	95%	100%	150%	200%	0%	50%	75%	95%	100%	150%	200%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2005	100	100	82	69	69	40	6	106	106	106	100	61	0	0	100	100	100	100	100	100	100
April 2006	99	99	65	39	39	0	0	112	112	112	100	27	0	0	100	100	100	100	100	100	100
April 2007	98	98	52	19	19	0	0	118	118	118	100	8	0	0	100	100	100	100	100	100	91
April 2008	98	98	43	7	7	0	0	125	125	125	100	1	0	0	100	100	100	100	100	100	0
April 2009	97	97	37	1	1	0	0	132	132	132	99	*	0	0	100	100	100	100	100	0	0
April 2010	97	96	35	0	0	0	0	139	139	139	94	*	0	0	100	100	100	100	100	0	0
April 2011	96	93	31	0	0	0	0	147	147	147	87	*	0	0	100	25	25	25	25	0	0
April 2012	95	87	27	0	0	0	0	155	155	155	77	*	0	0	100	0	0	0	0	0	0
April 2013	94	80	22	0	0	0	0	164	164	164	67	*	0	0	100	0	0	0	0	0	0
April 2014	94	72	17	0	0	0	0	173	173	173	58	*	0	0	100	0	0	0	0	0	0
April 2015	93	63	12	0	0	0	0	183	183	183	49	*	0	0	100	0	0	0	0	0	0
April 2016	92	55	8	0	0	0	0	193	193	193	42	*	0	0	100	0	0	0	0	0	0
April 2017	91	47	3	0	0	0	0	204	204	204	35	*	0	0	100	0	0	0	0	0	0
April 2018	90	39	0	0	0	0	0	216	216	206	29	*	0	0	100	0	0	0	0	0	0
April 2019	89	31	0	0	0	0	0	228	228	174	24	*	0	0	100	0	0	0	0	0	0
April 2020	88	24	0	0	0	0	0	241	241	147	19	*	0	0	100	0	0	0	0	0	0
April 2021	86	17	0	0	0	0	0	254	254	123	16	*	0	0	100	0	0	0	0	0	0
April 2022	85	10	0	0	0	0	0	269	269	102	13	*	0	0	100	0	0	0	0	0	0
April 2023	84	4	0	0	0	0	0	284	284	84	10	*	0	0	100	0	0	0	0	0	0
April 2024	82	0	0	0	0	0	0	300	280	68	8	*	0	0	100	0	0	0	0	0	0
April 2025	81	0	0	0	0	0	0	317	236	55	6	*	0	0	100	0	0	0	0	0	0
April 2026	79	0	0	0	0	0	0	334	195	43	5	*	0	0	89	0	0	0	0	0	0
April 2027	78	0	0	0	0	0	0	353	159	34	4	*	0	0	0	0	0	0	0	0	0
April 2028	76	0	0	0	0	0	0	373	127	26	3	*	0	0	0	0	0	0	0	0	0
April 2029	74	0	0	0	0	0	0	394	99	19	2	*	0	0	0	0	0	0	0	0	0
April 2030	70	0	0	0	0	0	0	417	73	13	1	*	0	0	0	0	0	0	0	0	0
April 2031	44	0	0	0	0	0	0	440	51	9	1	*	0	0	0	0	0	0	0	0	0
April 2032	15	0	0	0	0	0	0	465	31	5	*	*	0	0	0	0	0	0	0	0	0
April 2033	0	0	0	0	0	0	0	323	14	2	*	*	0	0	0	0	0	0	0	0	0
April 2034	0	0	0	0	0	0	0	*	*	*	*	*	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	24.2	12.6	4.9	1.9	1.9	0.9	0.6	29.3	23.8	18.7	12.0	1.5	0.2	0.1	22.4	6.8	6.8	6.8	6.8	4.4	3.2

Date	A-10 and A-12† Classes							AR Class							IO-1† Class						
	PPC Prepayment Assumption							PPC Prepayment Assumption							PPC Prepayment Assumption						
	0%	50%	75%	95%	100%	150%	200%	0%	50%	75%	95%	100%	150%	200%	0%	50%	75%	95%	100%	150%	200%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
April 2005	100	100	100	100	100	100	100	0	0	0	0	0	0	0	99	91	88	85	84	76	69
April 2006	100	100	100	100	100	100	38	0	0	0	0	0	0	0	97	81	73	68	66	53	41
April 2007	100	75	75	75	75	16	0	0	0	0	0	0	0	0	96	72	62	54	52	36	24
April 2008	100	33	33	33	33	0	0	0	0	0	0	0	0	0	95	64	52	43	41	25	14
April 2009	100	0	0	0	0	0	0	0	0	0	0	0	0	0	93	56	43	34	32	17	8
April 2010	100	0	0	0	0	0	0	0	0	0	0	0	0	0	91	50	36	27	25	12	5
April 2011	100	0	0	0	0	0	0	0	0	0	0	0	0	0	90	44	30	22	20	8	3
April 2012	100	0	0	0	0	0	0	0	0	0	0	0	0	0	88	39	25	17	16	6	2
April 2013	100	0	0	0	0	0	0	0	0	0	0	0	0	0	86	34	21	14	12	4	1
April 2014	100	0	0	0	0	0	0	0	0	0	0	0	0	0	84	30	17	11	10	3	1
April 2015	100	0	0	0	0	0	0	0	0	0	0	0	0	0	81	26	14	8	7	2	*
April 2016	100	0	0	0	0	0	0	0	0	0	0	0	0	0	79	23	12	7	6	1	*
April 2017	100	0	0	0	0	0	0	0	0	0	0	0	0	0	76	20	10	5	4	1	*
April 2018	92	0	0	0	0	0	0	0	0	0	0	0	0	0	74	17	8	4	3	1	*
April 2019	78	0	0	0	0	0	0	0	0	0	0	0	0	0	71	15	6	3	3	*	*
April 2020	63	0	0	0	0	0	0	0	0	0	0	0	0	0	68	13	5	2	2	*	*
April 2021	47	0	0	0	0	0	0	0	0	0	0	0	0	0	65	11	4	2	2	*	*
April 2022	30	0	0	0	0	0	0	0	0	0	0	0	0	0	61	9	3	1	1	*	*
April 2023	12	0	0	0	0	0	0	0	0	0	0	0	0	0	58	8	3	1	1	*	*
April 2024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	54	7	2	1	1	*	*
April 2025	0	0	0	0	0	0	0	0	0	0	0	0	0	0	50	6	2	1	*	*	*
April 2026	0	0	0	0	0	0	0	0	0	0	0	0	0	0	46	5	1	*	*	*	*
April 2027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	41	4	1	*	*	*	*
April 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	36	3	1	*	*	*	*
April 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	31	2	1	*	*	*	*
April 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25	2	*	*	*	*	*
April 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20	1	*	*	*	*	*
April 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13	1	*	*	*	*	*
April 2033	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7	*	*	*	*	*	*
April 2034	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	16.7	3.6	3.6	3.6	3.6	2.6	1.9	0.1	0.1	0.1	0.1	0.1	0.1	0.1	19.3	7.9	5.7	4.6	4.4	3.0	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.

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

Date	2A-10† Class								10-2† Class								M, B-1 and B-2 Classes							
	PPC Prepayment Assumption								PPC Prepayment Assumption								PPC Prepayment Assumption							
	0%	50%	75%	95%	100%	150%	200%	0%	50%	75%	95%	100%	150%	200%	0%	50%	75%	95%	100%	150%	200%			
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100		
April 2005	99	91	87	83	83	74	66	99	91	87	84	83	75	67	99	99	99	99	99	99	99			
April 2006	98	80	72	66	64	50	37	98	81	73	67	66	52	40	97	97	97	97	97	97	97			
April 2007	96	71	59	51	50	33	20	96	72	61	54	52	36	24	96	96	96	96	96	96	96			
April 2008	95	62	49	40	38	21	10	95	64	51	43	41	25	14	95	95	95	95	95	95	95			
April 2009	93	54	40	31	29	13	4	93	56	43	34	32	17	8	93	93	93	93	93	93	93			
April 2010	92	48	33	24	22	8	1	92	50	36	27	25	12	5	91	89	87	86	85	82	79			
April 2011	90	42	27	19	17	5	0	90	44	30	22	20	8	3	90	83	80	77	77	70	55			
April 2012	88	37	22	14	13	3	0	88	39	25	17	16	6	2	88	77	71	67	66	55	33			
April 2013	86	32	18	11	10	2	0	86	34	21	14	12	4	1	86	69	61	55	54	41	19			
April 2014	84	28	15	9	8	1	0	84	30	17	11	10	3	1	84	60	51	44	42	28	11			
April 2015	82	25	13	7	6	1	0	82	26	14	8	7	2	*	81	53	42	34	33	19	7			
April 2016	79	22	10	6	5	1	0	80	23	12	7	6	1	*	79	46	35	27	25	13	4			
April 2017	77	19	9	4	4	*	0	77	20	10	5	4	1	*	76	40	28	21	20	9	2			
April 2018	74	16	7	3	3	*	0	75	17	8	4	3	1	*	74	35	23	17	15	6	1			
April 2019	71	14	6	3	2	*	0	72	15	6	3	3	*	*	71	30	19	13	12	4	1			
April 2020	68	12	5	2	2	*	0	69	13	5	2	2	*	*	68	26	15	10	9	3	*			
April 2021	65	11	4	2	1	*	0	66	11	4	2	2	*	*	65	22	13	8	7	2	*			
April 2022	62	9	3	1	1	*	0	62	10	3	1	1	*	*	61	19	10	6	5	1	*			
April 2023	58	8	2	1	1	*	0	59	8	3	1	1	*	*	58	16	8	5	4	1	*			
April 2024	54	6	2	1	1	*	0	55	7	2	1	1	*	*	54	14	6	3	3	1	*			
April 2025	50	5	2	1	*	*	0	51	6	2	1	*	*	*	50	11	5	3	2	*	*			
April 2026	46	4	1	*	*	*	0	46	5	1	*	*	*	*	45	9	4	2	2	*	*			
April 2027	41	4	1	*	*	*	0	42	4	1	*	*	*	*	41	7	3	1	1	*	*			
April 2028	36	3	1	*	*	*	0	37	3	1	*	*	*	*	36	6	2	1	1	*	*			
April 2029	31	2	*	*	*	*	0	31	2	1	*	*	*	*	31	5	2	1	1	*	*			
April 2030	26	2	*	*	*	*	0	26	2	*	*	*	*	*	25	3	1	*	*	*	*			
April 2031	20	1	*	*	*	*	0	20	1	*	*	*	*	*	19	2	1	*	*	*	*			
April 2032	13	1	*	*	*	*	0	13	1	*	*	*	*	*	13	1	*	*	*	*	*			
April 2033	7	*	*	*	*	*	0	7	*	*	*	*	*	*	7	1	*	*	*	*	*			
April 2034	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Weighted Average Life (years)**	19.4	7.6	5.4	4.3	4.1	2.6	1.9	19.4	7.9	5.7	4.6	4.4	2.9	2.2	19.3	12.6	11.0	10.1	9.9	8.6	7.4			

Date	A-16† Class							A-17 Class							PO Class							
	PPC Prepayment Assumption							PPC Prepayment Assumption							PPC Prepayment Assumption							
	0%	50%	75%	95%	100%	150%	200%	0%	50%	75%	95%	100%	150%	200%	0%	50%	75%	95%	100%	150%	200%	
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
April 2005	97	74	74	74	74	74	74	100	100	100	100	100	100	100	99	91	87	84	83	76	68	
April 2006	93	45	45	45	45	33	17	100	100	100	100	100	100	100	97	81	73	67	66	52	40	
April 2007	89	26	26	26	26	11	1	100	100	100	100	100	100	77	96	72	61	54	52	36	24	
April 2008	85	15	15	15	15	2	0	100	100	100	100	100	80	0	94	63	51	43	41	25	14	
April 2009	81	6	6	6	6	0	0	100	98	98	98	98	15	0	93	56	43	34	32	17	8	
April 2010	76	3	3	3	3	0	0	100	82	82	82	82	0	0	91	50	36	27	25	12	5	
April 2011	71	*	*	*	*	0	0	100	70	70	70	70	0	0	89	44	30	21	20	8	3	
April 2012	66	0	0	0	0	0	0	100	12	12	12	12	0	0	87	39	25	17	15	6	2	
April 2013	61	0	0	0	0	0	0	100	0	0	0	0	0	0	85	34	21	13	12	4	1	
April 2014	55	0	0	0	0	0	0	100	0	0	0	0	0	0	83	30	17	11	9	3	1	
April 2015	49	0	0	0	0	0	0	100	0	0	0	0	0	0	81	26	14	8	7	2	*	
April 2016	42	0	0	0	0	0	0	100	0	0	0	0	0	0	78	23	12	7	6	1	*	
April 2017	35	0	0	0	0	0	0	100	0	0	0	0	0	0	76	20	10	5	4	1	*	
April 2018	30	0	0	0	0	0	0	100	0	0	0	0	0	0	73	17	8	4	3	1	*	
April 2019	27	0	0	0	0	0	0	100	0	0	0	0	0	0	70	15	6	3	3	*	*	
April 2020	23	0	0	0	0	0	0	100	0	0	0	0	0	0	67	13	5	2	2	*	*	
April 2021	19	0	0	0	0	0	0	100	0	0	0	0	0	0	64	11	4	2	2	*	*	
April 2022	15	0	0	0	0	0	0	100	0	0	0	0	0	0	61	9	3	1	1	*	*	
April 2023	10	0	0	0	0	0	0	100	0	0	0	0	0	0	57	8	3	1	1	*	*	
April 2024	6	0	0	0	0	0	0	97	0	0	0	0	0	0	53	7	2	1	1	*	*	
April 2025	4	0	0	0	0	0	0	87	0	0	0	0	0	0	49	6	2	1	*	*	*	
April 2026	1	0	0	0	0	0	0	77	0	0	0	0	0	0	45	5	1	*	*	*	*	
April 2027	0	0	0	0	0	0	0	60	0	0	0	0	0	0	40	4	1	*	*	*	*	
April 2028	0	0	0	0	0	0	0	0	0	0	0	0	0	0	35	3	1	*	*	*	*	
April 2029	0	0	0	0	0	0	0	0	0	0	0	0	0	0	30	2	1	*	*	*	*	
April 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25	2	*	*	*	*	*	
April 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	19	1	*	*	*	*	*	
April 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13	1	*	*	*	*	0	
April 2033	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	*	*	*	*	*	0	
April 2034	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Weighted Average																						
Life (years)**	10.9	2.2	2.2	2.2	2.2	1.8	1.4	22.7	7.2	7.2	7.2	7.2	4.6	3.3	19.1	7.8	5.7	4.6	4.4	2.9	2.2	

THE AGREEMENTS

We summarize below certain provisions of the Sale and Servicing Agreement and the Trust Agreement (together, the “Agreements”) that are not discussed elsewhere in this prospectus. Certain capitalized terms that we use in these summaries are defined in the Agreements. 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 Agreements, the terms of the Agreements will prevail.

Transfer of Mortgage Loans to the Lower Tier REMIC

The Trust Agreement will contain a mortgage loan schedule that will identify the Mortgage Loans that are being transferred to the Lower Tier REMIC. 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. 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. 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 Federal Deposit Insurance Corporation or the National Credit Union Administration. 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 the Seller 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.

With respect to each Mortgage Loan, Countrywide makes certain warranties to Fannie Mae including:

- the recordation of the original Mortgage,
- the validity of the Mortgage Loan as a first lien on the 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 defective Mortgage Loan from the Lower Tier REMIC at a price equal to its Stated Principal Balance together with one-month’s interest thereon at the applicable Net Mortgage Rate. Alternatively, we may, at our option, substitute a new Mortgage Loan for a defective Mortgage Loan. Any substitute Mortgage Loan must meet certain criteria to ensure that the substitute Mortgage Loan will not alter the general characteristics of the Mortgage Loans. No such substitution may take place more than two years after we issue the Certificates. We will pass through to Certificateholders as principal the amount, if any, by which the Stated Principal Balance of the defective Mortgage Loan exceeds the principal balance of the substitute Mortgage Loan (the “Substitution Adjustment Amount”).

Servicing Through Countrywide Home Loans Servicing LP

Pursuant to the Sale and Servicing Agreement, we have contracted with the Servicer to service and administer the Mortgage Loans as more fully described below. The Sale and Servicing Agreement is a contract solely among Fannie Mae, the Servicer and Countrywide. Certificateholders will not be deemed to be parties to it and will have no claims, rights, obligations, duties, or liabilities with respect to the Servicer.

The Servicer will be obligated to perform diligently all services and duties customary to the servicing of mortgages. We will monitor the Servicer's performance and we have the right to remove the Servicer for cause at any time we consider its removal to be in the best interest of Certificateholders. The duties performed by the Servicer 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, an amount equal to the Trust Expense Rate *multiplied by* the Stated Principal Balance of each related Mortgage Loan will be retained to pay various Trust expenses, including servicing payable to the Servicer, mortgage insurance fees payable by the lender, if any, and amounts to compensate us for providing our guaranty. The Servicer is not entitled to retain any Foreclosure Surplus. We will pay all expenses (excluding Delinquency Advances, Servicing Advances and other liquidation expenses) incurred in connection with servicing activities, including, without limitation, the fees to the Servicer, and we are not entitled to be reimbursed for such expenses out of the assets of the Lower Tier REMIC. Late charges, assumption fees and similar charges, to the extent they are collected from borrowers, will be retained by the Servicer as additional servicing compensation.

Payments on Mortgage Loans; Deposits in the Certificate Account

Prior to each Distribution Date, the Servicer will remit to one or more accounts (collectively, the "Certificate Account") an amount generally equal to the sum of

- scheduled principal and interest received on the Mortgage Loans (net of servicing fees and any fees payable by the lender for primary mortgage insurance) during the related Due Period, *plus*
- unscheduled collections received on the Mortgage Loans (*i.e.*, voluntary prepayments) during the related Prepayment Period, *plus*
- net liquidation proceeds with respect to Liquidated Loans received during the related Due Period, *plus*
- any Subsequent Recoveries and Foreclosure Surplus with respect to Liquidated Loans received during the related Due Period, *plus*
- any Delinquency Advance that the Servicer must make in respect of delinquent payments of principal and interest on the Mortgage Loans with respect to the related Distribution Date.

Any amounts deposited into the Certificate Account are generally available on a Distribution Date to pay (i) interest accrued and distributable on the Certificates on that date (*i.e.*, excluding any Uncovered Prepayment Interest Shortfalls) 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 applicable REMIC trust).

We are required to hold all such appropriately credited funds in our general accounts (and all funds in the Certificate Account that we have invested) for the benefit of the related 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 make available the class factors 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 Class of Certificates or Component by the original principal balance (or original notional principal balance) of that Class of Certificates or Component, you will obtain the current principal balance (or current notional principal balance) of that Class of Certificates or Component, after giving effect to the current month's principal payment.

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

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

Collection and Other Servicing Procedures

In connection with its servicing activities, the Servicer has full power and authority to do or cause to be done any and all things it may deem necessary or appropriate, including the foreclosure or comparable conversion of a defaulted Mortgage Loan. Subject to certain conditions and limitations described in the Sale and Servicing Agreement, the Servicer may, in its discretion and without obligation, purchase from the Lower Tier REMIC any Mortgage Loan that has become more than 90 days delinquent, in whole or in part. Fannie Mae will have a similar option to repurchase delinquent Mortgage Loans after the Mezzanine Termination Date. The purchase price will be equal to the Stated Principal Balance of the delinquent Mortgage Loan together with accrued interest at the applicable Net Mortgage Rate. We will pay the purchase price to Certificateholders in the same manner as full prepayments of Mortgage Loans. See "Description of the Senior and Mezzanine Certificates—Principal Payments on the Senior and Mezzanine Certificates" in this prospectus.

The Servicer must make advances to the Trust for delinquent payments of principal of and interest on the Mortgage Loans. It must make these advances until it determines that it can no longer recover them from late collections, insurance proceeds or liquidation proceeds on the related Mortgage Loans. Before we make any payments on the Senior and Mezzanine Certificates, we will reimburse all these advances to the Servicer from late collections, insurance proceeds and liquidation proceeds from the related Loans. We call these advances "Delinquency Advances." In addition, we may use funds allocable to any of the Mortgage Loans to reimburse the Servicer for advances that it made previously, but deems that it cannot recover from related late collections, insurance proceeds or liquidation proceeds.

The Servicer will have to pay all "out of pocket" costs and expenses incurred in performing its servicing obligations, if it deems that it will be able to recover these costs and expenses. These expenses include:

- expenditures in connection with a foreclosed Mortgage Loan prior to liquidation (including real estate property taxes, hazard insurance premiums and property restoration or preservation),
- the cost of enforcement or judicial proceedings, including foreclosures, and
- the cost of managing and liquidating a Mortgaged Property acquired in satisfaction of the related Mortgage Loan.

We call these costs and expenses "Servicing Advances." The Servicer may recover a Servicing Advance to the extent permitted by the related Mortgage Loan. If the Servicer does not recover the Servicing Advance from the borrower on whose behalf the advance was made, it may recover the Servicing Advance from net liquidation proceeds realized upon the liquidation of the related Mortgage Loan, or from funds that would otherwise be paid on the Mezzanine and Subordinate Certificates.

Subject to the limitations discussed below, the Servicer 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.

The Trust Agreement prohibits certain other modifications, such as reducing the mortgage interest rate or principal amount or extending the term of a Mortgage Loan. However, the Servicer is authorized to waive any assumption fee or late payment charge.

In addition, the Sale and Servicing Agreement prohibits any modification that would:

- cause the Trust, the Middle Tier REMIC or the Lower TIER REMIC to fail to qualify as a REMIC under the Code,
- cause any Mortgage Loan to cease to be a “qualified mortgage” within the meaning of section 860G(a)(3) of the Code, or
- result in the imposition of any tax on “prohibited transactions” or “contributions” as discussed under “Certain Federal Income Tax Consequences” in this prospectus

Upon receipt by the Servicer of liquidation proceeds, it will remit such liquidation proceeds (net of Servicing Advances and Delinquency Advances on the related Mortgage Loan) to the Trust.

In connection with the transfer or prospective transfer of title to a Mortgaged Property securing any Mortgage Loan, the Servicer has undertaken to accelerate the maturity of the related Mortgage Loan if it contains a “due-on-sale” clause that permits acceleration under those conditions (unless applicable law prohibits enforcing the “due-on-sale” clause).

If for any reason the Servicer does not have to accelerate the maturity of a Mortgage Loan upon the transfer, or prospective transfer, of title to the related Mortgaged Property, the Servicer may enter into a transaction which releases the borrower from liability on the related Mortgage Loan and imposes such liability on the transferee; *provided, however*, that no such transaction shall provide for reduction of the Mortgage Interest Rate.

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 Lower Tier REMIC, the Middle Tier REMIC, 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 and will assume all of our obligations under the Trust Agreement, including our guaranty obligations.

Events of Default

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

- if we fail to pay Certificateholders of any Class any required amount and our failure continues uncorrected for 15 days after Certificateholders owning at least 5% of that Class 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 any Class 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 any Class 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 Lower Tier REMIC and the Trust.

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 Lower Tier REMIC, the Middle Tier REMIC and the Trust as REMICs.

If Certificateholders who own at least 66% of each Class 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.

Voting Rights

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

rights allocated among holders of the Interest Only Classes in the aggregate will be 1.5%; the percentage of the voting rights allocated among holders of all other Classes in the aggregate will be 98.5%. The voting rights allocated to each Class of Certificates will be allocated among all holders of each such Class in proportion to the outstanding Class balance of such Certificates.

Termination

The Trust Agreement will terminate when the last Mortgage Loan remaining in the Lower Tier REMIC has been paid off or liquidated, and the proceeds of that loan have been paid to Certificateholders. The Trust Agreement also will terminate if Countrywide Servicing exercises its optional clean-up call. The purchase price for the optional purchase will equal the outstanding principal balance of each Mortgage Loan that remains outstanding (including one-month's interest at the Net Mortgage Rate).

Countrywide Servicing may exercise the optional clean-up call if the aggregate principal balance of the Mortgage Loans is 5% or less of their aggregate principal balance as of the Issue Date.

If Countrywide Servicing exercises its optional clean-up call, the Certificates will be retired. In no event, however, will the Lower Tier REMIC, the Middle Tier REMIC or 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 are not generally exempt from 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 one of the following, or other, reasons:

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

- REMIC Election and Special Tax Attributes
- Taxation of Beneficial Owners of Regular Certificates
- Taxation of Beneficial Owners of Residual Certificates

- Taxes on the REMICs
- Reporting and Other Administrative Matters
- Tax Return Disclosure Requirements
- Backup Withholding
- Foreign Investors
- Taxation of Beneficial Owners of RCR Certificates

REMIC Elections and Special Tax Attributes

We will elect to treat each of the Trust, the Middle Tier REMIC and the Lower Tier REMIC as a REMIC under the Code. Qualification as a REMIC requires ongoing compliance with certain conditions. Arnold & Porter LLP, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that, assuming compliance with the Trust Agreement, the Trust, the Middle Tier REMIC and the Lower Tier REMIC each will be treated as a REMIC for federal income tax purposes. The Senior, Mezzanine, and Subordinate Certificates (other than RCR Certificates and the AR, RM and RL Classes) will be designated as the “regular interests” in the Trust (each a “Regular Certificate” and, together, the “Regular Certificates”) and the AR Class will be designated as the “residual interest” in the Trust. The Middle Tier Regular Interests will be designated as the “regular interests,” and the RM Class will be designated as the “residual interest,” in the Middle Tier REMIC. The Lower Tier Regular Interests will be designated as the “regular interests,” and the RL Class will be designated as the “residual interest,” in the Lower Tier REMIC.

Because the Trust, the Middle Tier REMIC and the Lower Tier REMIC will qualify as REMICs, the Regular and Residual Certificates and any related RCR Certificates will be “regular or residual interests in a REMIC” within the meaning of section 7701(a)(19)(C)(xi) of the Code and “real estate assets” within the meaning of section 856(c)(5)(B) of the Code. If at any time during a calendar year less than 95 percent of the assets of the Lower Tier REMIC consist of “qualified mortgages,” then the portion of the Regular and Residual Certificates that are qualifying assets under those sections during the calendar year may be limited to the portion of the assets of the Lower Tier REMIC that are “qualified mortgages.” Similarly, income on the Regular and Residual Certificates will be treated as “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. 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 REMIC will include, in addition to the Mortgage Loans, payments on the Mortgage 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.

In addition, each beneficial owner of a Non-Senior Certificate will be required to accrue interest and original issue discount (as discussed below) with respect to that Certificate without giving effect to any reductions in payments attributable to defaults or delinquencies on the Mortgage Loans until it can be established that any such reduction ultimately will not be recoverable. As a result, the amount of taxable income reported in any period by an owner of a Non-Senior Certificate could exceed the amount of economic income actually realized by the owner in such period. Although the owner of a Non-Senior Certificate eventually will recognize a Realized Loss or a reduction in income attributable to defaults on Mortgage Loans, the law is unclear with respect to the timing and character of such Realized Loss or reduction in income. Beneficial owners of Non-Senior Certificates should consult their own tax advisors concerning the treatment of such Realized Losses or reductions in income in their specific circumstances.

Treatment of Original Issue Discount

The Notional Classes, the Accrual Class and the Principal Only Class 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 offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Regular Certificates was sold. The issue price also includes any accrued interest attributable to the period 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 a Notional Class or Accrual Class, 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 75% PPC
- Group 2 Loans 75% PPC

See “Description of the Senior and Mezzanine Certificates—Structuring Assumptions—*Prepayment Assumption*” 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 Certificate, increased by the aggregate amount of previously accrued OID with respect to the 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 Mortgage Loans will prepay at the rate reflected in the prepayment assumption described above or at any other rate. Each investor must make its own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase any of the Certificates. See “Description of the Senior and Mezzanine Certificates—Maturity Considerations, Last Scheduled Distribution Date of the Mezzanine Classes and Final Distribution Dates of the Senior Classes” 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 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 Certificate for each day it holds the Certificate. If the cost of the Certificate to the subsequent holder exceeds the adjusted issue price of the 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 Certificate, and the denominator is the sum of the daily portions of OID on the 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 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 Certificate) has market discount with respect to the 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 percent of the remaining stated redemption price at maturity of the Certificate multiplied by its weighted average remaining life. Weighted average remaining life presumably would be calculated in a manner similar to weighted average life, taking into account payments (including prepayments) prior to the date of acquisition of the Regular Certificate by the subsequent purchaser. If market discount on a Regular Certificate is treated as zero under this rule, the actual amount of market discount must be allocated to the remaining principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized.

Special Election

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

Sales and Other Dispositions of Regular Certificates

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

The adjusted basis of a Regular Certificate generally will equal the cost of the Certificate to the beneficial owner, increased by any OID or market discount included in the beneficial owner’s gross income with respect to the Certificate and reduced by distributions previously received by the beneficial owner of amounts included in the Certificate’s stated redemption price at maturity and by any premium that has reduced the beneficial owner’s interest income with respect to the 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 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 Trust by virtue of the final payment or liquidation of the last Mortgage Loan remaining in the Lower Tier REMIC.

Taxation of Beneficial Owners of Residual Certificates

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 Certificates of any class are outstanding, even though the Residual Owner may have received full payment of any stated interest and principal on the Residual Certificate.

Taxable Income or Net Loss of the REMICs

The taxable income or net loss of the Trust, the Middle Tier REMIC and the Lower Tier REMIC will be the income from the “qualified mortgages” they hold and any reinvestment earnings less deductions allowed to the related REMIC. In general, a 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 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 Trust, 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 AR 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 REMIC and the issuance of the Regular and Residual Certificates.
- Any gain or loss to the 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 Trust's basis in its assets is the aggregate of the issue prices of all the Regular and Residual Certificates in the Trust 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 a 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 a Residual Certificate 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 Mortgage 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 percent of the Residual Owner's adjusted gross income. In addition, such a Residual Owner may not be able to deduct any portion of such fees in computing the Residual Owner's alternative minimum tax liability. A Residual Owner's share of such fees generally will be determined by (i) allocating the amount of such expenses for each calendar quarter on a *pro rata* basis to each day in the calendar quarter, and (ii) allocating the daily amount among the Residual Owners in proportion to their respective holdings on that day. Similar rules apply in the case of (i) estates and trusts, and (ii) individuals owning an interest in the 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 the 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 a 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 Senior and Mezzanine Certificates—Special Characteristics of the AR, RM and RL Classes." A transferor of a Residual Certificate (or an agent of a transferee of the 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 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 Trust 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 Senior and Mezzanine Certificates—Special Characteristics of the AR, RM and RL Classes” 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 Mortgage Loan remaining in the related REMIC and
- the Residual Owner’s adjusted basis in the Residual Certificate at the time the termination occurs exceeds the amount of cash distributed to the Residual Owner in liquidation of its interest.

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

Taxation of Beneficial Owners of RCR Certificates

General. The RCR Classes will be created, sold and administered pursuant to an arrangement that will be classified as a grantor trust under subpart E, part I of subchapter J of the Code. The Regular Certificates that are exchanged for RCR Certificates (including any exchanges effective on the Settlement Date) will be the assets of the trust, and the RCR Certificates will represent an ownership interest in those Regular Certificates. For a general discussion of the federal income tax treatment of beneficial owners of Regular Certificates, see “—*Taxation of Beneficial Owners of Regular Certificates*” above and “—*Foreign Investors—Regular Certificates*” below.

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

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

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

Taxes on the REMICs

The REMICs will not be subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below. It is not anticipated that the REMICs will engage in any transactions that will give rise to a tax on the REMICs. If in certain circumstances a tax is imposed on the REMICs, distributions on the Mezzanine or Subordinate Certificates may be reduced by the amount of such tax. Pursuant to its guaranty obligations with respect to the Senior Certificates, however, Fannie Mae will make distributions on the Senior 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 percent 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 guaranty, 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 purposes of the administrative provisions of the Code, each REMIC will be treated as a partnership and the 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 Trust level.

Tax Return Disclosure Requirements

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 tax advisor concerning any possible disclosure obligation with respect to your investment in the Certificates.

Backup Withholding

Distributions of interest and principal, as well as distributions of proceeds from the sale of Regular and Residual Certificates, may be subject to the “backup withholding tax” under section 3406 of the Code 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

Regular Certificates

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

Residual Certificates

Amounts paid to a Residual Owner that is a Non-U.S. Person generally will be treated as interest for purposes of applying the 30% (or lower treaty rate) withholding tax on income that is not effectively connected with a U.S. trade or business. Amounts not constituting excess inclusions that are paid on a Residual Certificate to a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, subject to the same conditions applicable to distributions on Regular Certificates, as described above, but only to the extent that the Mortgage Loans held by the Trust 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 the Residual Certificate*—Treatment of Excess Inclusions.”

LEGAL INVESTMENT CONSIDERATIONS

General

Investors should consult their own legal advisors to determine whether and to what extent the Senior and Mezzanine Certificates constitute legal investments or are subject to restrictions on investment, and whether and to what extent the Senior and Mezzanine Certificates can be used as collateral for various types of borrowings.

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 Senior and Mezzanine 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 any Senior or Mezzanine Certificates. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Senior or Mezzanine Certificate.

Mezzanine Certificates

There are significant interpretive uncertainties regarding the characterization of the Mezzanine Certificates under various legal investment restrictions. Accordingly, we cannot determine whether investors that are subject to these restrictions are able to purchase Mezzanine Certificates.

We make no representations regarding:

- the characterization of the Mezzanine Certificates for legal investment or other purposes,
- whether particular investors can purchase the Mezzanine Certificates under any applicable legal investment restrictions, or
- the regulatory capital requirements that apply to the Mezzanine Certificates.

These uncertainties may impair the liquidity of the Mezzanine Certificates. Accordingly, all institutions whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult with their own legal advisors in determining whether and to what extent the Mezzanine Certificates constitute legal investments or are subject to investment, capital or other restrictions. See “Ratings” below.

SMMEA Eligibility of the M Class

The M Class Certificates will constitute “mortgage related securities” for purposes of the Secondary Mortgage Market Enhancement Act of 1984 (“SMMEA”) so long as they are rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization and, as such, are legal investment for certain entities to the extent provided for in SMMEA.

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

General

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.

Senior Certificates

On November 13, 1986, the U.S. Department of Labor issued a final regulation covering the acquisition by a Plan of a “guaranteed governmental mortgage pool certificate,” defined to include certificates which are “backed by, or evidencing an interest in specified mortgages or participation interests therein” and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a Plan in a “guaranteed governmental mortgage pool certificate” does not cause the assets of the Plan to include the mortgages underlying the certificate or 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 Senior Certificates did not exist. However, we have been advised by our counsel, Sidley Austin Brown & Wood LLP, that the Senior Certificates qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of Senior 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.

Mezzanine Certificates

Under current law, the purchase and holding of Mezzanine Certificates by or on behalf of any Plan may result in a prohibited transaction under ERISA and the Code and, further, may cause the assets of the Trust to be treated as assets of the Plan, so that transactions involving assets of the Trust also would be subject to the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of the Code. Prohibited Transaction Class Exemption 83-1 (“PTCE 83-1”) provides an exemption for certain transactions involving the creation, maintenance and termination of certain residential mortgage pools and the acquisition and holding of certain residential mortgage pool pass-through certificates by Plans, whether or not such transactions would otherwise be prohibited under ERISA and the Code. However, because the Mezzanine Certificates evidence interests to which Realized Losses are allocated prior to any such allocation to the Senior Certificates, the Mezzanine Certificates would be considered subordinated certificates for purposes of PTCE 83-1, and would not be entitled to exemption under PTCE 83-1.

Because the acquisition and disposition of Mezzanine Certificates do not qualify for the foregoing exemption (or any similar exemption that might be available), the Trust Agreement provides that no transfer of a Mezzanine Certificate or any interest in a Mezzanine Certificate will be made to

- any Plan, or
- any person who is directly or indirectly purchasing a Mezzanine Certificate or an interest in a Mezzanine Certificate on behalf of, as named fiduciary of, as trustee of, or with assets of, a Plan (including any insurance company using funds in its general or separate account that may constitute “plan assets”),

unless the Trustee and the transfer agent are provided with a certification of facts and an opinion of counsel which establishes to the satisfaction of each that the transfer will not result in a violation of Section 406 of ERISA or Section 4975 of the Code or cause the Trustee, the transfer agent or the Master Servicer to have duties in addition to those specified in the Agreements.

In the absence of its having received the certification of facts and opinion of counsel contemplated by the preceding paragraph, the Trustee and the transfer agent shall require the prospective transferee of any Mezzanine Certificate to certify that

- it is not a Plan and
- it is not a person who is directly or indirectly purchasing the Mezzanine Certificate on behalf of, as named fiduciary of, as trustee of, or with assets of a Plan (including any insurance company using funds in its general or separate account that may constitute “plan assets”).

Such representation described above shall be deemed to have been made to the Trustee by the transferee’s acceptance of an interest in a Mezzanine Class. In the event that such representation is violated, or any attempt to transfer to a Plan or person acting on behalf of a Plan or using such Plan’s assets is attempted without such opinion of counsel, such attempted transfer or acquisition shall be void and of no effect.

Any Plan fiduciary that proposes to cause a Plan to purchase a Certificate should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code.

PLAN OF DISTRIBUTION

Pursuant to the Sale and Servicing Agreement, we will acquire the Mortgage Loans from the Seller in exchange for the Certificates. The Seller has retained Greenwich Capital Markets, Inc. (“Greenwich”), which proposes to offer the Senior Certificates (other than the IO-1, IO-2 and PO Classes), Countrywide Securities Corporation (“Countrywide Securities”), which proposes to offer the Mezzanine Certificates, directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. Countrywide Securities is an affiliate of the Seller and the Servicer. Greenwich and Countrywide Securities are referred to in this prospectus together as the “Dealers.” The Dealers may effect these transactions to or through other dealers. The IO-1, IO-2 and PO Certificates initially will be retained by the Seller.

RATINGS

We will not issue the Certificates unless Standard & Poor’s Ratings Service, a division of The McGraw Hill Companies, Inc. (“S&P”) assign the ratings specified in the following table:

<u>Class</u>	<u>S&P Rating</u>
M	AA
B-1	A
B-2	BBB

The ratings that the S&P assigns to mortgage pass-through certificates reflect the likelihood that certificateholders will receive all distributions to which they are entitled under the transaction. S&P analyzes the riskiness of the mortgage loans and the structure of the transaction as described in the operative documents. The ratings do not address how prepayments or recoveries on the underlying mortgage loans may affect the yields on the certificates. In particular, the ratings do not address the possibility that principal prepayments may cause certificateholders to receive a lower yield than they expect.

You should evaluate the ratings assigned to the Mezzanine Classes independently of similar ratings on other types of securities. A security rating is not a recommendation to buy, sell or hold securities. S&P may revise or withdraw its ratings at any time.

We have not requested ratings of the Mezzanine Classes by any rating agency other than S&P. We cannot assure you that any other rating agency will rate the Mezzanine Classes or, if it does, what ratings it would assign. If another rating agency rates the Mezzanine Classes, it could assign them lower ratings than the ratings assigned by S&P indicated above.

LEGAL MATTERS

Fannie Mae will be represented by Sidley Austin Brown & Wood LLP and, with respect to federal tax matters, by Arnold & Porter LLP. McKee Nelson LLP will provide legal representation for the Dealers.

INDEX TO DEFINED TERMS (Alphabetical Listing)

	<u>Page</u>		<u>Page</u>
A-8 Accrual Amount	34	Group 1 Discount Loans	35
Aggregate Balance	33	Group 1 Loans	18
Aggregate Group	32	Group 1 Non-Discount Loans	35
Agreements	58	Group 1 Non-Senior Principal	
Assumed Subordination Balance	34	Distribution Amount	35
Bankruptcy Code	34	Group 1 Percentage	35
Certificate Account	59	Group 1 Senior Certificates	27
Certificates	15, 27	Group 1 Senior Interest Distribution	
Certificateholder	16	Amount	36
Classes	15, 27	Group 1 Senior Non-PO Balance	36
Code	16	Group 1 Senior Principal	
Collateral Deficiency	34	Distribution Amount	36
Combination RCR Certificate	73	Group 2 Discount Loans	36
Combination RCR Class	73	Group 2 Loans	18
Combined Group 1 and Group 2		Group 2 Non-Discount Loans	36
Notional Classes	34	Group 2 Non-Senior Principal	
Combined Group 1 and Group 2		Distribution Amount	36
Senior Classes	27	Group 2 Percentage	36
Combined Group 1 and Group 2		Group 2 Senior Certificates	27
Senior Principal Distribution		Group 2 Senior Interest Distribution	
Amount	34	Amount	36
Combined Residual Certificate	16	Group 2 Senior Non-PO Balance	36
Countrywide	15	Group 2 Senior Principal	
Countrywide Securities	78	Distribution Amount	37
Countrywide Servicing	15	Holder	16
Credit Support Percentage	34	Initial Mortgage Pool	18
Cross Contribution Amount	34	Interest Accrual Period	29
Cross Receipt Amount	35	Interest Payment Shortfall	37
Cross Payment Trigger Date	35	IRS	65
Dealers	78	Issue Date	15
Debt Service Reduction	35	Liquidated Loan	37
Deficient Valuation	35	Loan Group	16
Delay Classes	29	Loan Groups	16
Delinquency Advances	60	Lower Tier Regular Interests	16
Disclosure Documents	4	Lower Tier REMIC	15
Discount Loan	35	Mezzanine Classes	27
Distribution Date	17	Mezzanine Termination Date	37
DTC	16	Middle Tier REMIC	15
DTC Certificates	16	Middle Tier Regular Interests	16
DTC Participant	28	Mortgage Loans	15
Due Date	35	Net Mortgage Rate	37
Due Period	35	Non-Discount Loan	37
ERISA	77	Non-PO Percentage	37
Event of Default	62	Non-Senior Certificates	27
Excess Compensating Interest	35	Non-Senior Classes	27
Fannie Mae	15	Non-Senior Principal Distribution	
Foreclosure Surplus	35	Amount	37
Greenwich	78	Non-U.S. Person	72

	<u>Page</u>		<u>Page</u>
OID	65	Seller	15
OID Regulations	66	Senior Certificate Group	27
Original Non-Senior Principal		Senior Classes	27
Balance	38	Senior Percentage	39
Plans	77	Senior Prepayment Percentage	40
PO Deferred Amount	38	Senior Principal Distribution	
PO Percentage	38	Amount	41
PO Principal Distribution Amount ..	38	Senior RCR Classes	27
PO-1 Deferred Amount	38	Senior REMIC Classes	27
PO-2 Deferred Amount	38	Senior Termination Date	41
Premium Certificate	67	Separate Residual Certificate	16
Prepayment Assumption	47	Servicer	15
Prepayment Interest Shortfall	38	Servicing Advances	60
Prepayment Period	39	Settlement Date	64
Pricing Assumptions	47	SMMEA	76
Principal Collections	39	Specified Non-Senior Interest	
PTCE 83-1	77	Distribution Amount	41
RCR Certificates	15	Specified Non-Senior Principal	
Realized Loss	39	Distribution Amount	42
Regular Certificate	64	Stated Principal Balance	42
Regular Certificates	64	Subordinate Classes	27
Regular Owner	65	Subordinate Percentage	42
Regular Senior Principal Distribution		Subordinate Prepayment	
Amount	39	Percentage	42
Regulations	46	Subsequent Recoveries	42
REMIC	16	Substitution Adjustment Amount ...	58
REMIC Certificates	15	Trust	15
Residual Certificate	16	Trust Agreement	15
Residual Classes	27	Trust Expense Rate	42
Residual Owner	69	Trustee	15
Restricted Classes	33	U.S. Person	46
S&P	78	Uncovered Prepayment Interest	
Sale and Servicing Agreement	15	Shortfalls	42

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Exhibit A

Certain Assumed Characteristics of the Mortgage Loans

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

<u>Group 1 Loans</u>	<u>Unpaid Principal Balance</u>	<u>Weighted Average Net Mortgage Rate</u>	<u>Weighted Average Mortgage Rate</u>	<u>WAM</u>	<u>WALA</u>
Discount	\$113,262,527.46	5.327348173%	5.703284104%	359	1
Non-Discount	186,761,531.93	5.598180678	5.974546750	360	0
Total	<u>\$300,024,059.39</u>	<u>5.495938298%</u>	<u>5.872141986%</u>	<u>360</u>	<u>0</u>
<u>Group 2 Loans</u>					
Discount	\$ 77,174,553.23	5.603774925%	5.973076726%	360	0
Non-Discount	122,852,234.88	5.900332400	6.279146873	359	1
Total	<u>\$200,026,788.11</u>	<u>5.785914272%</u>	<u>6.161058556%</u>	<u>359</u>	<u>1</u>

Available Recombinations (1)

REMIC Certificates		RCR Certificates						
Classes	Original Principal or Notional Principal Balances	RCR Class	Original Principal or Notional Principal Balance	Interest Rate	Interest Type (2)	Principal Type (2)	CUSIP Number	Final Distribution Date
Recombination 1								
A-11	\$57,500,000 (3)	A-16	\$84,913,635 (3)	5.5%	FIX/IO	NTL	31393X4J3	June 2034
A-12	17,090,909 (3)							
A-13	6,345,454 (3)							
A-14	3,977,272 (3)							
Recombination 2								
A-4	15,500,000	A-17	23,000,000	5.5	FIX	SR/PAC	31393X4K0	June 2034
A-15	7,500,000							

(1) In any exchange, the relative proportions of the REMIC Certificates to be delivered (or, if applicable, received) in such exchange will equal the proportions reflected by the outstanding principal balances or notional principal balances of the related REMIC Classes at the time of exchange.

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

(3) Notional principal balance.

Principal Balance Schedules

Aggregate Group Planned Balances

<u>Distribution Date</u>	<u>Planned Balance</u>	<u>Distribution Date</u>	<u>Planned Balance</u>	<u>Distribution Date</u>	<u>Planned Balance</u>
Initial Balance	\$348,388,000.00	July 2008	\$160,639,177.88	October 2012	\$ 52,717,691.21
May 2004	345,719,153.32	August 2008	157,589,314.82	November 2012	51,590,952.40
June 2004	342,866,290.88	September 2008.....	154,568,142.36	December 2012	50,487,357.16
July 2004	339,831,864.15	October 2008	151,575,405.97	January 2013	49,406,443.61
August 2004	336,618,540.02	November 2008	148,610,853.41	February 2013	48,347,758.89
September 2004.....	333,229,197.37	December 2008	145,674,234.65	March 2013	47,310,859.00
October 2004	329,666,923.16	January 2009	142,765,301.89	April 2013.....	46,295,308.62
November 2004	325,935,008.13	February 2009	139,883,809.54	May 2013	45,351,581.04
December 2004	322,036,942.10	March 2009	137,029,514.18	June 2013	44,426,468.34
January 2005	317,976,408.83	April 2009.....	134,202,174.56	July 2013	43,519,610.95
February 2005	313,757,280.46	May 2009	131,464,282.32	August 2013	42,630,656.16
March 2005	309,383,611.63	June 2009	128,752,522.34	September 2013.....	41,759,257.97
April 2005.....	304,948,844.45	July 2009	126,066,659.52	October 2013	40,905,076.98
May 2005	300,555,051.20	August 2009	123,406,460.84	November 2013	40,067,780.26
June 2005	296,201,868.60	September 2009.....	120,771,695.35	December 2013	39,247,041.20
July 2005	291,888,936.56	October 2009	118,162,134.15	January 2014	38,442,539.46
August 2005	287,615,898.19	November 2009	115,577,550.35	February 2014	37,653,960.78
September 2005.....	283,382,399.75	December 2009	113,017,719.08	March 2014	36,880,996.90
October 2005	279,188,090.62	January 2010	110,482,417.46	April 2014.....	36,123,345.44
November 2005	275,032,623.29	February 2010	107,990,708.70	May 2014	35,380,709.81
December 2005	270,915,653.32	March 2010	105,549,646.14	June 2014	34,652,799.04
January 2006	266,836,839.31	April 2010.....	103,158,248.45	July 2014	33,939,327.75
February 2006	262,795,842.90	May 2010	100,856,044.66	August 2014	33,240,016.00
March 2006	258,792,328.70	June 2010	98,600,949.48	September 2014.....	32,554,589.18
April 2006.....	254,825,964.31	July 2010	96,392,043.05	October 2014	31,882,777.94
May 2006	250,896,420.24	August 2010	94,228,423.04	November 2014	31,224,318.08
June 2006	247,003,369.94	September 2010.....	92,109,204.37	December 2014	30,578,950.43
July 2006	243,146,489.75	October 2010	90,033,518.81	January 2015	29,946,420.79
August 2006	239,325,458.87	November 2010	88,000,514.74	February 2015	29,326,479.81
September 2006.....	235,539,959.34	December 2010	86,009,356.81	March 2015	28,718,882.91
October 2006	231,789,676.00	January 2011	84,059,225.60	April 2015.....	28,123,390.20
November 2006	228,074,296.50	February 2011	82,149,317.37	May 2015	27,539,766.34
December 2006	224,393,511.24	March 2011	80,278,843.72	June 2015	26,967,780.55
January 2007	220,747,013.39	April 2011.....	78,447,031.35	July 2015	26,407,206.40
February 2007	217,134,498.80	May 2011	76,725,784.83	August 2015	25,857,821.86
March 2007	213,555,666.04	June 2011	75,040,112.41	September 2015.....	25,319,409.10
April 2007.....	210,010,216.33	July 2011	73,389,308.03	October 2015	24,791,754.49
May 2007	206,497,853.56	August 2011	71,772,679.26	November 2015	24,274,648.47
June 2007	203,018,284.21	September 2011.....	70,189,547.10	December 2015	23,767,885.51
July 2007	199,571,217.41	October 2011	68,639,245.68	January 2016	23,271,264.02
August 2007.....	196,156,364.82	November 2011	67,121,122.02	February 2016	22,784,586.26
September 2007.....	192,773,440.67	December 2011	65,634,535.78	March 2016	22,307,658.29
October 2007	189,422,161.74	January 2012	64,178,859.05	April 2016.....	21,840,289.88
November 2007.....	186,102,247.30	February 2012	62,753,476.07	May 2016	21,382,294.47
December 2007	182,813,419.11	March 2012	61,357,783.01	June 2016	20,933,489.04
January 2008	179,555,401.41	April 2012.....	59,991,187.79	July 2016	20,493,694.12
February 2008	176,327,920.88	May 2012	58,715,359.54	August 2016	20,062,733.66
March 2008	173,130,706.61	June 2012	57,465,645.96	September 2016.....	19,640,435.00
April 2008.....	169,963,490.12	July 2012	56,241,527.13	October 2016	19,226,628.79
May 2008	166,826,005.28	August 2012	55,042,493.31	November 2016	18,821,148.94
June 2008	163,717,988.34	September 2012.....	53,868,044.69	December 2016	18,423,832.54

Aggregate Group (Continued)

<u>Distribution Date</u>	<u>Planned Balance</u>	<u>Distribution Date</u>	<u>Planned Balance</u>	<u>Distribution Date</u>	<u>Planned Balance</u>
January 2017	\$ 18,034,519.82	June 2021	\$ 5,598,966.24	November 2025	\$ 1,539,304.08
February 2017	17,653,054.07	July 2021	5,471,895.09	December 2025	1,499,313.07
March 2017	17,279,281.59	August 2021	5,347,488.30	January 2026	1,460,215.91
April 2017	16,913,051.65	September 2021	5,225,692.41	February 2026	1,421,994.00
May 2017	16,554,216.42	October 2021	5,106,455.01	March 2026	1,384,629.13
June 2017	16,202,630.89	November 2021	4,989,724.70	April 2026	1,348,103.43
July 2017	15,858,152.87	December 2021	4,875,451.10	May 2026	1,312,399.41
August 2017	15,520,642.87	January 2022	4,763,584.80	June 2026	1,277,499.93
September 2017	15,189,964.13	February 2022	4,654,077.37	July 2026	1,243,388.16
October 2017	14,865,982.48	March 2022	4,546,881.32	August 2026	1,210,047.64
November 2017	14,548,566.37	April 2022	4,441,950.10	September 2026	1,177,462.24
December 2017	14,237,586.76	May 2022	4,339,238.05	October 2026	1,145,616.12
January 2018	13,932,917.11	June 2022	4,238,700.43	November 2026	1,114,493.81
February 2018	13,634,433.30	July 2022	4,140,293.35	December 2026	1,084,080.09
March 2018	13,342,013.64	August 2022	4,043,973.80	January 2027	1,054,360.10
April 2018	13,055,538.75	September 2022	3,949,699.60	February 2027	1,025,319.24
May 2018	12,774,891.56	October 2022	3,857,429.42	March 2027	996,943.23
June 2018	12,499,957.28	November 2022	3,767,122.72	April 2027	969,218.06
July 2018	12,230,623.32	December 2022	3,678,739.75	May 2027	942,130.01
August 2018	11,966,779.25	January 2023	3,592,241.56	June 2027	915,665.63
September 2018	11,708,316.80	February 2023	3,507,589.96	July 2027	889,811.74
October 2018	11,455,129.77	March 2023	3,424,747.50	August 2027	864,555.44
November 2018	11,207,114.03	April 2023	3,343,677.49	September 2027	839,884.08
December 2018	10,964,167.45	May 2023	3,264,343.92	October 2027	815,785.25
January 2019	10,726,189.87	June 2023	3,186,711.53	November 2027	792,246.83
February 2019	10,493,083.07	July 2023	3,110,745.74	December 2027	769,256.90
March 2019	10,264,750.75	August 2023	3,036,412.64	January 2028	746,803.81
April 2019	10,041,098.45	September 2023	2,963,679.00	February 2028	724,876.14
May 2019	9,822,033.54	October 2023	2,892,512.24	March 2028	703,462.70
June 2019	9,607,465.19	November 2023	2,822,880.43	April 2028	682,552.51
July 2019	9,397,304.32	December 2023	2,754,752.26	May 2028	662,134.85
August 2019	9,191,463.60	January 2024	2,688,097.03	June 2028	642,199.18
September 2019	8,989,857.36	February 2024	2,622,884.68	July 2028	622,735.19
October 2019	8,792,401.60	March 2024	2,559,085.71	August 2028	603,732.78
November 2019	8,599,013.97	April 2024	2,496,671.21	September 2028	585,182.05
December 2019	8,409,613.70	May 2024	2,435,612.85	October 2028	567,073.32
January 2020	8,224,121.57	June 2024	2,375,882.86	November 2028	549,397.07
February 2020	8,042,459.92	July 2024	2,317,454.00	December 2028	532,144.01
March 2020	7,864,552.60	August 2024	2,260,299.60	January 2029	515,305.02
April 2020	7,690,324.92	September 2024	2,204,393.49	February 2029	498,871.16
May 2020	7,519,703.66	October 2024	2,149,710.04	March 2029	482,833.70
June 2020	7,352,617.01	November 2024	2,096,224.12	April 2029	467,184.06
July 2020	7,188,994.55	December 2024	2,043,911.09	May 2029	451,913.85
August 2020	7,028,767.25	January 2025	1,992,746.80	June 2029	437,014.85
September 2020	6,871,867.41	February 2025	1,942,707.59	July 2029	422,479.00
October 2020	6,718,228.64	March 2025	1,893,770.27	August 2029	408,298.41
November 2020	6,567,785.85	April 2025	1,845,912.10	September 2029	394,465.36
December 2020	6,420,475.23	May 2025	1,799,110.80	October 2029	380,972.27
January 2021	6,276,234.17	June 2025	1,753,344.52	November 2029	367,811.73
February 2021	6,135,001.33	July 2025	1,708,591.87	December 2029	354,976.48
March 2021	5,996,716.54	August 2025	1,664,831.85	January 2030	342,459.40
April 2021	5,861,320.80	September 2025	1,622,043.92	February 2030	330,253.53
May 2021	5,728,756.28	October 2025	1,580,207.91	March 2030	318,352.05

Aggregate Group (Continued)

<u>Distribution Date</u>	<u>Planned Balance</u>	<u>Distribution Date</u>	<u>Planned Balance</u>	<u>Distribution Date</u>	<u>Planned Balance</u>
April 2030	\$ 306,748.27	September 2031	\$ 149,183.01	February 2033	\$ 49,649.35
May 2030	295,435.64	October 2031	141,939.53	March 2033	45,164.89
June 2030	284,407.76	November 2031	134,890.06	April 2033	40,811.10
July 2030	273,658.35	December 2031	128,030.20	May 2033	36,584.91
August 2030	263,181.26	January 2032	121,355.65	June 2033	32,483.34
September 2030	252,970.46	February 2032	114,862.20	July 2033	28,503.45
October 2030	243,020.06	March 2032	108,545.74	August 2033	24,642.39
November 2030	233,324.29	April 2032	102,402.21	September 2033	20,897.34
December 2030	223,877.49	May 2032	96,427.67	October 2033	17,265.56
January 2031	214,674.12	June 2032	90,618.26	November 2033	13,744.37
February 2031	205,708.76	July 2032	84,970.18	December 2033	10,331.13
March 2031	196,976.10	August 2032	79,479.73	January 2034	7,023.29
April 2031	188,470.93	September 2032	74,143.29	February 2034	3,818.31
May 2031	180,188.17	October 2032	68,957.29	March 2034	713.74
June 2031	172,122.83	November 2032	63,918.26	April 2034 and thereafter	0.00
July 2031	164,270.03	December 2032	59,022.81		
August 2031	156,624.98	January 2033	54,267.59		

A-7 Class Scheduled Balances

<u>Distribution Date</u>	<u>Scheduled Balance</u>	<u>Distribution Date</u>	<u>Scheduled Balance</u>	<u>Distribution Date</u>	<u>Scheduled Balance</u>
Initial Balance	\$110,687,000.00	April 2006	\$ 43,470,500.89	April 2008	\$ 8,088,149.18
May 2004	108,610,098.36	May 2006	41,252,155.72	May 2008	7,286,103.07
June 2004	106,371,365.42	June 2006	39,109,719.40	June 2008	6,527,398.47
July 2004	103,976,435.16	July 2006	37,041,503.01	July 2008	5,810,989.26
August 2004	101,431,512.01	August 2006	35,045,850.56	August 2008	5,135,850.34
September 2004	98,743,353.60	September 2006	33,121,138.36	September 2008	4,500,977.22
October 2004	95,919,250.88	October 2006	31,265,774.46	October 2008	3,905,385.62
November 2004	92,967,005.66	November 2006	29,478,198.05	November 2008	3,348,111.13
December 2004	89,894,905.59	December 2006	27,756,878.87	December 2008	2,831,747.08
January 2005	86,711,696.72	January 2007	26,100,316.65	January 2009	2,355,390.15
February 2005	83,426,553.73	February 2007	24,507,040.58	February 2009	1,917,998.32
March 2005	80,049,047.86	March 2007	22,975,608.75	March 2009	1,518,551.73
April 2005	76,674,038.26	April 2007	21,504,607.59	April 2009	1,156,052.25
May 2005	73,400,187.08	May 2007	20,092,651.40	May 2009	899,001.28
June 2005	70,225,316.79	June 2007	18,738,381.77	June 2009	676,196.43
July 2005	67,147,291.75	July 2007	17,440,467.14	July 2009	486,706.78
August 2005	64,164,017.47	August 2007	16,197,602.24	August 2009	329,621.42
September 2005	61,273,439.84	September 2007	15,008,507.66	September 2009	204,049.10
October 2005	58,473,544.38	October 2007	13,871,929.30	October 2009	109,117.77
November 2005	55,762,355.53	November 2007	12,786,637.98	November 2009	43,974.29
December 2005	53,137,935.93	December 2007	11,751,428.92	December 2009	7,783.98
January 2006	50,598,385.72	January 2008	10,765,121.31	January 2010 and thereafter	0.00
February 2006	48,141,841.85	February 2008	9,826,557.85		
March 2006	45,766,477.39	March 2008	8,934,604.33		

No one is authorized to give any information or to make any representation in connection with this offering other than those contained in this prospectus, the related Senior Supplement or any other Disclosure Document referred to in this prospectus. You must not rely on any unauthorized information or representation. This prospectus, the related Senior Supplement and any other Disclosure Document referred to in this prospectus do not constitute an offer or solicitation with regard to any securities other than the certificates or an offer or solicitation with regard to the certificates if it is illegal to make such an offer or solicitation to you under state law. By delivering this prospectus and the other Disclosure Documents at any time, no one implies that the information contained in this prospectus or the other Disclosure Documents is correct after the date of this prospectus or the applicable other Disclosure Document.

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.

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	2
Available Information	4
Reference Sheet.....	5
Risk Factors	10
General	15
Combination and Recombination	17
The Mortgage Loans.....	18
Description of the Senior and Mezzanine Certificates	27
The Agreements	58
Certain Federal Income Tax Consequences	63
Legal Investment Considerations.....	76
Legal Opinion	76
ERISA Considerations	77
Plan of Distribution.....	78
Ratings	78
Legal Matters.....	79
Index to Defined Terms	80
Exhibit A	A-1
Schedule 1	A-2
Principal Balance Schedules.....	B-1

\$494,550,228
(Approximate)

WISCONSIN AVENUE SECURITIES

REMIC
Pass-Through Certificates
Fannie Mae REMIC Trust 2004-W4

PROSPECTUS

RBS Greenwich Capital
(Senior Classes only)
Countrywide Securities
Corporation
(Mezzanine Classes only)

March 26, 2004