

\$280,408,222 (Approximate)



**Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 2004-W14**

Carefully consider the additional risk factors appearing on page S-2 of this senior supplement as well as the risk factors starting on page 11 of the prospectus. Unless you understand and are able to tolerate these risks, you should not invest in the senior certificates.

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

This senior supplement is intended to be used only with the prospectus. Investors should not purchase senior certificates before reading this senior supplement, the prospectus and the other disclosure documents identified on page 4 of the prospectus.

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

The Senior Certificates

We, the Federal National Mortgage Association (Fannie Mae), will issue and guarantee the classes of senior certificates listed in the chart on this page. The senior certificates are being offered by this senior supplement and the attached prospectus. Only the senior certificates are offered by this senior supplement together with the attached prospectus.

Payments to Certificateholders

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

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

The Fannie Mae Guaranty of the Senior Certificates

We will guarantee that

- the payments of monthly interest and principal referred to above are paid to investors on time, and
- any outstanding principal balances of the classes of senior certificates are paid on the final distribution date in July 2044.

Our guaranty does **not** cover uncovered prepayment interest shortfalls, Relief Act shortfalls, reductions in interest due to the application of a net WAC cap, failure to receive amounts under the cap contract or reductions in certificate interest rates as a result of mortgage interest rate reductions.

Our guaranty covers the classes of senior certificates only and does not cover any other classes of certificates being offered by the prospectus.

The Trust and its Assets

The trust will own certain first lien, one- to four-family, fixed-rate, fully amortizing mortgage loans insured by the Federal Housing Administration or partially guaranteed by the U.S. Department of Veterans Affairs and having the characteristics described in the prospectus.

Class	Group	Original Class Balance(1)	Principal Type	Interest Rate(2)	Interest Type	CUSIP Number
1-AF.....	1	\$257,673,783	SR/PT	(3) (4)	FLT	31394BT46
1-AS.....	1	257,673,783 (5)	NTL	(6) (7)	INV/IO	31394BT53
2-A.....	2	6,463,504	SR/PT	7.50%	FIX	31394BT61
3-A.....	3	16,270,935	SR/PT	8.00	FIX	31394BT79
3-IO.....	3	16,270,935 (5)	NTL	(8)	WAC/IO	31394BT87
R.....		0	NPR	0	NPR	31394BZ56
RM.....		0	NPR	0	NPR	31394BU77
RL.....		0	NPR	0	NPR	31394BU85

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

(2) Subject to uncovered prepayment interest shortfalls and Relief Act shortfalls as described in the prospectus.

(3) Based on LIBOR.

(4) Subject to application of a net WAC cap and reductions in the 1-AF Class interest rate that may result from reductions in the mortgage interest rates of the mortgage loans in Collateral Group 1. During the initial interest accrual period, the 1-AF Class is expected to bear interest at an annual rate of approximately 2.68000%.

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

(6) The 1-AS Class will bear interest at a variable annual rate calculated as described in this prospectus. During the initial interest accrual period, the 1-AS Class is expected to bear interest at an annual rate of approximately 3.64378%.

(7) Subject to application of a net WAC cap and reductions in the 1-AS Class interest rate as a result of reductions in the mortgage interest rates of the mortgage loans in Collateral Group 1.

(8) The 3-IO Class will bear interest at a variable annual rate calculated as described in the prospectus. During the initial interest accrual period, the 3-IO Class is expected to bear interest at an annual rate of approximately 0.14958%.

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

UBS Investment Bank

ADDITIONAL RISK FACTORS

Protection afforded by the Fannie Mae guaranty is limited. Our guaranty of the senior certificates does not cover uncovered prepayment interest shortfalls, Relief Act shortfalls, reductions in interest due to application of a net WAC cap, failure to receive amounts under the cap contract or reductions in certificate interest rates that may result from mortgage interest rate modifications.

Without Fannie Mae's guaranty, the senior certificates would be paid only from the related mortgage loans (and from the cap contract, in the case of the 1-AF Class) and supported only by subordination of the non-senior certificates. If we were unable to perform our guaranty obligations, payments to holders of the senior certificates would consist solely of payments and other recoveries on the related mortgage loans and, in the case of the 1-AF Class, proceeds received by the trust under the cap contract to cover 1-AF Class Net WAC Carryover Amounts. In such event, delinquencies and defaults on the mortgage loans would affect payments to holders of the related senior certificates and, if the protection provided by the subordination of the non-senior certificates were exhausted, holders of the affected senior certificates could lose money on their investments.

FANNIE MAE GUARANTY

Under our guaranty of the senior certificates, we will distribute to the holders of the classes of senior certificates the following amounts:

- monthly payments of interest to the extent payable as described in the prospectus,
- the Group 1 Senior Principal Distribution Amount,
- the Group 2 Senior Principal Distribution Amount,
- the Group 3 Senior Principal Distribution Amount, and
- the outstanding principal balance of each class of senior certificates in full no later than the final distribution date specified on the cover of this senior supplement, whether or not sufficient funds are available in the certificate account.

Our guaranty does **not** cover any uncovered prepayment interest shortfalls, Relief Act shortfalls, reductions in interest due to application of a net WAC cap, failure to receive amounts due under the cap contract or reductions in certificate interest rates that may result from mortgage interest rate modifications. See “Description of the Senior and Mezzanine Certificates—Payments on the Senior and Mezzanine Certificates” in the prospectus.

For a description of the monthly payments of interest and principal on the classes of senior certificates, see “Description of the Senior and Mezzanine Certificates—Interest Payments on the Senior and Mezzanine Certificates” and “—Principal Payments on the Senior and Mezzanine Certificates” in the prospectus.

Our guaranty is not backed by the full faith and credit of the United States.

SMMEA ELIGIBILITY

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

FINAL DISTRIBUTION DATE

The final distribution date specified on the cover of this senior supplement is the date by which the outstanding principal balance of each class of senior certificates is required to be fully paid. The final distribution date has been determined so that scheduled payments on the related mortgage loans will be sufficient to retire each class of senior certificates on or before the final distribution date without any call on our guaranty.

DEFINED TERMS

Certain capitalized terms are used but not defined in this senior supplement. See “Index of Defined Terms” in the prospectus for the definitions of the capitalized terms used.

\$286,033,222 (Approximate)**WISCONSIN AVENUE SECURITIES****REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 2004-W14**

Carefully consider the risk factors starting on page 11 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 "exempted 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 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 insured by the Federal Housing Administration or partially guaranteed by the U.S. Department of Veterans Affairs and having the characteristics described in this prospectus.

Classes of Senior Certificates	Group	Original Class Balance(1)	Principal Type	Interest Rate(2)	Interest Type	CUSIP Number
1-AF	1	\$257,673,783	SR/PT	(3) (4)	FLT	31394BT46
1-AS	1	257,673,783 (5)	NTL	(6) (7)	INV/IO	31394BT53
2-A	2	6,463,504	SR/PT	7.50%	FIX	31394BT61
3-A	3	16,270,935	SR/PT	8.00	FIX	31394BT79
3-IO	3	16,270,935 (5)	NTL	(8)	WAC/IO	31394BT87
R		0	NPR	0	NPR	31394BU56
RM		0	NPR	0	NPR	31394BU77
RL		0	NPR	0	NPR	31394BU85

Classes of Mezzanine Certificates(9)	Group	Original Class Balance(1)	Principal Type	Interest Rate(2)	Interest Type	CUSIP Number
M	1, 2, 3	\$ 3,461,000	MEZZ	(10) (11)	WAC	31394BT95
B-1	1, 2, 3	1,154,000	MEZZ	(10) (11)	WAC	31394BU28
B-2	1, 2, 3	1,010,000	MEZZ	(10) (11)	WAC	31394BU36

- (1) Classes in the aggregate may vary by plus or minus 10%.
- (2) Subject to uncovered prepayment interest shortfalls and Relief Act shortfalls as described in this prospectus.
- (3) Based on LIBOR.
- (4) Subject to the application of a net WAC cap and reductions in the 1-AF Class interest rate that may result from reductions in the mortgage interest rates of the mortgage loans in Collateral Group 1. During the initial interest accrual period, the 1-AF Class is expected to bear interest at an annual rate of approximately 2.68000%.
- (5) Notional balances. These classes are interest only classes.
- (6) The 1-AS Class will bear interest at a variable annual rate calculated as described in this prospectus. During the initial interest accrual period, the 1-AS Class is expected to bear interest at an annual rate of approximately 3.64378%.
- (7) Subject to the application of a net WAC cap and reductions in the 1-AS Class interest rate as a result of reductions in the mortgage interest rates of the mortgage loans in Collateral Group 1.
- (8) The 3-IO Class will bear interest at a variable annual rate calculated as described in this prospectus. During the initial interest accrual period, the 3-IO Class is expected to bear interest at an annual rate of approximately 0.14958%.
- (9) 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.
- (10) The M, B-1 and B-2 Classes will each bear interest at an annual rate equal to the weighted average net mortgage rate of the mortgage loans as described in this prospectus. During the first interest accrual period, each of these classes is expected to bear interest at an annual rate of approximately 6.60684%.
- (11) Subject to reduction as a result of reductions in the mortgage interest rates of the mortgage loans in Collateral Group 1.

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

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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 information incorporated by reference in this prospectus as discussed below under the heading “Incorporation by Reference.”

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

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

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

You also can obtain additional copies of the Disclosure Documents by writing or calling UBS Securities LLC (the “Dealer”) at:

UBS Securities LLC
1000 Harbor Boulevard
Weehawken, New Jersey 07087
(telephone 201-352-6858)

INCORPORATION BY REFERENCE

We are incorporating by reference the documents listed below. This means that we are disclosing information to you by referring you to these documents. These documents are considered part of this prospectus, so you should read this prospectus, and any applicable supplements or amendments, together with these documents.

You should rely only on the information provided or incorporated by reference in this prospectus and any applicable supplements or amendments.

We incorporate by reference the following documents we have filed, or may file, with the Securities and Exchange Commission (“SEC”):

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (“Form 10-K”);
- all other reports we have filed pursuant to Section 13(a) or 15 (d) of the Securities Exchange Act of 1934 since the end of the fiscal year covered by the Form 10-K until the date of this prospectus supplement, excluding any information “furnished” to the SEC on Form 8-K; and
- all proxy statements that we file with the SEC and all documents that we file with the SEC pursuant to Section 13(a), 13 (c), 14 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the date of this prospectus supplement and prior to the completion of the offering of the certificates, excluding any information we “furnish” to the SEC on Form 8-K.

Any information incorporated by reference in this prospectus is deemed to be modified or superseded for purposes of this prospectus to the extent information contained or incorporated by reference in this prospectus modifies or supersedes such information. In such case, the information will constitute a part of this prospectus only as so modified or superseded.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can obtain copies of the periodic reports we file with the SEC without charge by calling or writing our Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, NW, Washington, DC 20016, telephone: (202) 752-7115. The periodic and current reports that we file with the SEC are also available on our Web site. Information appearing on our Web site is not incorporated in this prospectus supplement except as specifically stated in this prospectus.

In addition, you may read our SEC filings and other information about Fannie Mae at the offices of the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Exchange. Our SEC filings are also available at the SEC's Web site at www.sec.gov. You also may read and copy any document we file with the SEC by visiting the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 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. Information appearing on the SEC's Web site is not incorporated in this prospectus except as specifically stated in this prospectus.

RECENT DEVELOPMENTS

On December 21, 2004, our Board of Directors announced the retirement of Chairman and Chief Executive Officer Franklin D. Raines and the resignation of Vice Chairman and Chief Financial Officer J. Timothy Howard. A member of our Board of Directors (the "Board"), Stephen B. Ashley, will become the non-executive chairman of the Board, Vice Chairman and Chief Operating Officer Daniel H. Mudd will serve as interim chief executive officer, and Executive Vice President Robert Levin will serve as interim chief financial officer. The Board further announced that the audit committee of the Board dismissed KPMG LLP as the company's independent auditor and has initiated a search for a new independent auditor.

On December 21, 2004, the Office of Federal Housing Enterprise Oversight ("OFHEO") issued a letter (the "Letter") to our Board stating that we were significantly undercapitalized at September 30, 2004. In accordance with the provisions of the Federal Housing Enterprise Financial Safety and Soundness Act of 1992, we must submit a capital restoration plan proposal to OFHEO for review and approval, and we are prohibited from making any capital distribution that would result in Fannie Mae being reclassified as critically undercapitalized. In addition, even if a capital distribution would not cause the company to become critically undercapitalized, we are prohibited from making the capital distribution unless OFHEO provides prior approval of the distribution after it finds that the distribution (i) will enhance the ability of the company to meet its capital requirements promptly; (ii) will contribute to long term safety and soundness; or (iii) is otherwise in the public interest. The Letter further states that the reclassification to significantly undercapitalized may lead to structural changes and restrictions on growth as well as OFHEO directives to terminate or modify any business activities that pose excessive risk.

On December 15, 2004, the Office of the Chief Accountant of the Securities and Exchange Commission (the "SEC") issued a statement (the "Statement") regarding a review of certain accounting issues relating to Fannie Mae, including determinations by the SEC that Fannie Mae should (i) restate its financial statements to eliminate the use of hedge accounting, (ii) evaluate the accounting under Financial Accounting Standard No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases* ("FAS 91") and restate its financial statements filed with the SEC if the amounts required for correction are material, and (iii) re-evaluate the information prepared under generally accepted accounting principles ("GAAP") and non-GAAP information that we previously provided to investors. On December 16, 2004, we filed a Current Report on Form 8-K with the SEC that includes a copy of the Statement.

On November 15, 2004, we filed a Form 12b-25 with the SEC stating that we were not able to file our Form 10-Q for the September 30, 2004 quarter by the November 15, 2004 due date. We included

an announcement about the Form 12b-25 as an exhibit to a Form 8-K that we filed with the SEC on November 16, 2004.

On September 20, 2004, OFHEO delivered its report to Fannie Mae's Board of Directors of its findings to date of the agency's special examination. Among other matters, the OFHEO report raises a number of questions and concerns about our accounting policies and practices with respect to FAS 91 and Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

Forms 8-K that we file with the SEC prior to the completion of the offering of the certificates are incorporated by reference in this prospectus. This means that we are disclosing information to you by referring you to those documents. You should refer to the heading "Incorporation by Reference" above for further details on the information that we incorporate by reference in this prospectus and where to find it.

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 3.

The Certificates

- The certificates will represent beneficial ownership interests in Fannie Mae REMIC Trust 2004-W14.
- The assets of the trust will consist of three groups of first lien, one- to four-family, fixed-rate, fully amortizing mortgage loans insured by the Federal Housing Administration or partially guaranteed by the U.S. Department of Veterans Affairs and having the characteristics described in this prospectus.

Certain Characteristics of the Mortgage Loans

Each of the mortgage loans was originated in accordance with the underwriting guidelines of the FHA or VA. Substantially all of the mortgage loans were included in Ginnie Mae pools and then purchased from those pools as a result of uncured delinquencies. The mortgage loans are now repperforming as and to the extent described in the section of this prospectus entitled “The Mortgage Loans.”

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

General

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

Eight classes of senior certificates having the following designations will be issued and guaranteed by Fannie Mae and offered by this prospectus:

- | | | |
|--------|---|------------------|
| • 1-AF | } | Group 1 Classes |
| • 1-AS | | |
| • 2-A | } | Group 2 Class |
| • 3-A | | |
| • 3-IO | } | Group 3 Classes |
| • R | | |
| • RM | } | Residual Classes |
| • RL | | |

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

- | | | |
|-------|---|-------------------|
| • M | } | Mezzanine Classes |
| • B-1 | | |
| • B-2 | | |

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

- B-3
 - B-4
 - B-5
- } 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 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 December 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 January 2005.

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 senior and mezzanine certificates in the following forms:

DTC Book-Entry

Physical

All classes of senior and mezzanine certificates other than the R, RM and RL Classes R, 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. For a description of the Specified Non-Senior Interest Distribution Amount, 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 1-AF, 1-AS and 3-IO Classes will bear interest at the applicable variable annual rates described in this prospectus.

During each interest accrual period, the 2-A and 3-A Classes will bear interest at the applicable annual rates listed on the cover of this prospectus.

During each interest accrual period, each class of mezzanine certificates will bear interest at the variable annual rate described 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>	
1-AS	100% of the 1-AF Class
3-IO	100% of the 3-A Class

Principal Payments

Group 1 Senior Principal Distribution Amount

To the 1-AF Class to zero.

Group 2 Senior Principal Distribution Amount

To the 2-A Class to zero.

Group 3 Senior Principal Distribution Amount

To the 3-A Class to zero.

For a description of the Group 1 Senior Principal Distribution Amount, Group 2 Senior Principal Distribution Amount and Group 3 Senior Principal Distribution Amount, 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 classes, 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 the 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.

Weighted Average Lives (years) *

<u>Group 1 Senior Classes</u>	<u>CPR Prepayment Assumption</u>				
	<u>0%</u>	<u>10%</u>	<u>25%</u>	<u>35%</u>	<u>50%</u>
1-AF and 1-AS	16.9	7.2	3.1	2.1	1.3
<u>Group 2 Senior Class</u>					
2-A	16.6	7.2	3.1	2.1	1.3
<u>Group 3 Senior Classes</u>					
3-A and 3-IO	15.7	7.1	3.1	2.1	1.3

<u>Mezzanine Classes</u>	<u>CPR Prepayment Assumption</u>				
	<u>0%</u>	<u>10%</u>	<u>25%</u>	<u>35%</u>	<u>50%</u>
M, B-1 and B-2	16.8	11.9	9.0	8.1	6.3

* Determined as specified under “Description of the Senior and Mezzanine Certificates—Weighted Average Lives of the Senior and Mezzanine Certificates” 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:

<u>Class</u>	<u>Standard & Poor’s Rating</u>
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.

Application of the Group 1 Senior Pass-Through Rate to the 1-AF Class may adversely affect its yield. The interest rate on the 1-AF Class is subject to an interest rate cap based on the Group 1 Senior Pass-Through Rate. The resulting net WAC carryover amount (*i.e.*, the amount by which interest payments on the 1-AF Class are reduced due to application of the Group 1 Senior Pass-Through Rate) will be paid to holders of the 1-AF Class on the current distribution date or on future distribution dates to the extent of proceeds received under the cap contract. However, we cannot assure you that funds from the cap contract will be adequate to cover the net WAC carryover amount. The Fannie Mae guaranty of the 1-AF Class does **not** cover any net WAC carryover amounts or any failure of the trust to receive payments under the cap contract.

If a servicer modifies a mortgage loan in Collateral Group 1 by reducing its interest rate, the interest rates on the related certificates may be affected. If a servicer reduces the interest rate of a mortgage loan in Collateral Group 1, the Group 1 Senior Pass-Through Rate will be reduced and the amount of interest collections available for distribution to the mezzanine certificates will be reduced.

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

- the price you paid for the certificates,
- how quickly or slowly borrowers prepay the related mortgage loans,
- if and when the related mortgage loans are liquidated due to borrower defaults, casualties or condemnations affecting the properties securing those loans,
- the extent of any uncovered prepayment interest shortfalls,
- if and when the related mortgage loans are repurchased;
- the actual characteristics of the related mortgage loans; and
- in the case of the 1-AS and 3-IO Classes, fluctuations in the weighted average of the net mortgage rates of the mortgage loans in the related collateral group.

In particular, the 3-IO Class will receive no interest on any distribution date if the weighted average of the net mortgage rates of the mortgage loans in Collateral Group 3 for the related interest accrual period is equal to or less than 8.15%, as described in this prospectus.

Mortgage interest rate reductions will reduce the yield on certain related classes of certificates. Reductions in the interest rates on the mortgage loans in Collateral Group 1 due to loan modifications as a loss mitigation technique will reduce the Group 1 Senior Pass-Through Rate and therefore may reduce the interest rates and yields of the 1-AF and 1-AS Classes. In addition, any such reductions in the interest rates on the mortgage loans in Collateral Group 1 will

reduce the interest rates, and thus the yields, of the mezzanine classes.

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 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.

Furthermore, in the case of the 1-AS and 3-IO Classes, if a disproportionately high rate of prepayments occurs on the related mortgage loans bearing relatively high interest rates, the yields on those classes will decrease and may be lower than you expect.

Even if the average rate at which principal is paid on the related mortgage loans is consistent with your expectations, variations in the rate over time can significantly affect your yield. Generally, the earlier the payment of principal, the greater the impact on the yield to maturity. As a result, if the rate of principal prepayments of the related mortgage loans during any period is faster or slower than you expect, a corresponding reduction or increase in the prepayment rate during a later period may not fully offset the effect of the earlier 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. For as long as GMAC Mortgage Corporation is servicing any of the mortgage loans, it has the option to purchase 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. If at any time Wells Fargo Bank, N.A. is the only remaining servicer, it will have a comparable purchase option. 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, FHA insurance payments and VA guaranty payments, as well as because borrowers may prepay 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.

Prepayment rates can also be affected if the mortgage includes a due-on-sale clause requiring that the borrower repay the mortgage loan in full if the mortgaged property is sold. In this regard, FHA and VA have historically permitted FHA and VA loans to be assumed by purchasers of mortgaged properties, thus making such loans less likely to prepay when a mortgaged property is sold. However, prior to 1989, FHA and VA generally permitted loans to be assumed by purchasers without prior credit verification, and such loans may be more likely to default, and thus prepay, than would be the case had such loans been assumed by borrowers whose credit qualifications had been verified.

Prepayment rates 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.

The amortization schedules of the mortgage loans may be recast and their terms may be extended. Each servicer has the right under certain circumstances to recast the amortization schedule (based on a 30-year term) and/or extend the scheduled date of final payment on mortgage loans that it services (but not beyond July 2044). To the extent a servicer recasts the amortization schedule or extends the term of a mortgage loan, the weighted average lives of the related classes of certificates could be extended.

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 related 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.

Purchase of a modified mortgage loan has the effect of a prepayment. If a servicer reduces the mortgage interest rate of a mortgage loan in Collateral Group 2 or Collateral Group 3, the servicer must purchase that loan from the trust. Any such purchase will have the same effect on the related certificates as a prepayment in full of that mortgage loan.

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. The Fannie Mae guaranty of the senior certificates does **not** cover uncovered prepayment interest shortfalls.

Relief Act shortfalls will reduce the yield on the certificates. Under the Servicemembers Civil Relief Act, borrowers who enter military service after origination of their mortgage loans, and borrowers who are members of the National Guard or on reserve status and are later called to active duty, may not be charged interest in excess of 6% while on active duty status. Any resulting shortfalls of interest on the mortgage loans will reduce the amount of interest payable on the certificates. The Fannie Mae guaranty of the senior certificates does **not** cover Relief Act shortfalls.

Delay classes have lower yields and market values. Since certain classes of certificates do not receive interest immediately following each interest accrual period, those classes 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 collateral 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 uncertain. 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 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 servicers or any of their respective affiliates will have any obligation to replace or supplement the credit enhancement.

Concentration of mortgaged properties in certain states. The tables on pages 26, 29 and 32 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 (*i.e.*, more than 5% of any collateral group). Based on their aggregate stated principal balance,

- 19.27%, 5.63% and 5.21% of the mortgage loans in Collateral Group 1 were secured by mortgaged properties located in Texas, Georgia and Florida, respectively;
- 15.01%, 6.69%, 6.54%, 6.34%, 6.05%, 5.86% and 5.50% of the mortgage loans in Collateral Group 2 were secured by mortgaged properties located in Texas, New York, Ohio, Pennsylvania, Florida, Indiana and Georgia, respectively; and
- 18.68%, 9.34%, 8.75%, 6.44%, 5.69% and 5.66% of the mortgage loans in Collateral Group 3 were secured by mortgaged properties located in Texas, New York,

Florida, Pennsylvania, California and New Jersey, 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.

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.

FHA and VA loans such as the mortgage loans to be included in the trust generally may be originated with loan-to-value ratios of up to 100% (plus certain closing-related costs and expenses). 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.

Loan characteristics may differ from descriptions due to permitted variance. The principal amount of mortgage loans included in a collateral 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, any loan group between the issue date and the settlement date. As a result, the characteristics of the mortgage loans actually included in a collateral group may differ from the characteristics of the mortgage loans specified in this prospectus.

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). 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.

Terrorist activities and related military and political actions by the U.S. government could cause reductions in investor confidence and substantial market volatility in real estate and securities markets. It is impossible to predict the extent to which terrorist activities may occur or, if they do occur, the extent of the effect on the

certificates. Moreover, it is uncertain what effects any past or future terrorist activities or any related military or political actions on the part of the United States government and others will have on the United States and world financial markets, local, regional and national economies, real estate markets across the United States, or particular business sectors, including those affecting the performance of mortgage loan borrowers. Among other things, reduced investor confidence could result in substantial volatility in securities markets and a decline in real estate-related investments. In addition, defaults on the mortgage loans could increase, causing early payments of principal to you and, regardless of the performance of the underlying mortgage loans, the liquidity and market value of the certificates may be impaired.

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.**

Liquidation proceeds may be substantially reduced following the default of mortgage loans with unpaid arrearages. Certain mortgage loans will be transferred to the trust net of arrearages representing unreimbursed interest, principal and servicing advances made prior to the issue date. These amounts will not be included in trust property and any collections of such arrearages will be paid to the advancing party. In addition, upon liquidation of a defaulted mortgage loan with unpaid arrearages, liquidation proceeds will be applied first to cover the outstanding arrearages in full, as well as other related servicing and liquidation expenses, before being made available to holders of the related certificates. As a result, liquidation proceeds available for payment to related certificateholders will be reduced, and in some cases may be substantially reduced or even elimi-

nated, following the default of a mortgage loan with unpaid arrearages.

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.

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.

Failure to comply with FHA and VA regulations may result in realized losses. If a servicer

does not strictly comply with applicable FHA or VA regulations, FHA insurance benefits or VA guaranty payments otherwise available may be reduced or denied which could result in realized losses on the affected mortgage loans to the extent that the trust is not reimbursed for those losses by the servicer.

FHA insurance proceeds and VA guaranty payments will be reduced as a result of various factors. Benefits under FHA mortgage insurance or a VA guaranty for a defaulted mortgage loan will be reduced to account for reimbursement of the applicable servicer for certain costs and expenses as well as for deductions of certain amounts received or retained by that servicer after default.

The FHA may settle claims on defaulted FHA insured mortgage loans in FHA debentures rather than cash. FHA has the option to settle claims made with respect to losses on defaulted FHA-insured loans by delivering FHA debentures rather than cash. The debentures can have maturities of up to 20 years. If a debenture is issued by FHA, the applicable servicer will be obligated to purchase the debenture from the trust with the proceeds of the purchase being passed through to holders of the related classes of certificates. Any such purchase will be made at a price equal to the par amount of the debenture plus interest accrued on that amount at the related net mortgage rate less certain servicing advances. However, if the par amount of the debenture is less than the unpaid principal balance of the related mortgage loan, the deficiency will represent a realized loss and will be allocated to the classes of subordinate certificates until the aggregate principal balance of those certificates is reduced to zero. Any such losses occurring after the aggregate principal balance of the classes of subordinate certificates has been reduced to zero will be allocated to the mezzanine certificates. Although the FHA generally has not issued debentures in settlement of claims since 1965, it continues to be authorized to do so.

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 (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 (the “Trust Agreement”) dated as of December 1, 2004 (the “Issue Date”). We will issue the REMIC Pass-Through Certificates (the “Certificates”) pursuant to the Trust Agreement. We will execute the Trust Agreement in our corporate capacity and as trustee (the “Trustee”).

Fannie Mae, UBS Real Estate Securities, Inc., as seller (the “Seller”), and GMAC Mortgage Corporation (“GMACM”) and Wells Fargo Bank, N.A. (“Wells Fargo”), as servicers (each, a “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.

A portion of the Trust (the “Upper Tier REMIC”), 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
Upper Tier REMIC	Middle Tier Regular Interests	Certificates other than the RL, RM and R Classes	R

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

<u>Classes</u>	<u>Denominations</u>
The Interest Only Senior Classes and the Mezzanine Classes	\$100,000 minimum plus whole dollar increments
All other Senior Classes (except the R, RM and RL Classes)	\$1,000 minimum plus whole dollar increments

Characteristics of the Senior and Mezzanine Certificates. The Senior and Mezzanine Classes, other than the R, 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.

We will issue the R, RM and RL Classes (each, 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. See also “Description of the Senior and Mezzanine Certificates—Special Characteristics of R, RM and RL Classes” in this prospectus.

The Holder of the R Class will receive the proceeds of any remaining assets of the Upper Tier REMIC, 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. When the factor is multiplied by the original principal balance (or notional principal balance) of a Certificate of that Class, the product will equal the current principal balance (or notional principal balance) of the Certificate of that Class after taking into account payments on the Distribution Date in the same month.

Optional Clean-up Calls by Servicers. For as long as GMACM is servicing any of the Mortgage Loans, it will have the option 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 at any time Wells Fargo is the only remaining Servicer, it will have a comparable option. 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.

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 Mortgage Loans will be distributed among three categories as follow:

- Category A—Mortgage Loans with Net Mortgage Rates less than 7.65%
- Category B—Mortgage Loans with Net Mortgage Rates greater than or equal to 7.65% and less than 8.15%

- Category C—Mortgage Loans with Net Mortgage Rates greater than or equal to 8.15%

In turn, the Mortgage Loans will be divided into three collateral groups (“Collateral Group 1,” “Collateral Group 2” and “Collateral Group 3,” and each a “Collateral Group”) as follows:

- Collateral Group 1—Mortgage Loans in Category A.
- Collateral Group 2—Portions of Mortgage Loans in Category B that have been ratio stripped to a Designated Rate of 7.65%
- Collateral Group 3—Portions of Mortgage Loans in Category B that have been ratio stripped to a Designated Rate of 8.15% and the Mortgage Loans in Category C.

The Stated Principal Balance of each Mortgage Loan will be allocated, based on its Net Mortgage Rate, either to a single Collateral Group or, in the case of Category B, between two Collateral Groups, based on the Applicable Fraction. As a result, Collateral Group 2 and Collateral Group 3 each represents an aggregate principal amount of Mortgage Loans consisting of different percentages of the interest on, and principal of, particular Mortgage Loans in Category B, calculated so that the principal and interest due on each Mortgage Loan is treated as if that Mortgage Loan were two different Mortgage Loans bearing interest at two different rates (each, a “Designated Rate”), one higher and one lower than the Net Mortgage Rate on the actual Mortgage Loan. The specified portions of Principal Collections with respect to each Mortgage Loan in Category B that are allocable to and distributable on the Certificates related to Collateral Group 2 and Collateral Group 3 were calculated for the purpose of ratio stripping each such Mortgage Loan. In other words, Mortgage Loans or portions of the Mortgage Loans in Category B will be allocated to Collateral Group 2 and Collateral Group 3 in such a way as to ensure that interest collections on such Mortgage Loans will be sufficient to support the interest rates on the Certificates related to those Collateral Groups.

The term “Mortgage Loans” as used in this prospectus generally refers to all of the mortgage loans actually included in the Trust or all of the mortgage loans (or portions of mortgage loans) included in a Collateral Group. However, solely for purposes of the statistical information set forth below, the term “Mortgage Loans” refers to the mortgage loans included in the Initial Mortgage Pool.

Solely for the purposes of the statistical information set forth below under the headings “*Collateral Group 1*,” “*—Collateral Group 2*” and “*—Collateral Group 3*,” the terms “Collateral Group 1,” “Collateral Group 2” or “Collateral Group 3” refer to the Mortgage Loans in the respective Collateral Groups that are included in the Initial Mortgage Pool.

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

- approximately 2,838 Mortgage Loans in Collateral Group 1 having an aggregate principal balance of approximately \$265,096,485,
- approximately 245 Mortgage Loans in Collateral Group 2 having an aggregate principal balance of approximately \$6,649,696, and
- approximately 351 Mortgage Loans in Collateral Group 3 having an aggregate principal balance of approximately \$16,739,646.

The aggregate amount of the mortgage loans actually delivered to the Trust on the Settlement Date may vary by plus or minus 10% by Collateral 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 Collateral 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.

With respect to the Initial Mortgage Pool, as of the Issue Date,

- approximately 81.55% of the Mortgage Loans in Collateral Group 1, approximately 89.56% of the Mortgage Loans in Collateral Group 2 and approximately 92.52% of the Mortgage Loans in Collateral Group 3 are insured by FHA (the “FHA Loans”) and
- approximately 18.45% of Mortgage Loans in Collateral Group 1, approximately 10.44% of the Mortgage Loans in Collateral Group 2 and approximately 7.48% of Mortgage Loans in Collateral Group 3 are partially guaranteed by VA (the “VA Loans”).

At the time of origination, all of the FHA Loans conformed to HUD origination guidelines and all of the VA Loans to VA origination guidelines. Each Mortgage Loan is evidenced by a promissory note or similar evidence of indebtedness (a “Mortgage Note”) that is secured by a first mortgage or deed of trust on a one-to-four-family residential property. We refer to the property that secures repayment of a Mortgage Loan as the “Mortgaged Property.”

Each of the Mortgage Loans was originated in accordance with the underwriting guidelines of the Federal Housing Administration (“FHA”) or the Department of Veterans Affairs (“VA”), as the case may be, and was eligible to be included in a Ginnie Mae pool at the time of origination as permitted by the rules of Ginnie Mae. Substantially all the Mortgage Loans were pooled with Ginnie Mae and then purchased from Ginnie Mae pools when the Mortgage Loans had uncured delinquencies in accordance with Ginnie Mae guidelines.

The Mortgage Loans generally have terms 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 or described in the related Mortgage Note (the “Mortgage Interest Rate”), without giving effect to any reduction thereto due to application of the Relief Act. However, in the event a Servicer agrees to a reduction in the interest rate with respect to any Mortgage Loan in Collateral Group 1 as a loss mitigation alternative, the Mortgage Interest Rate for that Mortgage Loan thereafter will be the rate as so reduced. Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months. If a borrower makes a scheduled payment earlier or later than the scheduled due date, the amortization schedule will not change, nor will the relative application of such payment to principal and interest.

Generally, the regulations applicable to FHA loans permit borrowers to finance up to 97% of the outstanding principal balance of the purchase price, although certain special FHA loan programs permit borrowers to finance 100% of the purchase price plus closing costs. The VA loan programs generally permit borrowers to finance 100% of the purchase price plus closing costs. If closing costs are financed, then the related loan-to-value may exceed 100%.

Certain of the Mortgage Loans to be transferred to the Trust are subject to certain arrearages arising from unreimbursed interest, principal and servicing advances made on or prior to the Issue Date. These arrearages will not be the property of the Trust and any collections of such arrearage amounts will be paid to the advancing party. Additionally, any arrearage amounts not paid as described above will be paid out of recoveries on the Mortgage Loans (including collections, insurance

proceeds and liquidation proceeds) prior to the deposit of any such recoveries into the Trust. The following table describes the arrearages with respect to the Initial Mortgage Pool as of the Issue Date:

<u>Number of Mortgage Loans in Initial Mortgage Pool</u>	<u>Approximate Aggregate Principal Balance of Mortgage Loans</u>	<u>Approximate Aggregate Amount of Arrearages*</u>
3,189	\$288,485,826	\$2,211,511

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

Each of the Mortgage Loans was acquired by the Seller in the ordinary course of business.

Initial Pool Statistics

Issue Date Principal Balances of Mortgage Loans in Category A, Category B and Category C

The following tables set forth the aggregate Stated Principal Balances of the Mortgage Loans in Category A, Category B and Category C as of the Issue Date.

Category A — Issue Date Principal Balances*

<u>Range of Issue Date Principal Balances (\$)</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>	<u>Balance Weighted # of Payments Last 3 Months</u>	<u>Balance Weighted # of Payments Last 6 Months</u>
0.01- 25,000.00	21	\$ 363,132.48	0.14%	7.672%	137	100	3	6
25,000.01- 50,000.00	260	10,653,037.55	4.02	7.333	272	65	3	6
50,000.01- 75,000.00	737	46,498,505.29	17.54	7.164	299	52	3	6
75,000.01-100,000.00	727	62,805,337.90	23.69	6.972	314	40	3	6
100,000.01-125,000.00	551	61,698,777.68	23.27	6.867	319	35	3	6
125,000.01-150,000.00	324	44,180,804.96	16.67	6.802	325	28	3	7
150,000.01-175,000.00	129	20,859,861.86	7.87	6.628	330	27	3	6
175,000.01-200,000.00	56	10,384,524.86	3.92	6.677	326	29	3	7
200,000.01-225,000.00	20	4,219,211.48	1.59	6.535	336	23	3	6
225,000.01-250,000.00	6	1,394,661.33	0.53	6.757	341	10	3	7
250,000.01-275,000.00	3	792,800.90	0.30	6.757	338	22	3	6
275,000.01-300,000.00	1	275,070.62	0.10	7.000	327	33	3	8
300,000.01 or more	3	970,758.02	0.37	6.993	330	30	3	7
Total	<u>2,838</u>	<u>\$265,096,484.93</u>	<u>100.00%</u>					

* As of the Issue Date, the average principal balance of the Mortgage Loans in Category A is approximately \$93,410.

Category B — 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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
0.01– 25,000.00	2	\$ 39,512.52	0.23%	8.500%	76	104	4	6
25,000.01– 50,000.00	78	3,130,993.19	18.39	8.455	262	87	3	6
50,000.01– 75,000.00	84	5,258,173.36	30.88	8.406	290	66	3	6
75,000.01–100,000.00	46	3,947,326.38	23.18	8.384	298	58	3	7
100,000.01–125,000.00	22	2,520,877.58	14.81	8.387	301	45	3	7
125,000.01–150,000.00	11	1,494,880.71	8.78	8.353	306	54	3	7
150,000.01–175,000.00	1	158,581.51	0.93	8.250	322	38	2	3
300,000.01 or more	1	475,685.26	2.79	8.500	353	7	2	5
Total	<u>245</u>	<u>\$17,026,030.51</u>	<u>100.00%</u>					

* As of the Issue Date, the average principal balance of the Mortgage Loans in Category B is approximately \$69,494.

Category C — 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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
0.01– 25,000.00	7	\$ 138,898.24	2.18%	8.985%	244	116	3	6
25,000.01– 50,000.00	41	1,540,240.24	24.21	9.046	267	86	3	6
50,000.01– 75,000.00	30	1,856,760.45	29.18	9.013	284	74	3	6
75,000.01–100,000.00	15	1,252,642.46	19.69	8.943	297	63	4	8
100,000.01–125,000.00	9	996,020.18	15.65	9.015	274	86	4	6
125,000.01–150,000.00	3	402,476.42	6.32	8.790	303	57	2	6
175,000.01–200,000.00	1	176,272.91	2.77	9.000	353	7	2	5
Total	<u>106</u>	<u>\$ 6,363,310.90</u>	<u>100.00%</u>					

* As of the Issue Date, the average principal balance of the Mortgage Loans in Category C is approximately \$60,031.

Collateral Group 1

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

Contractual Delinquency

Contractual Delinquency (Days)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
0	1,085	\$102,015,457.49	38.48%	6.938%	315	38	4	7
30	1,249	115,880,318.44	43.71	6.918	313	40	3	6
60	367	33,265,630.75	12.55	6.921	318	35	2	6
90	112	10,758,457.49	4.06	6.887	323	30	2	5
120	25	3,176,620.76	1.20	6.608	337	18	1	5
Total	<u>2,838</u>	<u>\$265,096,484.93</u>	<u>100.00%</u>					

Number of Payments Made in Last 3 Months*

Number of Payments Made in Last 3 Months	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1	150	\$ 14,466,818.01	5.46%	6.799%	326	26	1	6
2	484	45,196,679.08	17.05	6.963	320	34	2	6
3 or more	2,204	205,432,987.84	77.49	6.921	313	40	4	6
Total	2,838	\$265,096,484.93	100.00%					

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

Number of Payments Made in Last 6 Months*

Number of Payments Made in Last 6 Months	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
3	68	\$ 6,328,348.76	2.39%	6.881%	321	33	1	3
4	243	21,519,786.13	8.12	6.960	318	38	2	4
5	826	76,492,395.04	28.85	6.956	313	40	3	5
6 or more	1,701	160,755,955.00	60.64	6.901	315	37	4	7
Total	2,838	\$265,096,484.93	100.00%					

* As of the Issue Date, the balance-weighted number of payments made on the Mortgage Loans in Collateral Group 1 (based on their Issue Date Principal Balances) in the last six months is approximately 6.

Mortgage Interest Rates*

Range of Mortgage Interest Rates (%)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Less Than 5.500 ..	41	\$ 4,371,745.23	1.65%	5.495%	320	16	3	6
5.501-6.000	263	29,669,169.26	11.19	5.992	329	21	3	6
6.001-6.500	562	59,124,644.52	22.30	6.464	324	28	3	6
6.501-7.000	804	77,831,599.44	29.36	6.941	316	38	3	6
7.001-7.500	808	68,247,162.76	25.74	7.417	310	46	3	6
7.501-8.000	360	25,852,163.72	9.75	7.906	289	66	3	6
Total	2,838	\$265,096,484.93	100.00%					

* As of the Issue Date, the weighted average Mortgage Interest Rate of the Mortgage Loans in Collateral Group 1 is approximately 6.921%.

Net Mortgage Interest Rates*

Range of Net Mortgage Interest Rates (%)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Less Than 5.500 ..	60	\$ 6,602,254.55	2.49%	5.632%	326	15	3	6
5.501-6.000	415	46,653,016.23	17.60	6.160	331	19	3	7
6.001-6.500	657	68,206,722.33	25.73	6.640	322	31	3	6
6.501-7.000	895	82,656,598.99	31.18	7.132	312	42	3	6
7.001-7.500	610	47,913,625.75	18.07	7.583	304	51	3	6
7.501-8.000	201	13,064,267.08	4.93	8.000	273	83	3	6
Total	<u>2,838</u>	<u>\$265,096,484.93</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average Net Mortgage Interest Rate of the Mortgage Loans in Collateral Group 1 is approximately 6.474%.

Remaining Term*

Range of Remaining Terms (months)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1-120	25	\$ 708,053.39	0.27%	7.288%	82	105	4	7
121-150	32	1,754,755.47	0.66	6.796	145	58	3	6
151-180	24	1,800,080.01	0.68	6.176	156	35	3	6
181-210	20	1,473,622.84	0.56	7.244	205	33	3	6
211-240	148	9,661,884.11	3.64	7.265	225	99	3	6
241-270	96	7,276,311.46	2.74	7.526	256	86	3	7
271-300	503	40,005,468.12	15.09	7.232	287	67	3	6
301-360	1,990	202,416,309.53	76.36	6.826	331	28	3	6
Total	<u>2,838</u>	<u>\$265,096,484.93</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average remaining term of the Mortgage Loans in Collateral Group 1 is approximately 315 months.

Mortgage Loan Age*

Range of Mortgage Loan Ages (months)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1- 14	342	\$ 38,152,700.54	14.39%	6.739%	334	8	3	8
15- 24	271	29,234,853.48	11.03	6.190	337	21	3	6
25- 36	1,033	102,698,694.08	38.74	6.854	323	30	3	6
37- 60	495	44,910,495.88	16.94	7.243	316	42	3	6
61-120	564	42,915,712.34	16.19	7.300	280	77	3	6
121-180	129	6,961,987.79	2.63	7.548	216	134	3	6
181-240	4	222,040.82	0.08	7.749	145	215	3	5
Total	<u>2,838</u>	<u>\$265,096,484.93</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average mortgage loan age of the Mortgage Loans in Collateral Group 1 is approximately 38 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)	Balance- Weighted # of Payments Last 3 Months	Balance- Weighted # of Payments Last 6 Months
Texas	570	\$ 51,074,883.88	19.27%	6.894%	316	35	3	6
Georgia	154	14,934,696.75	5.63	6.969	310	44	3	6
Florida	164	13,819,447.66	5.21	6.986	315	38	3	6
North Carolina ...	138	13,048,176.26	4.92	6.915	313	39	3	7
Maryland	118	12,140,205.05	4.58	6.886	310	43	3	6
California	88	9,606,580.41	3.62	6.974	308	45	3	7
Illinois	93	9,297,938.43	3.51	7.007	322	32	3	6
Ohio	98	8,782,431.94	3.31	6.892	318	37	3	6
New Jersey	79	8,702,715.46	3.28	7.040	317	39	3	6
Washington	65	8,190,377.77	3.09	6.755	322	35	3	6
Other	1,271	115,499,031.32	43.57	6.918	315	39	3	6
Total	<u>2,838</u>	<u>\$265,096,484.93</u>	<u>100.00%</u>					

Mortgage Loan Type

Mortgage Loan Type	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)	Balance- Weighted # of Payments Last 3 Months	Balance- Weighted # of Payments Last 6 Months
FHA	2,373	\$216,187,714.71	81.55%	6.972%	316	38	3	6
VA	465	48,908,770.22	18.45	6.698	310	37	3	6
Total	<u>2,838</u>	<u>\$265,096,484.93</u>	<u>100.00%</u>					

Bankruptcy Status

Bankruptcy Status	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)	Balance- Weighted # of Payments Last 3 Months	Balance- Weighted # of Payments Last 6 Months
No	2,727	\$255,346,621.12	96.32%	6.916%	316	38	3	6
Yes	111	9,749,863.81	3.68	7.063	298	50	3	7
Total	<u>2,838</u>	<u>\$265,096,484.93</u>	<u>100.00%</u>					

Collateral Group 2

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

Contractual Delinquency

Contractual Delinquency (Days)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
0	92	\$2,712,412.69	40.79%	8.320%	307	47	4	7
30	116	3,052,643.97	45.91	8.339	297	59	3	6
60	28	453,554.96	6.82	8.411	281	74	2	5
90	8	425,891.84	6.40	8.220	312	38	2	6
120	1	5,192.33	0.08	8.500	218	142	1	6
Total	<u>245</u>	<u>\$6,649,695.79</u>	<u>100.00%</u>					

Number of Payments Made in Last 3 Months*

Number of Payments Made in Last 3 Months	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1	5	\$ 147,392.25	2.22%	8.290%	297	36	1	4
2	43	1,445,852.83	21.74	8.317	305	52	2	6
3 or more	197	5,056,450.71	76.04	8.334	300	55	3	7
Total	<u>245</u>	<u>\$6,649,695.79</u>	<u>100.00%</u>					

* As of the Issue Date, the balance-weighted number of payments on the Mortgage Loans in Collateral Group 2 (based on their Issue Date Principal Balances) made in the last three months is approximately 3.

Number of Payments Made in Last 6 Months*

Number of Payments Made in Last 6 Months	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
3	4	\$ 282,606.73	4.25%	8.230%	317	28	2	3
4	15	175,388.64	2.64	8.456	266	82	2	4
5	77	1,966,415.67	29.57	8.331	303	56	3	5
6 or more	149	4,225,284.75	63.54	8.329	300	54	3	8
Total	<u>245</u>	<u>\$6,649,695.79</u>	<u>100.00%</u>					

* As of the Issue Date, the balance-weighted number of payments made on the Mortgage Loans in Collateral Group 2 (based on their Issue Date Principal Balances) in the last six months is approximately 7.

Mortgage Interest Rates*

Range of Mortgage Interest Rates (%)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
8.001-8.500	245	\$6,649,695.79	100.00%	8.33%	301	54	3	7
Total	<u>245</u>	<u>\$6,649,695.79</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average Mortgage Interest Rate of the Mortgage Loans in Collateral Group 2 is approximately 8.329%.

Net Mortgage Interest Rates*

Range of Net Mortgage Interest Rates (%)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
7.501-8.000	109	\$5,160,040.15	77.60%	8.28%	309	47	3	7
8.001-8.500	136	1,489,655.64	22.40	8.50	272	79	3	6
Total	<u>245</u>	<u>\$6,649,695.79</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average Net Mortgage Interest Rate of the Mortgage Loans in Collateral Group 2 is approximately 7.877%.

Remaining Term*

Range of Remaining Terms (months)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1-120	3	\$ 11,676.57	0.18%	8.500%	76	104	3	6
121-150	5	47,490.43	0.71	8.500	133	90	4	7
181-210	9	73,725.72	1.11	8.500	201	101	3	6
211-240	17	169,394.11	2.55	8.490	224	136	3	6
241-270	51	893,137.64	13.43	8.374	260	98	3	6
271-300	38	954,067.52	14.35	8.337	289	66	3	6
301-360	122	4,500,203.80	67.68	8.307	319	38	3	7
Total	<u>245</u>	<u>\$6,649,695.79</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average remaining term of the Mortgage Loans in Collateral Group 2 is approximately 301 months.

Mortgage Loan Age*

Range of Mortgage Loan Ages (months)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1- 14	18	\$1,021,893.33	15.37%	8.340%	337	6	3	10
25- 36	14	543,543.03	8.17	8.294	320	32	3	6
37- 60	104	3,185,275.69	47.90	8.310	307	50	3	6
61-120	86	1,682,615.76	25.30	8.350	272	86	3	6
121-180	22	207,538.22	3.12	8.492	221	139	3	6
181-240	1	8,829.76	0.13	8.500	146	214	3	7
Total	<u>245</u>	<u>\$6,649,695.79</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average mortgage loan age of the Mortgage Loans in Collateral Group 2 is approximately 54 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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Texas	44	\$ 998,109.16	15.01%	8.348%	302	43	3	7
New York	15	444,728.19	6.69	8.405	303	57	3	6
Ohio	13	434,866.06	6.54	8.287	300	58	4	7
Pennsylvania	20	421,267.86	6.34	8.367	301	59	3	5
Florida	18	402,435.55	6.05	8.364	302	55	3	7
Indiana	11	389,897.46	5.86	8.257	314	41	3	8
Georgia	9	365,999.13	5.50	8.303	310	50	3	6
California	11	312,645.45	4.70	8.389	283	59	3	7
Michigan	8	247,785.39	3.73	8.338	309	51	3	5
New Jersey	8	242,833.94	3.65	8.396	299	61	3	6
Other	88	2,389,127.60	35.93	8.302	298	58	3	6
Total	<u>245</u>	<u>\$6,649,695.79</u>	<u>100.00%</u>					

Mortgage Loan Type

Mortgage Loan Type	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
FHA	222	\$5,955,155.18	89.56%	8.330%	301	55	3	7
VA	23	694,540.61	10.44	8.354	298	48	3	6
Total	<u>245</u>	<u>\$6,649,695.79</u>	<u>100.00%</u>					

Bankruptcy Status

Bankruptcy Status	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
No	239	\$6,488,254.19	97.57%	8.330%	302	53	3	7
Yes	6	161,441.60	2.43	8.318	279	77	3	5
Total	<u>245</u>	<u>\$6,649,695.79</u>	<u>100.00%</u>					

Collateral Group 3

The following tables set forth certain additional information, as of the Issue Date, with respect to the Mortgage Loans in Collateral Group 3 included in the Initial Mortgage Pool. References to “Issue Date Principal Balance” mean the aggregate of the Stated Principal Balances of the Mortgage Loans in Collateral Group 3 as of the Issue Date. The sum of the columns in the following tables may not equal the totals due to rounding.

Contractual Delinquency

Contractual Delinquency (Days)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
0	133	\$ 6,298,279.42	37.62%	8.672%	282	69	4	7
30	161	7,640,746.30	45.64	8.643	287	70	3	6
60	44	2,156,915.17	12.89	8.664	279	77	2	5
90	12	620,050.86	3.70	8.674	303	55	1	5
120	1	23,653.93	0.14	8.500	218	142	1	6
Total	<u>351</u>	<u>\$16,739,645.68</u>	<u>100.00%</u>					

Number of Payments Made in Last 3 Months*

Number of Payments Made in Last 3 Months	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1	10	\$ 573,649.70	3.43%	8.744%	297	57	1	5
2	65	3,495,872.03	20.88	8.688	293	64	2	5
3 or more	<u>276</u>	<u>12,670,123.95</u>	<u>75.69</u>	<u>8.645</u>	<u>282</u>	<u>72</u>	<u>4</u>	<u>7</u>
Total	<u>351</u>	<u>\$16,739,645.68</u>	<u>100.00%</u>					

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

Number of Payments Made in Last 6 Months*

Number of Payments Made in Last 6 Months	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
3	5	\$ 171,665.11	1.03%	8.505%	282	73	2	3
4	27	1,293,058.66	7.72	8.670	281	72	2	4
5	104	4,931,266.97	29.46	8.633	292	66	3	5
6 or more	<u>215</u>	<u>10,343,654.94</u>	<u>61.79</u>	<u>8.670</u>	<u>281</u>	<u>71</u>	<u>4</u>	<u>7</u>
Total	<u>351</u>	<u>\$16,739,645.68</u>	<u>100.00%</u>					

* As of the Issue Date, the balance-weighted number of payments made on the Mortgage Loans in Collateral Group 3 (based on their Issue Date Principal Balances) in the last six months is approximately 6.

Mortgage Interest Rates*

Range of Mortgage Interest Rates (%)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
8.001- 8.500	245	\$10,376,334.78	61.99%	8.452%	285	67	3	6
8.501- 9.000	87	5,322,891.47	31.80	8.874	291	66	3	6
9.001- 9.500	15	823,195.33	4.92	9.441	248	112	4	7
9.501-10.000	2	102,401.26	0.61	9.858	267	93	2	6
10.001-10.500	2	114,822.84	0.69	10.500	163	197	5	7
Total	<u>351</u>	<u>\$16,739,645.68</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average Mortgage Interest Rate of the Mortgage Loans in Collateral Group 3 is approximately 8.657%.

Net Mortgage Interest Rates*

Range of Net Mortgage Interest Rates (%)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
7.501- 8.000	109	\$ 3,590,125.88	21.45%	8.360%	310	44	3	7
8.001- 8.500	182	10,088,572.98	60.27	8.597	285	68	3	6
8.501- 9.000	47	2,309,756.99	13.80	9.041	260	97	3	6
9.001- 9.500	10	572,667.33	3.42	9.508	239	121	4	7
9.501-10.000	1	63,699.66	0.38	10.000	242	118	2	5
10.001-10.500	2	114,822.84	0.69	10.500	163	197	5	7
Total	<u>351</u>	<u>\$16,739,645.68</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average Net Mortgage Interest Rate of the Mortgage Loans in Collateral Group 3 is approximately 8.210%.

Remaining Term*

Range of Remaining Terms (months)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1-120	3	\$ 53,193.28	0.32%	8.500%	76	104	3	6
121-150	7	320,355.65	1.91	8.662	138	130	4	7
151-180	4	238,891.61	1.43	9.953	170	190	7	8
181-210	19	747,182.84	4.46	8.834	199	129	3	6
211-240	28	1,341,814.38	8.02	8.788	228	132	3	6
241-270	68	2,788,488.28	16.66	8.645	259	97	3	6
271-300	48	2,294,157.33	13.70	8.584	290	68	3	6
301-360	174	8,955,562.31	53.50	8.612	316	42	3	7
Total	<u>351</u>	<u>\$16,739,645.68</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average remaining term of the Mortgage Loans in Collateral Group 3 is approximately 284 months.

Mortgage Loan Age*

Range of Mortgage Loan Ages (months)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1- 14	29	\$ 1,700,743.58	10.16%	8.670%	338	6	3	8
25- 36	17	903,549.74	5.40	8.582	323	32	3	6
37- 60	148	7,314,653.23	43.70	8.604	301	52	3	6
61-120	108	4,550,652.07	27.18	8.606	267	89	3	6
121-180	42	1,886,920.69	11.27	8.830	220	140	3	6
181-240	7	383,126.37	2.29	9.542	161	199	6	7
Total	<u>351</u>	<u>\$16,739,645.68</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average mortgage loan age of the Mortgage Loans in Collateral Group 3 is approximately 70 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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Texas	65	\$ 3,126,413.25	18.68%	8.666%	287	62	3	6
New York	26	1,563,923.58	9.34	8.723	291	69	3	6
Florida	28	1,464,367.78	8.75	8.702	289	67	3	6
Pennsylvania	27	1,078,368.17	6.44	8.569	295	65	3	6
California	14	952,604.98	5.69	8.587	256	85	3	6
New Jersey	13	946,639.36	5.66	8.700	298	59	3	7
Illinois	13	708,844.75	4.23	8.643	295	61	3	6
Ohio	16	670,866.33	4.01	8.562	283	73	3	6
Michigan	10	469,213.11	2.80	8.523	289	71	3	6
Maryland	9	427,142.93	2.55	8.681	282	78	3	6
Other	130	5,331,261.44	31.85	8.667	279	76	3	7
Total	<u>351</u>	<u>\$16,739,645.68</u>	<u>100.00%</u>					

Mortgage Loan Type

Mortgage Loan Type	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
FHA	323	\$15,487,754.30	92.52%	8.650%	287	68	3	6
VA	28	1,251,891.38	7.48	8.746	257	90	4	7
Total	<u>351</u>	<u>\$16,739,645.68</u>	<u>100.00%</u>					

Bankruptcy Status

Bankruptcy Status	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
No	337	\$16,107,928.28	96.23%	8.652%	286	68	3	6
Yes	14	631,717.40	3.77	8.783	247	109	3	6
Total	<u>351</u>	<u>\$16,739,645.68</u>	<u>100.00%</u>					

Combined Collateral Groups (All the Mortgage Loans)

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

Contractual Delinquency

Contractual Delinquency (Days)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
0	1,218	\$111,026,149.56	38.49%	7.070%	313	40	4	7
30	1,410	126,573,708.70	43.88	7.056	311	42	3	6
60	411	35,876,100.88	12.44	7.045	315	38	2	6
90	124	11,804,400.18	4.09	7.029	322	31	2	5
120	26	3,205,467.02	1.11	6.625	336	19	1	5
Total	<u>3,189</u>	<u>\$288,485,826.34</u>	<u>100.00%</u>					

Number of Payments Made in Last 3 Months*

Number of Payments Made in Last 3 Months	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1	160	\$ 15,187,859.96	5.26%	6.887%	324	27	1	5
2	549	50,138,403.93	17.38	7.122	318	37	2	6
3 or more	<u>2,480</u>	<u>223,159,562.45</u>	<u>77.36</u>	<u>7.051</u>	<u>311</u>	<u>42</u>	<u>4</u>	<u>6</u>
Total	<u>3,189</u>	<u>\$288,485,826.34</u>	<u>100.00%</u>					

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

Number of Payments Made in Last 6 Months*

Number of Payments Made in Last 6 Months	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
3	73	\$ 6,782,620.60	2.35%	6.979%	320	34	1	3
4	270	22,988,233.43	7.97	7.068	315	40	2	4
5	930	83,390,077.67	28.91	7.088	312	42	3	5
6 or more	<u>1,916</u>	<u>175,324,894.64</u>	<u>60.77</u>	<u>7.040</u>	<u>313</u>	<u>40</u>	<u>4</u>	<u>7</u>
Total	<u>3,189</u>	<u>\$288,485,826.34</u>	<u>100.00%</u>					

* As of the Issue Date, the balance-weighted number of payments made on all of the Mortgage Loans (based on their Issue Date Principal Balances) in the last six months is approximately 6.

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)	Balance- Weighted # of Payments Last 3 Months	Balance- Weighted # of Payments Last 6 Months
0.01- 25,000.00	30	\$ 541,543.24	0.19%	8.069%	160	104	3	6
25,000.01- 50,000.00	379	15,324,270.98	5.31	7.734	270	72	3	6
50,000.01- 75,000.00	851	53,613,439.10	18.58	7.350	298	54	3	6
75,000.01-100,000.00	788	68,005,306.74	23.57	7.091	313	42	3	6
100,000.01-125,000.00	582	65,215,675.44	22.61	6.958	318	36	3	6
125,000.01-150,000.00	338	46,078,162.09	15.97	6.870	325	29	3	7
150,000.01-175,000.00	130	21,018,443.37	7.29	6.640	330	27	3	6
175,000.01-200,000.00	57	10,560,797.77	3.66	6.716	327	29	3	7
200,000.01-225,000.00	20	4,219,211.48	1.46	6.535	336	23	3	6
225,000.01-250,000.00	6	1,394,661.33	0.48	6.757	341	10	3	7
250,000.01-275,000.00	3	792,800.90	0.27	6.757	338	22	3	6
275,000.01-300,000.00	1	275,070.62	0.10	7.000	327	33	3	8
300,000.01 or more	4	1,446,443.28	0.50	7.489	338	22	3	7
Total	<u>3,189</u>	<u>\$288,485,826.34</u>	<u>100.00%</u>					

* As of the Issue Date, the average principal balance of all of the Mortgage Loans is approximately \$90,463.

Mortgage Interest Rates*

Range of Mortgage Interest Rates (%)	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)	Balance- Weighted # of Payments Last 3 Months	Balance- Weighted # of Payments Last 6 Months
Less Than 5.500 ..	41	\$ 4,371,745.23	1.52%	5.495%	320	16	3	6
5.501- 6.000	263	29,669,169.26	10.28	5.992	329	21	3	6
6.001- 6.500	562	59,124,644.52	20.49	6.464	324	28	3	6
6.501- 7.000	804	77,831,599.44	26.98	6.941	316	38	3	6
7.001- 7.500	808	68,247,162.76	23.66	7.417	310	46	3	6
7.501- 8.000	360	25,852,163.72	8.96	7.906	289	66	3	6
8.001- 8.500	245	17,026,030.51	5.90	8.404	291	62	3	6
8.501- 9.000	87	5,322,891.47	1.85	8.874	291	66	3	6
9.001- 9.500	15	823,195.33	0.29	9.441	248	112	4	7
9.501-10.000	2	102,401.26	0.04	9.858	267	93	2	6
10.001-10.500	2	114,822.84	0.04	10.500	163	197	5	7
Total	<u>3,189</u>	<u>\$288,485,826.34</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average Mortgage Interest Rate of all of the Mortgage Loans is approximately 7.054%.

Net Mortgage Interest Rates*

Range of Net Mortgage Interest Rates (%)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Less Than 5.500 ..	60	\$ 6,602,254.55	2.29%	5.632%	326	15	3	6
5.501- 6.000	415	46,653,016.23	16.17	6.160	331	19	3	7
6.001- 6.500	657	68,206,722.33	23.64	6.640	322	31	3	6
6.501- 7.000	895	82,656,598.99	28.65	7.132	312	42	3	6
7.001- 7.500	610	47,913,625.75	16.61	7.583	304	51	3	6
7.501- 8.000	310	21,814,433.07	7.56	8.125	287	68	3	6
8.001- 8.500	182	11,578,228.60	4.01	8.585	284	70	3	6
8.501- 9.000	47	2,309,756.99	0.80	9.041	260	97	3	6
9.001- 9.500	10	572,667.33	0.20	9.508	239	121	4	7
9.501-10.000	1	63,699.66	0.02	10.000	242	118	2	5
10.001-10.500	2	114,822.84	0.04	10.500	163	197	5	7
Total	<u>3,189</u>	<u>\$288,485,826.34</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average Net Mortgage Interest Rate of all of the Mortgage Loans is approximately 6.607%.

Remaining Term*

Range of Remaining Terms (months)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1-120	28	\$ 772,923.24	0.27%	7.390%	82	105	4	7
121-150	39	2,122,601.55	0.74	7.116	143	70	3	6
151-180	28	2,038,971.62	0.71	6.618	158	53	3	6
181-210	39	2,294,531.40	0.80	7.802	203	67	3	6
211-240	176	11,173,092.60	3.87	7.467	225	104	3	6
241-270	164	10,957,937.37	3.80	7.880	257	90	3	6
271-300	551	43,253,692.96	14.99	7.328	287	67	3	6
301-360	<u>2,164</u>	<u>215,872,075.60</u>	<u>74.83</u>	<u>6.931</u>	<u>330</u>	<u>28</u>	<u>3</u>	<u>6</u>
Total	<u>3,189</u>	<u>\$288,485,826.34</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average remaining term of all of the Mortgage Loans is approximately 313 months.

Mortgage Loan Age*

Range of Mortgage Loan Ages (months)	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)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1- 14	371	\$ 40,875,337.43	14.17%	6.859%	334	8	3	8
15- 24	271	29,234,853.48	10.13	6.190	337	21	3	6
25- 36	1,050	104,145,786.83	36.10	6.877	323	30	3	6
37- 60	643	55,410,424.79	19.21	7.484	313	44	3	6
61-120	672	49,148,980.16	17.04	7.457	279	78	3	6
121-180	171	9,056,446.70	3.14	7.837	217	135	3	6
181-240	11	613,996.95	0.21	8.878	155	205	5	7
Total	<u>3,189</u>	<u>\$288,485,826.34</u>	<u>100.00%</u>					

* As of the Issue Date, the weighted average mortgage loan age of all of the Mortgage Loans is approximately 40 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)	Balance- Weighted # of Payments Last 3 Months	Balance- Weighted # of Payments Last 6 Months
Texas	635	\$ 55,199,406.28	19.13%	7.020%	314	36	3	6
Georgia	164	15,696,077.29	5.44	7.038	310	44	3	6
Florida	192	15,686,250.98	5.44	7.182	313	41	3	6
North Carolina ...	145	13,504,000.18	4.68	6.967	312	40	3	7
Maryland	127	12,695,428.38	4.40	6.961	309	44	3	6
California	102	10,871,830.84	3.77	7.156	303	49	3	7
Illinois	106	10,134,434.58	3.51	7.139	320	34	3	6
New Jersey	92	9,892,188.76	3.43	7.232	315	42	3	6
Ohio	114	9,888,164.32	3.43	7.066	315	40	3	6
Pennsylvania	137	9,600,187.91	3.33	7.285	304	46	3	6
Other	1,375	125,317,856.82	43.44	7.026	314	41	3	6
Total	<u>3,189</u>	<u>\$288,485,826.34</u>	<u>100.00%</u>					

Mortgage Loan Type

Mortgage Loan Type	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)	Balance- Weighted # of Payments Last 3 Months	Balance- Weighted # of Payments Last 6 Months
FHA	2,696	\$237,630,624.13	82.37%	7.115%	314	41	3	6
VA	493	50,855,202.21	17.63	6.771	309	39	3	6
Total	<u>3,189</u>	<u>\$288,485,826.34</u>	<u>100.00%</u>					

Bankruptcy Status

Bankruptcy Status	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)	Balance- Weighted # of Payments Last 3 Months	Balance- Weighted # of Payments Last 6 Months
No	3,064	\$277,942,803.53	96.35%	7.049%	314	40	3	6
Yes	125	10,543,022.81	3.65	7.185	295	54	3	7
Total	<u>3,189</u>	<u>\$288,485,826.34</u>	<u>100.00%</u>					

FHA and VA Loan Programs

FHA Loans

FHA is an organizational unit within the U.S. Department of Housing and Urban Development (“HUD”). FHA was established to encourage improvement in housing standards and conditions to exert a stabilizing influence on the mortgage market. FHA provides insurance for private lenders against loss on eligible mortgages. Under the FHA mortgage insurance program, an FHA home mortgage may be made to borrowers meeting certain credit standards by an approved mortgage lender. FHA insures payment to the holder of that loan in the event of default by the borrower. The FHA Loans will be insured by FHA as authorized under the National Housing Act of 1934, as amended, and the United States Housing Act of 1937, as amended. No FHA Loan may have an original principal amount exceeding the applicable FHA limits at the time of its origination.

New FHA loans are made only to creditworthy borrowers and, since December 1989, FHA loans may be assumed only by a purchaser of the mortgaged property subject to FHA credit underwriting guidelines. For FHA loans originated prior to December 1989 FHA historically has permitted a borrower to sell his or her home to a new homeowner, subject to the existing FHA loan without requiring a determination whether the new homeowner would be a creditworthy borrower. In those

instances, the original borrower is not relieved of liability for the mortgage note, although no assurance can be made that the note can be enforced against the original borrower. Moreover, to the extent the new homeowner has not executed an agreement to assume the mortgage debt, the mortgage note cannot be enforced against the new homeowner. The mortgage loan, however, would remain secured by the related mortgaged property and the FHA insurance would remain in effect. The regulations governing assumptions on FHA loans have varied in many respects over the years during which the FHA Loans in the Trust were originated.

Insurance premiums for FHA loans are paid at origination by the borrower or are collected by the applicable servicer from the borrower and paid to FHA. The regulations governing FHA insured single-family mortgage insurance programs generally provide that insurance benefits are payable upon foreclosure (or other acquisition of possession) and conveyance of the mortgaged property to HUD. With respect to a defaulted FHA loan, the related servicer may be limited in its ability to initiate foreclosure proceedings. Historically, pursuant to an assignment program adopted by HUD pursuant to a consent decree in 1976 (the "Assignment Program"), HUD in certain circumstances offered qualified borrowers who had defaulted on an FHA loan an opportunity to avoid foreclosure and retain their homes. Under the Assignment Program, FHA serviced FHA insured mortgage loans that had defaulted and been assigned to HUD under the Assignment Program. In April 1996, the Assignment Program was terminated and replaced with mandatory loss mitigation procedures, whereby the servicer of defaulted FHA insured loans must choose from a variety of tools, including special forbearance, mortgage modification, "streamline refinancing," pre-foreclosure sales, and deeds-in-lieu of foreclosure to cure a default prior to filing an FHA insurance claim. The new loss mitigation procedures also permit lenders in certain circumstances to submit partial claims for FHA Insurance benefits.

Each Servicer will act as the "contract of insurance holder" for the benefit of the Trust with respect to the Mortgage Loans that it services and, as such, will submit all claims to HUD. Under certain circumstances, as set forth in the regulations, HUD is authorized to request or require a servicer to pursue a deficiency judgment against any defaulting borrower. In this regard, HUD may request or require (as the case may be under the regulations) the servicer to pursue a deficiency judgment in connection with the foreclosure. Under neither case would the servicer be responsible for collecting on the judgment. Further, HUD may reimburse the servicer for all additional costs of seeking the judgment. Each servicer is the mortgagee with respect to each FHA loan that it services for purposes of the FHA insurance solely to facilitate servicing. Furthermore, no holder, by virtue of holding a Certificate, will have any right against FHA or HUD with respect to the contract of mortgage insurance applicable to any FHA Loan, and each Certificateholder, by its acceptance of a Certificate, or an interest therein, will be deemed to have agreed to the foregoing.

The amount of insurance benefits generally paid by the FHA is equal to the entire unpaid principal balance of the defaulted FHA loan plus delinquent interest and minus two months' interest thereon, in each case at the debenture rate specified by the FHA, and will be applied first to reimburse the servicer for certain unpaid costs, expenses and advances, and may be subject to certain additional adjustments imposed by the FHA. When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance to HUD, the servicer is generally compensated for no more than two-thirds of its foreclosure and acquisition costs, attorneys' fees (which costs are evaluated based upon our guidelines), and certain other permissible costs in accordance with HUD guidelines, and is compensated for accrued and unpaid mortgage interest for a limited period prior to the institution of foreclosure or other acquisition in general only to the extent it was subject to a written forbearance agreement between the servicer and the borrower consistent with HUD guidelines.

FHA has the option, in most cases, to pay insurance claims in cash or in debentures issued by FHA. Presently, claims for most single-family programs are being paid in cash and, for the most part, claims have not been paid in debentures since 1965. The debentures can have maturities of up to 20 years. If a debenture is issued by FHA, the related Servicer will be obligated to purchase such debenture from the Trust with the proceeds of such purchase being passed through to Certificate-

holders. Any such purchase will be made at a price equal to the par amount of the debenture plus interest accrued on such amount at the related Net Mortgage Rate less certain advances. However, if the par amount of the debenture is less than the unpaid principal balance of the related Mortgage Loan, the deficiency will represent a Realized Loss and will be allocated to the related Classes of Subordinate Certificates until the aggregate principal balance of those Certificates is reduced to zero. Any such loss occurring after the aggregate principal balance of the related Classes of Subordinate Certificates has been reduced to zero will be allocated to the related Classes of Mezzanine Certificates.

For each FHA Loan, the applicable debenture rate, as announced from time to time by FHA is the rate in effect at the date of the insurance commitment or endorsement for insurance, whichever rate is higher. The FHA debenture rate that applies to a particular FHA Loan generally is lower than the Mortgage Interest Rate on that loan.

VA Loans

The VA currently administers a variety of federal assistance programs on behalf of eligible veterans and their dependents and beneficiaries, including the VA loan guaranty program. Under the VA loan guaranty program, a VA Loan may be made to any eligible veteran by an approved private sector mortgage lender subject to the underwriting guidelines of the VA. With respect to any VA Loan guaranteed after March 1, 1988, a borrower generally may sell the related mortgaged property subject to the existing VA loan only with the prior approval of the VA or certain VA lenders. In general, the buyer must be creditworthy and must agree to assume the loan obligation. With respect to a VA loan guaranteed before March 1, 1988, however, the borrower generally has an unrestricted right to sell the related mortgaged property subject to the existing VA loan thus permitting the buyer to take over payments on the loan without any prior credit qualification. The existing borrower however is released from liability on the mortgage note only if the buyer qualifies as an acceptable credit risk and agrees to assume the loan obligation. If the existing borrower is not released from liability, there can be no assurance that the mortgage note can be enforced against such mortgagor, and to the extent the new homeowner does not execute an agreement to assume the mortgage debt, the note cannot be enforced against the new homeowner. The mortgage loan, however, would remain secured by the related mortgaged property and the VA guaranty would remain in effect.

The VA Loans are partially guaranteed by the VA under the Servicemen's Readjustment Act of 1944, as amended. The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances the spouse of a veteran) to obtain a mortgage loan guaranty by the VA covering mortgage financing of the purchase or refinancing of a one-to-four family dwelling unit. The program has no mortgage loan limits, requires no down payment from the purchaser and permits the guaranty of mortgage loans of up to 30 years' duration. However, no VA Loan will have an original principal amount greater than four times the amount of the related guaranty. The VA guarantees payment of a fixed percentage of the loan indebtedness to the holder of that loan, up to a maximum dollar amount, in the event of default by the veteran borrower.

With respect to a defaulted VA Loan, the servicer is, absent exceptional circumstances, authorized to announce its intention to foreclose only when the default has continued for three months. However, notwithstanding the foregoing, the regulations require the servicer to take immediate action if it determines that the property to be foreclosed upon has been abandoned by the debtor or has been or may be subject to extraordinary waste or if there exist conditions justifying the appointment of a receiver for the property. Additionally, under some circumstances, the VA may decline to accept conveyance of a mortgaged property unless the lender forgoes a portion of the outstanding indebtedness, in which case the Certificateholders may experience a Realized Loss as to the related Mortgage Loan.

When a delinquency is reported to VA and no realistic alternative to foreclosure is developed by the loan holder or through the VA's supplemental servicing of the loan, the VA determines, through an economic analysis, whether the VA will (a) authorize the holder to convey the property securing the VA loan to the Secretary of Veterans Affairs following termination or (b) pay the loan guaranty

amount to the holder. The decision as to disposition of properties securing defaulted VA loans is made on a case-by-case basis using the procedures set forth in applicable statutes, regulations and guidelines. If the property is conveyed to the VA, then the VA pays the lender the full unpaid principal balance of the related VA loan plus accrued and unpaid interest and certain expenses, subject to VA guidelines.

The amount payable under the guaranty will be the percentage (the “VA Entitlement Percentage”) of the VA loan originally guaranteed applied to the indebtedness outstanding as of the applicable date of computation specified in the VA regulations, subject to any applicable caps. As of the date hereof, the maximum guaranties that may be issued by the VA under a VA loan are generally (a) as to loans with an original principal balance of \$45,000 or less, 50% of such loan, (b) as to loans with an original principal balance of greater than \$45,000, but not more than \$56,250, \$22,500; (c) as to loans with an original principal balance of more than \$56,250, except those loans that are described in (d), below, the lesser of \$36,000 and 40% of the loan, and (d) as to loans with an original principal balance of more than \$144,000 (for loans made to purchase or construct an owner-occupied, single-family home or condominium unit), the lesser of \$60,000 and 25% of the loan. The liability on the guaranty is reduced or increased *pro rata* with any reduction or increase in the unpaid principal balance of indebtedness, but in no event will the amount payable on the guaranty exceed the amount of the original guaranty.

FHA and VA Loan Servicing Procedures

FHA Loans

The Servicers will be required to be diligent in pursuing claims or causing claims to be pursued for defaulted FHA Loans and abide by FHA collection and default timetables.

Under the FHA mortgage insurance program’s loss mitigation procedures, the lender may accelerate an insured loan following a default only after the lender or its agent has contacted the borrower to discuss the reasons for the default and to seek its cure. The lender may enter into a modification agreement with the borrower that extends the maturity date of the loan term for up to ten years beyond the original maturity date and that reduces the applicable Mortgage Interest Rate. Such an extension would extend the weighted average lives of the Certificates and may reduce the weighted average Net Mortgage Rate of the Mortgage Loans. Other tools available to the lender to avoid foreclosure include special forbearance, “streamline refinancing,” pre-foreclosure sales, and deeds-in-lieu of foreclosure. The loss mitigation procedures also permit lenders in certain circumstances to submit partial claims for FHA insurance benefits.

If the borrower does not cure the default and loss mitigation techniques are not effective, the lender may accelerate the loan and obtain a deed-in-lieu of foreclosure or begin a foreclosure action. The lender may rescind the acceleration of maturity after full payment is due and reinstate the loan only if the borrower brings the loan current, executes a modification agreement or agrees to an acceptable repayment plan.

Generally, an action to initiate foreclosure on any FHA insured mortgage loan must be filed with the local jurisdiction within six months after the date of default. Once the foreclosure process is complete, the lender may submit a claim to FHA. Historically, FHA has paid claims in a timely manner, provided the lender has complied with FHA rules and requirements. A lender’s failure to comply with FHA rules and requirements may result in the reduction or curtailment of claim payments or, in limited instances, in the denial of a claim, in whole or in part.

VA Loans

Servicers of VA loans, including the Servicers, are required to service them in a manner consistent with prudent residential mortgage loan servicing standards generally accepted in the servicing industry. A servicer is required to be diligent in abiding by VA collection and default timetables. Consistent with these servicing standards, a servicer in its discretion may waive late payment charges

or assumption fees and arrange with a borrower a schedule for repayment of due and unpaid principal and interest so long as, by such action, each Servicer does not knowingly or intentionally cause the termination of the REMIC status of the related REMIC or the imposition of an entity-level tax on the Trust.

A notice to VA of intent to begin action need not be given within any prescribed period of time. This flexibility affords a servicer time to work with a deserving borrower to avoid liquidation. Barring exceptional circumstances, the notice should not be given until a default has continued for 90 days. If the mortgaged property is in jeopardy, however, the notice should be filed as soon as the risk becomes known to the servicer. Except upon express waiver by the VA, a servicer may not begin foreclosure until the VA has been notified 30 days in advance of this intent to liquidate. In the case of a mortgage loan assumption, a servicer must make a good faith effort to notify the original borrower of its intention by certified mail. Failure to notify the original borrower may result in the loss of the VA guaranty with respect to that mortgaged property. The servicer must request a liquidation appraisal at least 30 days prior to the projected foreclosure sale in addition to furnishing the VA with a VA “status of account” form to estimate the projected claim amount that is necessary to prepare the bid amount.

In the event that a borrower’s income has decreased such that a borrower cannot maintain payments at the current amount or make up any delinquent payments, the servicer may modify the payment terms of the related loan only if it determines that such modification will allow the borrower to keep the loan current. The servicer cannot release the borrower from personal liability, but may include accrued and unpaid interest in the mortgage loan indebtedness that is extended or reamortized. A modification is permissible to the extent that at least 80% of the loan balance extended will amortize over the remaining term of the mortgage loan.

A Servicer must deliver to VA the lender’s “election to convey” within 15 days of the foreclosure sale or the Servicer loses its right to transfer the related Mortgaged Property. Upon receipt of advice that VA elects not to specify a bid amount, the applicable Servicer may waive or satisfy a portion of the indebtedness on behalf of the Trust in order to reduce the amount owing to an amount that would allow VA to specify a bid amount under applicable regulations.

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 which we purchase loans, and for the servicers which service our mortgage loans.

Selling and Servicing Guides

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

Mortgage Loan Eligibility Standards—Government Insured Loans

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

The maximum loan amount for FHA insured single-family mortgage loans is established by statute. As of January 2004, the basic maximum loan amount for most FHA insured single-family mortgage loans is \$160,176 for a one-unit dwelling, \$205,032 for a two-unit dwelling, \$247,824 for a three-unit dwelling, and \$307,992 for a four-unit dwelling. In high-cost areas, as designated by HUD/FHA, the maximum loan amount may be increased up to \$290,319 for a one-unit dwelling, \$449,181 for a two-unit dwelling, \$558,236 for a three-unit dwelling, and \$539,835 for a four-unit dwelling. In addition, the maximum loan amount for FHA insured mortgages secured by property located in Alaska, Guam, Hawaii, and the Virgin Islands may be adjusted up to 150% of HUD/FHA's high-cost area limits. We purchase FHA mortgages up to the maximum original principal amount that the FHA will insure for the area in which the property is located.

The VA does not establish a maximum loan amount for VA guaranteed loans secured by single-family one- to four-unit properties. We will purchase VA mortgages up to our current maximum original principal amount for conforming loans secured by similar one- to four-unit properties. In the case of VA loans, the unguaranteed portion of the VA loan amount cannot be greater than 75% of the purchase price of the property or 75% of the VA's valuation estimate, whichever is less.

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

Underwriting Guidelines. FHA insured and VA guaranteed mortgage loans that we purchase must be originated in accordance with the applicable requirements and underwriting standards of the agency providing the insurance or guaranty. Each insured or guaranteed loan that we purchase must have in effect a valid mortgage insurance certificate or loan guaranty certificate.

The Seller

UBS Real Estate Securities Inc., a Delaware corporation (the "Seller"), will sell the Mortgage Loans to Fannie Mae. The Seller is an affiliate of the Dealer and a subsidiary of UBS Americas, Inc., which in turn is a subsidiary of UBS AG, a company formed in Switzerland. The Seller is engaged in the business of purchasing, owning, financing and selling residential and commercial mortgage loans. Residential mortgage loans purchased by the Seller generally are purchased on a "servicing retained" basis from the originators of those mortgage loans. The Seller does not itself service any of the mortgage loans that it purchases.

Servicing of Mortgage Loans

GMAC

GMAC Mortgage Corporation ("GMACM") is an indirect wholly-owned subsidiary of General Motors Acceptance Corporation and is one of the nation's largest mortgage banks. GMACM is engaged in the mortgage banking business, including origination, purchase, sale and servicing of residential loans. GMACM maintains its executive and principal offices at 100 Witmer Road, Horsham, Pennsylvania 19044. Its telephone number is (215) 682-1000.

Loan Delinquency, Foreclosure and Loss Experience of GMACM

The following table summarizes the delinquency and foreclosure experience of FHA insured and VA guaranteed mortgage loans that GMACM either serviced or master serviced. The delinquency and foreclosure percentages may be affected by the size and relative lack of seasoning of the servicing portfolio, which increased from approximately \$17.816 billion at December 31, 2001 to approximately \$19.295 billion at December 31, 2002, and decreased to approximately \$14.816 billion at December 31, 2003 and to approximately \$8.531 billion at September 30, 2004. Accordingly, you should not use this information to assess the likelihood, amount or severity of delinquency or losses on the Mortgage

Loans. We cannot promise you that the foreclosure and delinquency experience on the Mortgage Loans will be similar to the figures in the table. Furthermore, the foreclosure and delinquency experience reflected in the table may not be representative of the foreclosure and delinquency experience of the Mortgage Loans, each of which was repurchased out of Ginnie Mae pools for reasons of uncured delinquency in accordance with Ginnie Mae guidelines.

	At December 31,			At September 30,
	2001	2002	2003	2004
Number of Loans	198,252	205,653	160,795	80,056
Volume of Loans (in 1000s)	\$17,816,006	\$19,294,559	\$14,815,780	\$8,530,854
Delinquent Mortgage Loans and Pending Foreclosures at Period End(1):				
30-59 days (excluding pending foreclosures)	7.61%	8.31%	9.69%	8.08%
60-89 days (excluding pending foreclosures)	1.87	2.54	3.19	2.46
90 days or more (excluding pending foreclosures)	1.29	1.22	1.97	1.50
Total of delinquencies	10.78%	12.06%	14.85%	12.04%
Foreclosures pending	1.30%	1.82%	1.82%	1.39%
Total delinquencies and foreclosures pending	12.08%	13.88%	16.67%	13.42%

(1) As a percentage of the total principal balance of loans serviced.

Wells Fargo

Wells Fargo Bank, N.A. (“Wells Fargo”) is an indirect, wholly owned subsidiary of Wells Fargo & Company. Wells Fargo is engaged in the business of (i) originating, purchasing and selling residential mortgage loans in its own name and through its affiliates and (ii) servicing residential mortgage loans for its own account and for the account of others. Wells Fargo is an approved servicer of Fannie Mae and Freddie Mac. Wells Fargo’s principal office for servicing functions is located at 1 Home Campus, Des Moines, Iowa 50328-0001.

Loan Delinquency, Foreclosure and Loss Experience of Wells Fargo

The following table summarizes the delinquency and foreclosure experience of FHA insured and VA guaranteed mortgage loans that Wells Fargo either serviced or master serviced. The delinquency and foreclosure percentages may be affected by the size and relative lack of seasoning of the servicing portfolio, which increased from approximately \$83.875 billion at December 31, 2001, to approximately \$91.747 billion at December 31, 2002, to approximately \$98.588 billion at December 31, 2003, and to approximately \$102.853 billion at September 30, 2004. Accordingly, you should not use this information to assess the likelihood, amount or severity of delinquency or losses on the Mortgage Loans. We cannot promise you that the foreclosure and delinquency experience on the Mortgage Loans will be similar to the figures in the table. Furthermore, the foreclosure and delinquency experience reflected in the table may not be representative of the foreclosure and delinquency experience of the Mortgage Loans, each of which was repurchased out of Ginnie Mae pools for reasons of uncured delinquency in accordance with Ginnie Mae guidelines.

The sum of the columns in the following table may not equal the totals due to rounding.

	At December 31,			At September 30,
	2001	2002	2003	2004
Number of Loans	922,132	978,267	963,672	976,050
Volume of Loans (in 1000s)	\$83,875,178	\$91,747,386	\$98,588,465	\$102,853,458
Delinquent Mortgage Loans and Pending Foreclosures at Period End(1):				
30-59 days (excluding pending foreclosures)	6.12%	6.44%	5.93%	5.59%
60-89 days (excluding pending foreclosures)	2.08	2.11	2.04	1.99
90 days or more (excluding pending foreclosures)	2.88	2.65	2.35	2.40
Total of delinquencies	11.07%	11.20%	10.33%	9.98%
Foreclosures pending	1.43%	1.23%	1.34%	1.40%
Total delinquencies and foreclosures pending	12.50%	12.43%	11.67%	11.39%

(1) As a percentage of the total principal balance of loans serviced.

DESCRIPTION OF THE SENIOR AND MEZZANINE CERTIFICATES

General

The Certificates will consist of:

- eight classes of guaranteed senior Certificates designated as the 1-AF, 1-AS, 2-A, 3-A, 3-IO, R, RM and RL Classes (collectively, the “Senior Classes”),
- three classes of mezzanine certificates designated as the M, B-1 and B-2 Classes (the “Mezzanine Classes”), and
- three classes of subordinate certificates designated as the B-3, B-4 and B-5 Classes (the “Subordinate 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 payments on 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.

In this prospectus, we sometimes refer to the 1-AF and 1-AS Classes as “Group 1 Senior Certificates,” the 2-A Class as “Group 2 Senior Certificates,” and the 3-A and 3-IO Classes as “Group 3 Senior Certificates.” We sometimes refer to each of the Group 1 Senior Certificates, the Group 2 Senior Certificates and the Group 3 Senior Certificates as a “Senior Certificate Group.”

The initial aggregate principal balance of the Mezzanine Classes will be approximately \$5,625,000 and will initially evidence undivided ownership interests of approximately 1.95% in the Mortgage Loans. The initial aggregate principal balance of the Subordinate Classes will be approximately \$2,452,604 and will initially evidence undivided ownership interests of approximately 0.85% in the Mortgage Loans. Only the Senior and Mezzanine Classes are being offered by this prospectus. On the Settlement Date, we also will issue the Subordinate Classes and, at the direction of the Seller, deliver them to or on behalf of the 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.

Certificated Classes

We will issue the R, RM and RL Classes in fully registered, certificated form and not in book-entry form. The "Holder" or "Certificateholder" of the R, RM or RL Class is its registered owner. The R, RM or RL Classes can be transferred at the corporate trust office of our transfer agent. We may impose a service charge for any registration of transfer of an R, RM or RL Class and may require payment to cover any tax or other governmental charge. See also "General—*Authorized Denominations*" and "—Special Characteristics of the R, RM and RL Classes" in this prospectus.

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>
Senior Classes	
<i>Group 1 Classes</i>	
Floating Rate	1-AF
Inverse Floating Rate	1-AS
Available Funds	1-AF and 1-AS
Interest Only	1-AS
<i>Group 2 Class</i>	
Fixed Rate	2-A
Available Funds	2-A
<i>Group 3 Classes</i>	
Fixed Rate	3-A
Weighted Average Coupon	3-IO
Available Funds	3-A and 3-IO
Interest Only	3-IO
Mezzanine Classes	
Weighted Average Coupon	M, B-1 and B-2
Available Funds	M, B-1 and B-2
No Payment Residual	R, RM and RL

* See "—Class Definitions and Abbreviations" below.

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 January 2005.

Interest to be paid on each Certificate on each Distribution Date will consist of one month's interest on the outstanding principal balance or notional principal balance of that Certificate

immediately prior to that Distribution Date. But see “—*Uncovered Prepayment Interest Shortfalls and Relief Act Shortfalls*” below.

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

<u>Classes</u>	<u>Interest Accrual Period</u>
The 1-AF and 1-AS Classes	One-month period beginning on the 25th day of the month preceding the month in which the Distribution Date occurs
The 2-A, 3-A, 3-IO Classes and the Mezzanine 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.

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 1-AF Class. On each Distribution Date, we will pay interest on the 1-AF Class in an amount (the “1-AF Class Current Interest Amount”) equal to interest accrued during the related Interest Accrual Period at an annual rate equal to the *lesser* of

- the *sum* of LIBOR for the related Index Determination Date *plus* 0.40%
- or*
- the Group 1 Senior Pass-Through Rate for that Distribution Date.

In addition, on each Distribution Date we will pay to the 1-AF Class an amount up to the 1-AF Class Net WAC Carryover Amount (described below), if any, for that Distribution Date only from the proceeds received by the Trust in respect of the 1-AF Cap Contract described under “—The 1-AF Cap Contract” below.

The “1-AF Class Net WAC Carryover Amount” means, with respect to any Distribution Date, the *sum* of

- the *excess* of the amount of interest that the 1-AF Class would have been entitled to receive had the interest rate for the 1-AF Class not been calculated based on the Group 1 Senior Pass-Through Rate for that Distribution Date (but in no event greater than 9.50%) *over* the 1-AF Class Current Interest Amount for that Distribution Date
- plus*
- the unpaid portion of any such excess for prior Distribution Dates (and interest thereon at the then current interest rate for the 1-AF Class, without giving effect to the Group 1 Senior Pass-Through Rate for that Distribution Date, but not in excess of 9.50%).

As a result of the above, if Mortgage Loans in Collateral Group 1 with relatively higher Net Mortgage Rates are prepaid at a disproportionately high rate relative to Mortgage Loans in Collateral Group 1 with relatively lower Net Mortgage Rates, the interest rate on the 1-AF Class may be reduced.

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

The 1-AS Class. During each Interest Accrual Period, interest on the 1-AS Class will be calculated at an annual rate equal to the *excess* of

- the Group 1 Senior Pass-Through Rate

over

- the sum of LIBOR for the related Index Determination Date *plus* 0.40%,

but in no event less than zero.

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

The 3-IO Class. During each Interest Accrual Period, interest on the 3-IO Class will be calculated at an annual rate equal to the *excess* of the Group 3 Senior Pass-Through Rate *over* 8.00%.

Our determination of the interest rate of the 3-IO Class for the related Interest Accrual Period will be final and binding in the absence of manifest error. You may obtain each such rate by telephoning us at 1-800-237-8627.

The Mezzanine and Subordinate Classes. During each Interest Accrual Period, interest will be calculated on each of the Mezzanine and Subordinate Classes at an annual rate equal to the weighted average of the following rates:

Collateral Group 1 the weighted average of the Net Mortgage Rates of the Mortgage Loans in Collateral Group 1 (weighted on the basis of their Stated Principal Balances)

Collateral Group 2 7.65%

Collateral Group 3 the weighted average of

- 8.15% in the case of the portions of the Mortgage Loans in Collateral Group 3 from Category B, and
- the weighted average of the Net Mortgage Rates of the Mortgage Loans in Collateral Group 3 from Category C

(weighted on the basis of their respective aggregate Stated Principal Balances),

(weighted on the basis of the related Assumed Subordination Balances immediately prior the related Distribution Date). During the initial Interest Accrual Period, we expect to pay interest on each of the Mezzanine and Subordinate Classes at an annual rate of approximately 6.60684%.

Our determination of the interest rates of the Mezzanine and Subordinate Classes for the related Interest Accrual Period will be final and binding in the absence of manifest error. You may obtain each such rate by telephoning us at 1-800-237-8627.

Interest Payment Priorities. On each Distribution Date, we will pay interest on the Certificates in the following priority:

- A. from interest collections related to Collateral Group 1, the guaranty fee payable to Fannie Mae in respect of the Group 1 Senior Certificates and then the Group 1 Senior Interest Distribution Amount to the 1-AF and 1-AS Classes, pro rata,

- B. from interest collections related to Collateral Group 2, the guaranty fee payable to Fannie Mae in respect of the Group 2 Senior Certificates and then the Group 2 Senior Interest Distribution Amount to the 2-A Class,
- C. from interest collections related to Collateral Group 3, the guaranty fee payable to Fannie Mae in respect of the Group 3 Senior Certificates and then the Group 3 Senior Interest Distribution Amount to the 3-A and 3-IO Classes, pro rata, and
- D. from interest collections on all of the Mortgage Loans remaining after application of A. through C. above, the Specified Non-Senior Interest Distribution Amount applicable to the M, B-1, B-2, B-3, B-4 and B-5 Classes, in that order.

Uncovered Prepayment Interest Shortfalls and Relief Act Shortfalls. Uncovered Prepayment Interest Shortfalls and Relief Act Shortfalls with respect to Collateral Group 1 will reduce the amount of interest payable on the 1-AF and 1-AS Classes, 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 and Relief Act Shortfalls with respect to Collateral Group 2 will reduce the amount of interest payable on the 2-A Class, 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 and Relief Act Shortfalls with respect to the Collateral Group 3 will reduce the amount of interest payable on the 3-A and 3-IO Classes, 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.

Calculation of LIBOR

General

The "Index Determination Date" for each of the Floating Rate and Inverse Floating Rate Classes means the second business day before the first day of each Interest Accrual Period. For purposes of calculating LIBOR, the term "business day" means a day on which banks are open for dealing in foreign currency and exchange in London and New York City.

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

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

If we are unable to use the method described above, we will calculate LIBOR using the quotations for one-month U.S. dollar deposits offered by the principal London office of each of the Reference Banks (as defined below) as of 11:00 a.m. (London time) on each Index Determination Date. We may

rely on these quotations as they appear on the Reuters Screen LIBO Page (as defined in the *International Swap Dealers Association, Inc. Code of Standard Wording, Assumptions and Provisions for Swaps*, 1986 Edition). Alternatively, we may obtain them directly from the Reference Banks.

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

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

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

If we are unable to calculate LIBOR on the initial Index Determination Date, LIBOR for the following Interest Accrual Period will be equal to 2.28%

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

<u>Principal Type*</u>	<u>Classes</u>
Senior Classes	
<i>Group 1 Classes</i>	
Pass-Through	1-AF
Notional	1-AS
<i>Group 2 Class</i>	
Pass-Through	2-A
<i>Group 3 Classes</i>	
Pass-Through	3-A
Notional	3-IO
Mezzanine Classes	
Mezzanine	M, B-1 and B-2
No Payment Residual	R, RM and RL

* See “—Class Definitions and Abbreviations” below.

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
- *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
- *increased*, in the case of any Non-Senior Certificate, by that Certificate's pro rata share of the Subordinate Percentage of an amount equal to the Subsequent Recoveries that are allocated to the Class of which that 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.

Group 1 Senior Principal Distribution Amount

On each Distribution Date, we will pay the Group 1 Senior Principal Distribution Amount as principal of the 1-AF Class, until its principal balance is reduced to zero. } Senior /
Pass-
Through
Class

Group 2 Senior Principal Distribution Amount

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

Group 3 Senior Principal Distribution Amount

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

In addition, on each Distribution Date after the first Senior Termination Date but prior to the earlier of (i) the Mezzanine Termination Date and (ii) the third Senior Termination Date, the amount otherwise available for payment as principal of the Non-Senior Classes from Principal Collections on the Collateral Group relating to each Senior Certificate Group that has been paid in full will instead be paid as principal of each remaining Senior Certificate Group, pro rata, based on their respective outstanding principal balances.

Distributions from Remaining Principal Collections on All of the Mortgage Loans

On each Distribution Date, we will distribute the Principal Collections on all of the Mortgage Loans remaining after distributions of principal specified above, in the following priority:

- (i) if such Distribution Date is a Cross Payment Trigger Date, to each Senior Certificate Group that is subject to a Preliminary Collateral Deficiency its applicable share of the Combined Preliminary Collateral Deficiency (first allocated pro rata on the basis of their principal balances after giving effect to the distributions specified above on that date, and thereafter allocated to the Senior Certificate Group, if any, as to which any portion of the Preliminary Collateral Deficiency remains outstanding);

(ii) 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;

(iii) 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;

(iv) 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:

- | | |
|---|-----------------------|
| <i>first</i> , to the M Class, | } Mezzanine Classes |
| <i>second</i> , to the B-1 Class, | |
| <i>third</i> , to the B-2 Class, and | |
| <i>fourth</i> , sequentially, to the B-3, B-4 and B-5 Classes, in that order; and | } Subordinate Classes |
| (v) any remaining amount to the R Class | } Residual Class |

We will include principal prepayments (including net liquidation proceeds) from the Mortgage Loans in the foregoing distributions on each Distribution Date provided that the related 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.

Certain Definitions Relating to Payments on the Certificates

Applicable Fraction—For Collateral Group 2 and each Mortgage Loan in Category B, the following fraction:

$$\frac{8.15\% \text{ minus the related Net Mortgage Rate}}{0.50\%}$$

For Collateral Group 3 and each Mortgage Loan in Category B, the *excess* of

- 1
- over*
- $\frac{(8.15\% \text{ minus the related Net Mortgage Rate})}{0.50\%}$

Assumed Subordination Balance—For any Distribution Date and each Collateral Group, the applicable Subordinate Percentage multiplied by the aggregate Stated Principal Balance of the Mortgage Loans (or portions thereof) in that Collateral 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 Collateral Group and any Distribution Date, the *excess*, if any, of

- the related Preliminary Collateral Deficiency for that date
- over*
- the aggregate of the amounts payable on that date with respect to the related Senior Certificate Group pursuant to clause (i) under “—Principal Payments on the Senior and Mezzanine Certificates—Distributions from Remaining Principal Collections for All of the Mortgage Loans” above.

Combined Collateral Deficiency—For any Distribution Date, the aggregate of the Collateral Deficiencies for all Collateral Groups.

Combined Preliminary Collateral Deficiency—For any Distribution Date, the aggregate of the Preliminary Collateral Deficiencies for all Collateral Groups.

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 each Senior Certificate Group that is *not* subject to a Collateral Deficiency on that date, an amount equal to the *least* of

- the Combined Collateral Deficiency for that date

or

- the related Regular Senior Principal Distribution Amount for that date

or

- the applicable Cross Pro Rata Cap Amount;

provided, however, that such amount shall be limited as necessary to ensure that the aggregate principal balance of such Senior Certificate Group does not exceed the aggregate Stated Principal Balance as of the related Due Date of the Mortgage Loans (or portions thereof) in the related Collateral Group.

Cross Payment Trigger Date—Any Distribution Date on which a Preliminary Collateral Deficiency exists with respect to any Senior Certificate Group but not all the Senior Certificate Groups.

Cross Pro Rata Cap Amount—On any Distribution Date that is a Cross Payment Trigger Date and with respect to each Senior Certificate Group that is *not* subject to a Collateral Deficiency and is *not* at parity, an amount equal to the Combined Collateral Deficiency multiplied by a fraction, the *numerator* of which is the Regular Senior Principal Distribution Amount for that Certificate Group and the *denominator* of which is the aggregate of the Regular Senior Principal Distribution Amounts for all Senior Certificate Groups that are *not* subject to Collateral Deficiencies and are *not* at parity.

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

- the related Collateral Deficiency for that date

or

- all Cross Contribution Amounts for that date;

provided, however, that if two Senior Certificate Groups are subject to Collateral Deficiencies on that Distribution Date, the Cross Contribution Amount will be allocated to those Senior Certificate Groups, pro rata, based on their outstanding principal balances.

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.

Due Date—For any calendar month, the first day of that calendar month. With respect to any Distribution Date, the “related Due Date” refers to the Due Date in the calendar month in which that

Distribution Date occurs, and the “prior Due Date” refers to the Due Date in the calendar month preceding the 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 Collateral Group on any Distribution Date, the *excess*, if any, of

- the aggregate servicing fee payable to the applicable Servicer with respect to the related Mortgage Loans for that date

over

- the aggregate Prepayment Interest Shortfalls on the related Mortgage Loans serviced by that Servicer for that date.

The Excess Compensating Interest for each Collateral 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 Senior Interest Distribution Amount—For any Distribution Date, one-twelfth of the *sum* of:

- (i) the *product* of the applicable annual interest rate of the 1-AF Class *multiplied by* the principal balance of the 1-AF Class immediately prior to that Distribution Date *plus*
- (ii) the *product* of the applicable annual interest rate of the 1-AS Class *multiplied by* the notional principal balance of the 1-AS Class immediately prior to that Distribution Date.

Group 1 Senior Pass-Through Rate—For any Distribution Date, the *excess* of

- the weighted average of the Net Mortgage Rates of the Mortgage Loans in Collateral Group 1 (weighted on the basis of their Stated Principal Balances immediately prior to that Distribution Date)

over

- 0.15%.

Group 2 Senior Interest Distribution Amount—For any Distribution Date, one-twelfth of the *product* of the annual interest rate of the 2-A Class *multiplied by* the principal balance of the 2-A Class immediately prior to that Distribution Date.

Group 2 Senior Pass-Through Rate—For any Distribution Date, 7.50%.

Group 3 Senior Interest Distribution Amount—For any Distribution Date, one-twelfth of the *sum* of:

- (i) the *product* of the annual interest rate of the 3-A Class *multiplied by* the principal balance of the 3-A Class immediately prior to that Distribution Date *plus*
- (ii) the *product* of the applicable annual interest rate of the 3-IO Class *multiplied by* the notional principal balance of the 3-IO Class immediately prior to that Distribution Date.

Group 3 Senior Pass-Through Rate—For any Distribution Date, the *excess* of

- the weighted average of the Net Mortgage Rates of the Mortgage Loans in Collateral Group 3 (weighted on the basis of their Stated Principal Balances) immediately prior to that Distribution Date.

over

- 0.15%.

Liquidated Loan—Any defaulted Mortgage Loan as to which the related 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 Trust Expense Rate.

Non-Senior Principal Distribution Amount—For any Distribution Date and any Collateral Group, the *sum* of the following amounts:

- (i) the applicable Subordinate Percentage of all monthly payments of scheduled principal due on each related Mortgage Loan (or portion thereof) during the related Due Period, *plus*
- (ii) the applicable Subordinate Percentage of the principal portion of the purchase price of each related Mortgage Loan (or portion thereof) that the Seller repurchases or Fannie Mae or the applicable 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 (or portion thereof) 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 each related Mortgage Loan (or portion thereof) that is not yet a Liquidated Loan, *plus*
- (v) for each related Mortgage Loan (or portion thereof) that became a Liquidated Loan during the related Due Period, the applicable Subordinate Percentage of the Stated Principal Balance of such Mortgage Loan (or portion thereof) to the extent recovered, *plus*
- (vi) the applicable Subordinate Prepayment Percentage of any partial or full principal prepayment that we receive during the related Prepayment Period from a borrower in respect of each Mortgage Loan (or portion thereof), *plus*
- (vii) the applicable Subordinate Percentage of any Subsequent Recoveries and Foreclosure Surplus with respect to each related Mortgage Loan (or portion thereof) 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.

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

- the aggregate outstanding principal balance of the related Senior Certificate Group, in all cases after giving effect to the application thereto on that date of (a) the related Regular Senior Principal Distribution Amount, and (b) any related payments made pursuant to the sixth full paragraph on page 50 of this prospectus;

over

- the aggregate Stated Principal Balance of the related Mortgage Loans (or portions thereof) as of the related Due Date.

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 related 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:

- one full month's interest on the principal balance of that Mortgage Loan (or portion thereof) (before applying the prepayment)

minus

- the interest that the related borrower paid on that Mortgage Loan (or portion thereof) in respect of that calendar month.

Prepayment Period—For any Distribution Date or related Due Date, the prior calendar month.

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

- all scheduled principal payments on the related Mortgage Loans or portions thereof 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*
- prepayments received on the related Mortgage Loans or portions thereof during the immediately preceding Prepayment Period, *plus*
- net liquidation proceeds (*i.e.*, after giving effect to payment of unreimbursed liquidation expenses and other unscheduled collections of principal and to payment in full of any outstanding arrearages in connection with the related Mortgage Loans), Subsequent Recoveries and Foreclosure Surplus received on the related Mortgage Loans or portions thereof during the related Due Period, *plus*
- the principal portion of any Delinquency Advances the applicable Servicer makes for that Distribution Date with respect to late payments in respect of the related Mortgage Loans or portions thereof, *minus*
- certain amounts applicable to the related Mortgage Loans or portions thereof, including Servicing Advances, Delinquency Advances and amounts received or recovered in respect of outstanding arrearages, reimbursable to the applicable Servicer.

Realized Loss—In general:

- as to any Liquidated Loan (or portion thereof), 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 and payment in full of any outstanding arrearages in connection with the Mortgage Loan) realized on it,

- for each Mortgage Loan (or portion thereof) that has received a Deficient Valuation, the difference between the Stated Principal Balance of the Mortgage Loan (or portion thereof) immediately before the Deficient Valuation and the outstanding principal balance of the Mortgage Loan (or portion thereof) as reduced by the Deficient Valuation, and
- for each Mortgage Loan (or portion thereof) that has received a Debt Service Reduction, the reduction in monthly principal attributable to the court-ordered reduction of the monthly mortgage payment (or portion thereof), calculated on a month-to-month basis.

Regular Senior Principal Distribution Amount—With respect to the Group 1 Senior Certificates, the Group 2 Senior Certificates and the Group 3 Senior Certificates for any Distribution Date, the aggregate of items (i) through (viii) of the definition of Senior Principal Distribution Amount for the related Collateral Group.

Relief Act—The Servicemembers Civil Relief Act and similar state laws.

Relief Act Shortfalls—For any Distribution Date, the aggregate amount by which interest on the Mortgage Loans for the immediately preceding month has been reduced due to the application of the Relief Act.

Senior Principal Distribution Amount—For any Distribution Date and each Collateral Group, the *sum* of the following amounts:

- (i) the applicable Senior Percentage of all monthly payments of scheduled principal due on each related Mortgage Loan (or portion thereof) during the related Due Period, *plus*
- (ii) the applicable Senior Percentage of the principal portion of the purchase price of each related Mortgage Loan (or portion thereof) that the Seller repurchases or Fannie Mae or the applicable 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 (or portion thereof) 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 each related Mortgage Loan (or portion thereof) that is not yet a Liquidated Loan, *plus*
- (v) for each related Mortgage Loan (or portion thereof) that became a Liquidated Loan during the related Due Period, the applicable Senior Percentage of the Stated Principal Balance of that related Mortgage Loan (or portion thereof) to the extent recovered, *plus*
- (vi) the applicable Senior Prepayment Percentage of any partial or full principal prepayment that we receive during the related Prepayment Period from a borrower in respect of each related Mortgage Loan (or portion thereof), *plus*
- (vii) the applicable Senior Percentage of any Subsequent Recoveries and Foreclosure Surplus with respect to each related Mortgage Loan (or portion thereof) 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 Collateral Group 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, Group 2 Senior Principal Distribution Amount or

Group 3 Senior Principal Distribution Amount, as applicable, will be subject to the following adjustments:

- for each 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 each 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 Percentage—For any Distribution Date and any Collateral Group, the *lesser* of

- the percentage equivalent of a fraction, the *numerator* of which is the aggregate principal balance of the related Senior Certificates immediately before that Distribution Date and the *denominator* of which is the aggregate Stated Principal Balance of the related Mortgage Loans (or portions thereof) as of the prior Due Date

or

- 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>
January 2005 through December 2009	100%
January 2010 through December 2010	the applicable Senior Percentage plus 70% of the related Subordinate Percentage
January 2011 through December 2011	the applicable Senior Percentage plus 60% of the related Subordinate Percentage
January 2012 through December 2012	the applicable Senior Percentage plus 40% of the related Subordinate Percentage
January 2013 through December 2013	the applicable Senior Percentage plus 20% of the related Subordinate Percentage
After December 2013	the applicable Senior Percentage

Exceptions:

(A) If on any Distribution Date the Senior Percentage of a Collateral Group exceeds the initial Senior Percentage of that Collateral Group, the Senior Prepayment Percentage for all of the Senior Certificate Groups 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, the Group 2 Senior Certificates or the Group 3 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 with respect to any Distribution Date if the aggregate Stated Principal Balance of the Mortgage Loans (or portions thereof) in any Collateral Group 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 (a) on or prior to the second Senior Termination Date, the related Subordinate Percentage of the aggregate Stated Principal Balance of the Mortgage Loans (or portions thereof) in that Collateral Group or (b) after the second Senior Termination Date, the aggregate principal balance of the Non-Senior Certificates for that date, equals or exceeds 50%.

Senior Termination Date—For any Senior Certificate Group, the Distribution Date on which the aggregate principal balance of that Senior Certificate Group 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:

- one month's interest at the applicable rate on the outstanding principal balance of that Class less the Uncovered Prepayment Interest Shortfalls and Relief Act Shortfalls allocated to that Class on that Distribution Date

plus

- 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, 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.

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

- the payment of principal due on that Due Date, whether or not paid by the related borrower,
- prepayments of principal received through the last day of the related Prepayment Period and
- liquidation proceeds received in the prior calendar month.

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

Subordinate Prepayment Percentage—For any Distribution Date and Collateral Group, 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 related 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 Servicers, and the *denominator* of which is the Stated Principal Balance of that Mortgage Loan as of the prior Due Date.

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

- the aggregate Prepayment Interest Shortfalls on the related Mortgage Loans for that Distribution Date

minus

- 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

- the allocable portion of any Excess Compensating Interest for that Distribution Date with respect to the remaining Collateral Groups.

Allocation of Losses

On each Distribution Date, for so long as any Non-Senior Certificates remain outstanding, we will allocate the 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.

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 (or portions thereof) 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 (or portions thereof) 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 Certificates fall into different categories. The following chart identifies and generally defines the categories of Senior and Mezzanine Classes specified on the cover page of this prospectus.

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
PRINCIPAL TYPES		
NPR	No Payment Residual	Receives no payments of principal.
NTL	Notional	Has no principal balance and bears interest on its notional principal balance. The notional principal balance is used to determine interest payments on an Interest Only Class that is not entitled to principal.
PT	Pass-Through	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.
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.
INTEREST TYPES		
AFC	Available Funds	Receives as interest all or a portion of the scheduled interest payments made on the related mortgage loans (or portions thereof). However, this amount may be insufficient on any distribution date to cover fully the accrued and unpaid interest on the certificates of this class at its specified interest rate for the related interest accrual period.
FLT	Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies directly with changes in the index.
INV	Inverse Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies inversely with changes in the index.
IO	Interest Only	Receives some of the interest payments made on the related mortgage loans (or portions thereof) 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.
NPR	No Payment Residual	Receives no payments of interest.
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period.

The 1-AF Cap Contract

UBS Real Estate Securities, Inc., as Seller under the Sale and Servicing Agreement, has entered into an interest rate cap transaction with one of its affiliates, UBS AG, London Branch (the “Cap Contract Counterparty”). As of the date of this prospectus, the long-term senior unsecured debt of the Cap Contract Counterparty was assigned ratings of “Aa2” by Moody’s Investors Services,

Inc., “AA+” by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and “AA+” by Fitch, Inc. The interest rate cap transaction is evidenced by a Confirmation and Agreement (the “1-AF Cap Contract”) between the Seller and the Cap Contract Counterparty. Pursuant to the 1-AF Cap Contract, the terms of an ISDA Master Agreement were incorporated into the Confirmation of the Cap Contract as if the ISDA Master Agreement had been executed by the Seller and the Cap Contract Counterparty on the date the 1-AF Cap Contract was executed. On the Settlement Date specified under “Reference Sheet” in this prospectus, the Seller will assign to the Trustee, on behalf of the Trust, the Seller’s rights under the 1-AF Cap Contract. The 1-AF Cap Contract will not be an asset of any REMIC created pursuant to the Trust Agreement.

The 1-AF Cap Contract is scheduled to remain in effect until the Distribution Date in March 2031 (the “Cap Contract Termination Date”). The 1-AF Cap Contract will be subject to early termination only in limited circumstances. Such circumstances generally include certain insolvency or bankruptcy events in relation to the Cap Contract Counterparty or the Trust, the failure by the Cap Contract Counterparty (three business days after notice of such failure is received by the Cap Contract Counterparty) to make a payment under the 1-AF Cap Contract, the failure by the Cap Contract Counterparty (30 days after notice of such failure is received) to perform any other agreement made by it under the 1-AF Cap Contract, and the 1-AF Cap Contract becoming illegal or subject to certain kinds of taxation.

On or prior to the Cap Contract Termination Date, proceeds (if any) received by the Trustee under the 1-AF Cap Contract will be applied as payments to the 1-AF Class as described above under “—Interest Payments—*The 1-AF Class.*” On any Distribution Date, after such application of any proceeds received under the 1-AF Cap Contract, any remaining proceeds will be released from the Trust and will not thereafter be available for payment to any Certificateholder, unless such proceeds are received in connection with an early termination of the 1-AF Cap Contract, in which case such proceeds will be held by the Trustee until the Cap Contract Termination Date for distribution as described in this prospectus.

With respect to any Distribution Date on or prior to the Cap Contract Termination Date, the amount payable by the Cap Contract Counterparty under the 1-AF Cap Contract will equal *product* of

- the *excess* (if any) of
 - (x) the *lesser* of one-month LIBOR (as determined by the Cap Contract Counterparty) *or* 9.10%
 - over*
 - (y) 5.92379%

multiplied by

- the *lesser* of the Cap Contract Notional Balance for that Distribution Date *or* the principal balance of the 1-AF Class immediately prior to that Distribution Date

multiplied by

- 30/360.

The “Cap Contract Notional Balance” for each Distribution Date is specified in the following table:

<u>Month of Distribution Date</u>	<u>Cap Contract Notional Balances (\$)</u>	<u>Month of Distribution Date</u>	<u>Cap Contract Notional Balances (\$)</u>
January 2005	\$257,673,783.00	May 2005	237,586,338.61
February 2005	252,505,032.76	June 2005	232,803,163.82
March 2005	247,435,451.84	July 2005	228,111,872.09
April 2005	242,463,166.62	August 2005	223,510,726.44

Month of Distribution Date	Cap Contract Notional Balances (\$)
September 2005 ...	218,998,022.51
October 2005	214,572,087.91
November 2005 ...	210,231,281.62
December 2005....	205,973,993.43
January 2006	201,798,643.35
February 2006	197,703,681.04
March 2006.....	193,687,585.27
April 2006	189,748,863.38
May 2006.....	185,886,050.73
June 2006	182,097,710.19
July 2006	178,382,431.63
August 2006	174,738,831.40
September 2006 ...	171,165,551.84
October 2006	167,661,260.82
November 2006 ...	164,224,651.23
December 2006....	160,854,440.52
January 2007	157,549,370.26
February 2007	154,308,205.67
March 2007.....	151,129,735.19
April 2007	148,012,770.05
May 2007.....	144,956,143.81
June 2007	141,958,712.00
July 2007	139,019,351.67
August 2007	136,136,960.98
September 2007 ...	133,310,458.84
October 2007	130,538,784.51
November 2007 ...	127,820,897.20
December 2007....	125,155,775.72
January 2008	122,542,418.11
February 2008	119,979,841.26
March 2008.....	117,467,080.59
April 2008	115,003,189.69
May 2008.....	112,587,239.96
June 2008	110,218,320.31
July 2008	107,895,536.82
August 2008	105,618,012.40
September 2008 ...	103,384,886.51
October 2008	101,195,314.83
November 2008 ...	99,048,468.94
December 2008....	96,943,536.07
January 2009	94,879,718.76
February 2009	92,856,234.60
March 2009.....	90,872,315.93
April 2009	88,927,209.58
May 2009.....	87,020,176.62
June 2009	85,150,492.02
July 2009	83,317,444.47
August 2009	81,520,336.09
September 2009 ...	79,758,482.16
October 2009	78,031,210.91

Month of Distribution Date	Cap Contract Notional Balances (\$)
November 2009 ...	76,337,863.24
December 2009....	74,677,792.53
January 2010	73,050,364.36
February 2010	71,492,614.84
March 2010.....	69,965,935.74
April 2010	68,469,729.04
May 2010.....	67,003,408.05
June 2010	65,566,397.20
July 2010	64,158,131.79
August 2010	62,778,057.84
September 2010 ...	61,425,631.85
October 2010	60,100,320.61
November 2010 ...	58,801,601.03
December 2010....	57,528,959.92
January 2011	56,281,893.82
February 2011	55,071,400.38
March 2011.....	53,885,311.70
April 2011	52,723,154.35
May 2011.....	51,584,463.89
June 2011	50,468,784.69
July 2011	49,375,669.82
August 2011	48,304,680.82
September 2011 ...	47,255,387.59
October 2011	46,227,368.22
November 2011 ...	45,220,208.82
December 2011....	44,233,503.40
January 2012	43,266,853.67
February 2012	42,340,402.73
March 2012.....	41,432,770.04
April 2012	40,543,586.59
May 2012.....	39,672,490.43
June 2012	38,819,126.57
July 2012	37,983,146.83
August 2012	37,164,209.71
September 2012 ...	36,361,980.26
October 2012	35,576,129.99
November 2012 ...	34,806,336.69
December 2012....	34,052,284.35
January 2013	33,313,663.04
February 2013	32,607,672.18
March 2013.....	31,915,979.18
April 2013	31,238,302.82
May 2013.....	30,574,367.35
June 2013	29,923,902.30
July 2013	29,286,642.44
August 2013	28,662,327.65
September 2013 ...	28,050,702.84
October 2013	27,451,517.83
November 2013 ...	26,864,527.29
December 2013....	26,289,490.63

Month of Distribution Date	Cap Contract Notional Balances (\$)	Month of Distribution Date	Cap Contract Notional Balances (\$)
January 2014	25,726,171.91	March 2018	8,674,793.65
February 2014	25,188,568.37	April 2018	8,481,491.92
March 2014	24,661,681.50	May 2018	8,292,178.77
April 2014	24,145,303.51	June 2018	8,106,775.28
May 2014	23,639,230.55	July 2018	7,925,204.02
June 2014	23,143,262.66	August 2018	7,747,389.08
July 2014	22,657,203.70	September 2018 ...	7,573,256.00
August 2014	22,180,861.27	October 2018	7,402,731.78
September 2014 ...	21,714,046.63	November 2018 ...	7,235,744.81
October 2014	21,256,574.65	December 2018	7,072,224.88
November 2014 ...	20,808,263.74	January 2019	6,912,103.12
December 2014	20,368,935.77	February 2019	6,755,312.01
January 2015	19,938,416.00	March 2019	6,601,785.33
February 2015	19,516,533.04	April 2019	6,451,458.14
March 2015	19,103,118.78	May 2019	6,304,266.76
April 2015	18,698,008.30	June 2019	6,160,148.75
May 2015	18,301,039.85	July 2019	6,019,042.86
June 2015	17,912,054.77	August 2019	5,880,889.05
July 2015	17,530,897.42	September 2019 ...	5,745,628.44
August 2015	17,157,415.16	October 2019	5,613,203.27
September 2015 ...	16,791,458.25	November 2019 ...	5,483,556.93
October 2015	16,432,879.82	December 2019	5,356,633.90
November 2015 ...	16,081,535.82	January 2020	5,232,379.72
December 2015	15,737,284.94	February 2020	5,110,741.02
January 2016	15,399,988.59	March 2020	4,991,665.44
February 2016	15,069,510.84	April 2020	4,875,101.65
March 2016	14,745,718.33	May 2020	4,760,999.31
April 2016	14,428,480.30	June 2020	4,649,309.07
May 2016	14,117,668.48	July 2020	4,539,982.54
June 2016	13,813,157.03	August 2020	4,432,972.26
July 2016	13,514,822.57	September 2020 ...	4,328,231.71
August 2016	13,222,544.06	October 2020	4,225,715.26
September 2016 ...	12,936,202.78	November 2020 ...	4,125,378.17
October 2016	12,655,682.30	December 2020	4,027,176.60
November 2016 ...	12,380,868.42	January 2021	3,931,067.52
December 2016	12,111,649.13	February 2021	3,837,008.79
January 2017	11,847,914.58	March 2021	3,744,959.04
February 2017	11,589,557.02	April 2021	3,654,877.75
March 2017	11,336,470.78	May 2021	3,566,725.18
April 2017	11,088,552.21	June 2021	3,480,462.34
May 2017	10,845,699.67	July 2021	3,396,051.05
June 2017	10,607,813.45	August 2021	3,313,453.83
July 2017	10,374,795.78	September 2021 ...	3,232,633.97
August 2017	10,146,550.77	October 2021	3,153,555.45
September 2017 ...	9,922,984.36	November 2021 ...	3,076,182.98
October 2017	9,704,004.31	December 2021	3,000,481.94
November 2017 ...	9,489,520.17	January 2022	2,926,418.39
December 2017	9,279,443.21	February 2022	2,853,959.08
January 2018	9,073,686.41	March 2022	2,783,071.39
February 2018	8,872,164.46	April 2022	2,713,723.34

Month of Distribution Date	Cap Contract Notional Balances (\$)	Month of Distribution Date	Cap Contract Notional Balances (\$)
May 2022	2,645,883.59	July 2026	635,073.78
June 2022	2,579,521.40	August 2026	614,105.30
July 2022	2,514,606.64	September 2026 ...	593,641.42
August 2022	2,451,109.79	October 2026	573,671.33
September 2022 ...	2,389,001.87	November 2026 ...	554,184.43
October 2022	2,328,254.52	December 2026	535,170.37
November 2022 ...	2,268,839.90	January 2027	516,618.96
December 2022	2,210,730.74	February 2027	498,520.26
January 2023	2,153,900.28	March 2027	480,864.51
February 2023	2,098,322.32	April 2027	463,642.15
March 2023	2,043,971.16	May 2027	446,843.82
April 2023	1,990,821.61	June 2027	430,460.34
May 2023	1,938,848.98	July 2027	414,482.72
June 2023	1,888,029.05	August 2027	398,902.16
July 2023	1,838,338.10	September 2027 ...	383,710.04
August 2023	1,789,752.88	October 2027	368,897.90
September 2023 ...	1,742,250.58	November 2027 ...	354,457.47
October 2023	1,695,808.85	December 2027	340,380.63
November 2023 ...	1,650,405.79	January 2028	326,659.45
December 2023	1,606,019.93	February 2028	313,286.13
January 2024	1,562,630.22	March 2028	300,253.07
February 2024	1,520,216.03	April 2028	287,552.79
March 2024	1,478,757.14	May 2028	275,177.97
April 2024	1,438,233.74	June 2028	263,121.47
May 2024	1,398,626.38	July 2028	251,376.25
June 2024	1,359,916.05	August 2028	239,935.44
July 2024	1,322,084.07	September 2028 ...	228,792.32
August 2024	1,285,112.15	October 2028	217,940.29
September 2024 ...	1,248,982.37	November 2028 ...	207,372.89
October 2024	1,213,677.16	December 2028	197,083.80
November 2024 ...	1,179,179.30	January 2029	187,066.82
December 2024	1,145,471.91	February 2029	177,315.89
January 2025	1,112,538.46	March 2029	167,825.06
February 2025	1,080,362.72	April 2029	158,588.51
March 2025	1,048,928.82	May 2029	149,600.56
April 2025	1,018,221.19	June 2029	140,855.61
May 2025	988,224.56	July 2029	132,348.20
June 2025	958,923.99	August 2029	124,072.98
July 2025	930,304.82	September 2029 ...	116,024.71
August 2025	902,352.69	October 2029	108,198.26
September 2025 ...	875,053.52	November 2029 ...	100,588.60
October 2025	848,393.53	December 2029	93,190.81
November 2025 ...	822,359.21	January 2030	86,000.07
December 2025	796,937.30	February 2030	79,011.67
January 2026	772,114.83	March 2030	72,220.98
February 2026	747,879.09	April 2030	65,623.49
March 2026	724,217.61	May 2030	59,214.77
April 2026	701,118.18	June 2030	52,990.47
May 2026	678,568.84	July 2030	46,946.36
June 2026	656,557.87	August 2030	41,078.28

<u>Month of Distribution Date</u>	<u>Cap Contract Notional Balances (\$)</u>	<u>Month of Distribution Date</u>	<u>Cap Contract Notional Balances (\$)</u>
September 2030 . . .	35,382.16	January 2031	14,238.87
October 2030	29,854.02	February 2031	9,344.46
November 2030 . . .	24,489.95	March 2031	4,599.34
December 2030 . . .	19,286.15		

If the 1-AF Cap Contract is terminated early, the Cap Contract Counterparty may owe a termination payment to the Trustee, payable in a lump sum to be held by the Trustee until the Cap Contract Termination Date to pay any 1-AF Class Net WAC Carryover Amount as described in this prospectus. However, if such termination occurs, there can be no assurance that any such termination payment will be owing to the Trustee or that the termination payment will be sufficient to cover any 1-AF Class Net WAC Carryover Amount. In addition, Fannie Mae does not intend to obtain a replacement cap contract if the 1-AF Cap Contract is terminated early.

The 1-AF Class Certificates do not represent an obligation of the Cap Contract Counterparty. The Holders of the 1-AF Class Certificates are not parties to the 1-AF Cap Contract and will not have any right to proceed directly against the Cap Contract Counterparty in respect of its obligations under the 1-AF Cap Contract.

The Fannie Mae guaranty will not cover any failure of the Trust to receive payments under the 1-AF Cap Contract.

Special Characteristics of the R, RM and RL Classes

If any assets of the Upper Tier REMIC remain after the principal balances of all Senior, Mezzanine and Subordinate Classes are reduced to zero, we will pay the Holder of the R 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 R, 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 seller of the R, RM or RL Class Certificate had “improper knowledge” at the time of the transfer. In other words, the seller 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 seller is presumed not to have improper knowledge if four conditions are met.

- First, the seller 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 seller in the affidavit relating to disqualified organizations discussed above.
- Third, the transferee makes the representation to the seller 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

- 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),
- 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
- the facts and circumstances known to the seller 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

- any consideration given to the transferee to acquire that Certificate,
- expected future distributions on that Certificate, and
- anticipated tax savings associated with holding that Certificate as the related REMIC trust generates losses.

The regulations contain additional details regarding their application and you should consult your own tax advisor regarding the application of the Regulations to an actual transfer of a Residual Certificate.

The Holder of the R Class will be considered to be the holder of the “residual interest” in the Upper Tier REMIC, the Holder of the 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 R, RM and RL Classes (i) information that they need to prepare their federal income tax returns and (ii) any reports regarding the R, 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 CPR specified in the related tables;
- there are no Uncovered Prepayment Interest Shortfalls or Relief Act 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;
- no terms of the related Mortgage Loans are modified after the Issue Date;
- the applicable Servicer does not exercise its optional clean-up call;
- the settlement date for the sale of the Certificates is December 30, 2004; and
- each Distribution Date for the Certificates occurs on the 25th day of the related month beginning in January 2005.

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

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.

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 (or portions thereof) in Collateral Group 1, Collateral Group 2 or Collateral Group 3 will prepay at any constant percentage of the Prepayment Assumption or at any other constant rate.

Yield Table

The Inverse Floating Rate Class. The yield on the Inverse Floating Rate Class will be sensitive to the rate of principal payments, including prepayments, of the Mortgage Loans in Collateral Group 1 and to the level of the Index. The Mortgage Loans generally can be prepaid at any time without penalty. In addition, the rate of principal payments (including prepayments) of the Mortgage Loans in Collateral Group 1 is likely to vary, and may vary considerably. As illustrated in the table below, it is possible that investors in the Inverse Floating Rate Class would lose money on their initial investments under certain Index and prepayment scenarios.

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

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

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

<u>Class</u>	<u>Price*</u>
1-AS	5.3125%

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

**Sensitivity of the 1-AS Class to Prepayments and LIBOR
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>CPR Prepayment Assumption</u>				
	<u>5%</u>	<u>10%</u>	<u>25%</u>	<u>35%</u>	<u>50%</u>
0.28%	118.6%	110.4%	84.0%	64.4%	30.4%
2.28%	70.2%	63.1%	40.0%	22.6%	(9.1)%
4.28%	25.9%	19.8%	(0.2)%	(16.4)%	(50.3)%
6.10%	*	*	*	*	*

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

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 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 the applicable Servicer'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, Final Distribution Date of the Senior Classes and Last Scheduled Distribution Date of the Mezzanine 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 final Distribution Date for the Senior Classes is the Distribution Date occurring in July 2044.

The last scheduled Distribution Date for each Class of Mezzanine Certificates is the Distribution Date in July 2044. This date is determined on the basis of the following assumptions:

- the latest maturing Mortgage Loan is modified to extend its term by 10 years;
- no Mortgage Loan is prepaid or repurchased from the Trust prior to its modified maturity date; and
- the applicable Servicer does not exercise the optional clean-up call.

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 the applicable Prepayment Assumption and the corresponding weighted average lives of those Classes. The tables have been prepared on the basis of the Pricing Assumptions.

It is unlikely:

- that all of the related Mortgage Loans will have the interest rates or remaining terms to maturity assumed or
- that all of the related Mortgage Loans will prepay at any constant percentage of the applicable Prepayment Assumption.

In addition, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal payments than indicated in the tables at the specified constant percentages of CPR. This 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	1-AF and 1-AS† Classes					2-A Class					3-A and 3-IO† Classes					M, B-1 and B-2 Classes				
	CPR Prepayment Assumption					CPR Prepayment Assumption					CPR Prepayment Assumption					CPR Prepayment Assumption				
	0%	10%	25%	35%	50%	0%	10%	25%	35%	50%	0%	10%	25%	35%	50%	0%	10%	25%	35%	50%
Initial Percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
December 2005.....	99	88	73	63	48	99	89	73	63	48	99	88	73	63	48	99	99	99	99	99
December 2006.....	97	78	53	39	22	97	78	54	40	22	97	78	53	39	22	97	97	97	97	97
December 2007.....	96	69	39	24	10	96	69	39	24	10	96	69	39	24	10	96	96	96	96	96
December 2008.....	94	61	28	15	3	94	61	28	15	3	94	61	28	15	3	94	94	94	94	94
December 2009.....	92	53	20	8	*	93	54	20	8	*	92	53	20	8	*	92	92	92	92	92
December 2010.....	90	47	14	5	0	91	47	14	5	0	90	47	14	5	0	90	87	83	79	50
December 2011.....	88	41	10	3	0	89	41	10	3	0	88	41	10	3	0	88	82	72	65	25
December 2012.....	86	36	7	1	0	86	36	7	1	0	85	36	7	1	0	86	75	59	49	12
December 2013.....	83	31	5	1	0	84	32	5	1	0	82	31	5	1	0	83	67	46	34	6
December 2014.....	81	27	4	1	0	81	27	4	1	0	79	27	4	*	0	81	58	33	21	3
December 2015.....	78	24	3	*	0	78	24	3	*	0	76	23	3	*	0	78	50	24	13	1
December 2016.....	75	20	2	*	0	75	21	2	*	0	73	20	2	*	0	75	44	17	8	1
December 2017.....	72	18	1	*	0	72	18	1	*	0	69	17	1	*	0	71	38	12	5	*
December 2018.....	68	15	1	*	0	68	15	1	*	0	65	14	1	*	0	68	32	9	3	*
December 2019.....	65	13	1	*	0	64	13	1	*	0	60	12	1	*	0	64	27	6	2	*
December 2020.....	61	11	*	*	0	60	11	*	*	0	55	10	*	*	0	60	23	4	1	*
December 2021.....	56	9	*	*	0	55	9	*	*	0	50	8	*	*	0	56	19	3	1	*
December 2022.....	52	8	*	*	0	50	7	*	*	0	44	6	*	*	0	51	16	2	*	*
December 2023.....	47	6	*	*	0	45	6	*	*	0	38	5	*	*	0	46	13	1	*	*
December 2024.....	42	5	*	*	0	38	5	*	*	0	31	4	*	*	0	41	10	1	*	*
December 2025.....	36	4	*	*	0	32	3	*	*	0	23	2	*	*	0	35	8	1	*	*
December 2026.....	30	3	*	*	0	25	2	*	*	0	15	1	*	*	0	29	6	*	*	*
December 2027.....	24	2	*	*	0	18	2	*	*	0	7	1	*	*	0	23	4	*	*	*
December 2028.....	17	1	*	*	0	12	1	*	*	0	3	*	*	*	0	16	3	*	*	*
December 2029.....	10	1	*	*	0	6	*	*	*	0	2	*	*	*	0	9	1	*	*	*
December 2030.....	2	*	*	*	0	3	*	*	*	0	1	*	*	*	0	2	*	*	*	0
December 2031.....	0	0	0	0	0	1	*	*	*	0	*	*	*	0	0	*	*	*	*	0
December 2032.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**.....	16.9	7.2	3.1	2.1	1.3	16.6	7.2	3.1	2.1	1.3	15.7	7.1	3.1	2.1	1.3	16.8	11.9	9.0	8.1	6.3

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

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

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

THE 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.

Sale 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. 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, the Seller 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 and FHA or VA guidelines, as applicable.

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 of Mortgage Loans

Pursuant to the Sale and Servicing Agreement, GMACM and Wells Fargo are responsible for servicing and administering the Mortgage Loans. Except as otherwise specified in this prospectus, the Servicers will be obligated to perform diligently all services and duties customary to servicing mortgages, as well as those specifically prescribed in the Sale and Servicing Agreement. Under the Sale and Servicing Agreement, we will monitor each Servicer’s performance and have the right to remove one or both Servicers for cause at any time, if we consider such removal to be in the best interest of

Certificateholders. Each Servicer's duties include general loan servicing, collecting and remitting principal and interest payments, administering mortgage escrow accounts, collecting insurance claims, and, if necessary, foreclosing on properties and administering and disposing of foreclosed properties.

Each month, the Servicers will receive a fee as compensation for their respective servicing activities. Their fees will be calculated at the annual servicing fee rate specified in the mortgage loan schedule forming a part of the Sale and Servicing Agreement, in each case calculated on the Stated Principal Balance of each Mortgage Loan serviced by the related Servicer. The Servicers are also entitled to retain prepayment fees, late charges, assumption fees and similar charges if they are collected from borrowers. The Servicers will pay all expenses it incurs in connection with their respective servicing activities and will not be reimbursed for them (except for Delinquency Advances and Servicing Advances and other liquidation expenses) out of the assets of the Trust.

In addition, as compensation for our guaranty of the Senior Certificates, we will receive a fee from amounts collected on the Mortgage Loans.

Payments on Mortgage Loans; Deposits in the Certificate Account

Prior to each Distribution Date, each Servicer will remit to one or more accounts (collectively, the "Certificate Account") an amount generally equal to the *sum* of the following with respect to the Mortgage Loans that it services

- scheduled principal and interest received during the related Due Period, *plus*
- unscheduled collections received (*i.e.*, voluntary prepayments, as well as principal and interest on the related Mortgage Loans in the form of net liquidated proceeds or similar proceeds) during the related Prepayment Period, *plus*
- any Delinquency Advance that the Servicer must make in respect of delinquent payments of principal and interest 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 and the Trust).

We are required to hold all such appropriately credited funds in our general accounts (and all funds in the Certificate Account that we have invested) for the benefit of the 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.

Amounts received and applied by the Servicers as reimbursements for Servicing Advances or Delinquency Advances or as recoveries of outstanding arrearages will not be required to be deposited in the Certificate Account.

Reports to Certificateholders

We will make available the class factors for each Class of Certificates on or shortly after the 23rd calendar day of each month. If you multiply the class factor for a Class of Certificates by the original principal balance (or original notional principal balance) of that Class of Certificates, you will obtain the current principal balance (or current notional principal balance) of that Class of Certificates, 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

The Servicers are responsible for servicing the Mortgage Loans. In connection with its servicing activities, each 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, each Servicer may, in its discretion and without obligation, purchase from the Lower Tier REMIC any Mortgage Loan that it services which 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.

Each Servicer must make advances to the Trust for delinquent payments of principal of and interest on the Mortgage Loans that it services until the *earlier of*

- the date of conveyance of the related Mortgaged Property to HUD or the VA, as applicable, and
- the final liquidation of the related Mortgaged Property.

Before we make any payments on the Senior and Mezzanine Certificates, we will reimburse all these advances to the applicable Servicer from monthly collections on the related Mortgage Loans. We call these advances "Delinquency Advances." In addition, we may reimburse a Servicer for unrecovered Delinquency Advances from net liquidation proceeds for the related Mortgage Loans.

Each 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." A Servicer may recover a Servicing Advance to the extent permitted by the related Mortgage Loan. If a 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 to the extent such net liquidation proceeds are insufficient, allocated as a Realized Loss to the Mezzanine and Subordinate Certificates.

Certain of the Mortgage Loans to be transferred to the Trust are subject to arrearages arising from unreimbursed interest, principal and servicing advances made prior to the Issue Date. These arrearages will not be the property of the Trust and any collections of such arrearage amounts will be paid to the advancing party. Additionally, any arrearage amounts not paid as described above will be paid out of recoveries (including collections, insurance proceeds and liquidation proceeds from the Mortgage Loans) prior to the deposit of any such recoveries into the Trust.

Upon receipt by a Servicer of liquidation proceeds, it will remit such liquidation proceeds (net of Servicing Advances, Delinquency Advances and any unpaid arrearages in respect of the related Mortgage Loan) to the Trust.

Subject to the limitations discussed below, the applicable 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,
- take any action or refrain from taking any action in servicing any Mortgage Loan.

In addition, the applicable Servicer must purchase any Mortgage Loan (or portion thereof) in Collateral Group 2 or Collateral Group 3 as to which the related Mortgage Interest Rate is reduced.

The Trust Agreement prohibits certain other modifications, such as reducing the mortgage interest rate (except in the case of Mortgage Loans in Collateral Group 1) or principal amount or extending the term of a Mortgage Loan. However, the Servicers are authorized to waive any assumption fee or late payment charge.

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

- cause the Upper Tier REMIC, 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—Taxes on the REMICs” in this prospectus

The Sale and Servicing Agreement will provide that the Servicers will service the Mortgage Loans in accordance with FHA and VA guidelines. In accordance with FHA and VA guidelines and the terms of the Sale and Servicing Agreement each Servicer is permitted to make certain other modifications, such as reducing the Mortgage Interest Rate or principal amount or extending the term of a Mortgage Loan; *provided, however*, that if a Servicer reduces the Mortgage Interest Rate of a Mortgage Loan in Collateral Group 2 or Collateral Group 3, that Servicer must purchase the affected Mortgage Loan from the Trust. The Servicers may waive any prepayment charge, assumption fee, or late payment charge, or may exercise or refrain from exercising any “call option rider.” If a Servicer decides to take or refrain from taking any of the actions discussed above, its decision must be consistent with the then-current policies or practices that it follows for comparable mortgage loans held in its own portfolio and the then-current policies of FHA and VA, as applicable.

In general, an FHA or VA loan may be assumed by a creditworthy purchaser of the related mortgaged property from the original borrower. For FHA loans originated prior to December 1989 and VA loans originated prior to March 1988, FHA and VA historically permitted borrowers to sell their homes subject to the existing FHA loan or VA loan, without requiring the new homeowner to assume the mortgage debt, and, in some cases, without requiring the lender to determine whether the new homeowner was creditworthy. In those instances, the original borrower is not relieved of the obligation under the Mortgage Loan.

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 Upper 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. Holders of Mezzanine Certificates and Subordinate Certificates will have no right to terminate our obligations and duties unless and until the Senior Certificates have been paid in full.

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 Upper Tier REMIC as REMICs.

If Certificateholders who own at least 66% of each affected 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 the applicable Servicer 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).

GMACM 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; *provided, however*, that if all of the Mortgage Loans serviced by GMACM have been paid or liquidated, Wells Fargo will be able to exercise the optional clean-up call.

If the applicable Servicer exercises the optional clean-up call, the Certificates will be retired. In no event, however, will the Lower Tier REMIC, the Middle Tier REMIC, the Upper 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.

Further, although the 1-AF Class Certificates resemble variable rate debt instruments, the tax treatment of these Certificates can differ from the tax treatment of such an investment. 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 Elections and Special Tax Attributes
- Taxation of Beneficial Owners of Regular Certificates
- Taxation of 1-AF Class Net WAC Carryover Amounts
- Taxation of Beneficial Owners of Residual Certificates
- Taxes on the REMICs
- Reporting and Other Administrative Matters
- Backup Withholding
- Foreign Investors

REMIC Elections and Special Tax Attributes

We will elect to treat each of the Upper Tier REMIC, 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. Dewey Ballentine LLP, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that, assuming compliance with the Trust Agreement, the Upper Tier REMIC, 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 the R, RM and RL Classes the right of the Holders of the 1-AF Class to receive 1-AF Class Net WAC Carryover Amounts) will be designated as the “regular interests” in the Upper Tier REMIC (each a “Regular Certificate” and, together, the “Regular Certificates”) and the R Class will be designated as the “residual interest” in the Upper Tier REMIC. The 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.

The Upper Tier REMIC will be taxed as if it had issued eleven regular interests, one corresponding to each of the 1-AF, 1-AS, 2-A, 3-A, 3-IO, M, B-1, B-2, B-3, B-4 and B-5 Classes. Each of these regular interests will be entitled to receive interest and principal payments at the times and in the amounts equal to those made to the Class to which it corresponds, except that the interest rate on the regular interests corresponding to the 1-AF Class will be determined without regard to the 1-AF Class Net WAC Carryover Amount. A beneficial owner of an 1-AF Class Certificate will be treated for federal income tax purposes as the beneficial owner of a pro rata interest in the corresponding regular interest. Any excess of the amount of interest actually payable to an 1-AF Class Certificate over the amount of interest payable on the corresponding regular interest will be deemed to have been received pursuant to a notional principal contract as discussed below. See “—*Taxation of the 1-AF Class Net WAC Carryover Amounts*” below.

Because the Upper Tier REMIC, the Middle Tier REMIC and the Lower Tier REMIC will qualify as REMICs, the Regular and Residual Certificates will be “regular or residual interests in a REMIC” within the meaning of section 7701(a)(19)(C)(xi) of the Code and “real estate assets” within the meaning of section 856(c)(5)(B) of the Code. If at any time during a calendar year less than 95% of the assets of the Lower Tier 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.

Treatment of the 1-AF Class

Except as provided below, a beneficial owner of a 1-AF Class Certificate will be treated

- as holding an undivided interest in a REMIC regular interest, and
- as having entered into a notional principal contract.

Consequently, each beneficial owner of a 1-AF Class Certificate will be required to report its pro rata share of income accruing with respect to the corresponding REMIC regular interest, as discussed under “—*Taxation of Beneficial Owners of Regular Certificates*” below. In addition, each beneficial owner of a 1-AF Class Certificate will be required to report its pro rata share of net income with respect to the notional principal contract and will be permitted to recognize its share of a net deduction with respect to the notional principal contract, subject to the discussions under “—*Taxation of the 1-AF Class Net WAC Carryover Amounts*” below. You should consult your own tax advisor regarding the consequences to you in light of your particular circumstances of taxing separately the two components comprising each 1-AF Class Certificate (that is, the corresponding REMIC regular interest and the notional principal contract).

Allocations

A beneficial owner of a 1-AF Class Certificate must allocate its cost to acquire that Certificate between the corresponding REMIC regular interest and the notional principal contract based on their relative fair market values. When a beneficial owner of a 1-AF Class Certificate sells or disposes of the Certificate, the beneficial owner must allocate the sale proceeds between the corresponding REMIC regular interest and notional principal contract based on their relative fair market values and must treat the sale or other disposition of the Certificate as a sale or other disposition of a pro rata portion of the corresponding REMIC regular interest and the notional principal contract.

We intend to report income and expense with respect to all Certificates as if the notional principal contract corresponding to each Certificate had only a nominal value, relative to the value of the corresponding REMIC regular interest, as of the Settlement Date. See “—*Taxation of the 1-AF Class Net WAC Carryover Amounts*” below. The notional principal contract is difficult to value, and the Internal Revenue Service (IRS) could assert that the value of the notional principal contract as of the Settlement Date is greater than the value we will use for information reporting purposes. If, for example, the IRS were to assert successfully that the notional principal contract corresponding to the 1-AF Class had a higher value as of the Settlement Date, a greater portion of the purchase price for the 1-AF Class would be allocated to the notional principal contract and a lesser portion would be allocated to the corresponding REMIC regular interest, which could result in differences in the beneficial owner’s timing and character of income, gains, deductions and losses with respect to the 1-AF Class. See “—*Taxation of Beneficial Owners of Regular Certificates*” and “—*Taxation of the 1-AF Class Net WAC Carryover Amounts*” below. You therefore should consider the tax consequences to you if the IRS were to assert a different value for the notional principal contract corresponding to the 1-AF Class.

Tax Attributes

Although the 1-AF Class Certificates will represent beneficial ownership in REMIC regular interests, which are afforded certain tax attributes under the Code (see “—*REMIC Elections and Special Tax Attributes*” above), the interest in the corresponding notional principal contract represented by a 1-AF Class Certificate will not constitute:

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

Income received under the notional principal contract will not constitute income described in section 856(c)(3)(B) with respect to a real estate investment trust.

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 Upper Tier REMIC 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 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, however, is equal to the sum of all distributions to be made under that Regular Certificate.

Notwithstanding the general definition, OID on a Regular Certificate will be treated as zero if the discount is less than 0.25% of the stated redemption price at maturity of the Certificate multiplied by its weighted average life. The weighted average life of a Regular Certificate is apparently computed for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the Certificate, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the Settlement Date until the date on which each such distribution is expected to be made under the assumption that the mortgage loans backing the related underlying securities prepay at a specified rate by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the Regular Certificate’s stated redemption price at maturity. If OID is treated as zero under this rule, the actual amount of OID must be allocated to the principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized. The prepayment assumption for each Loan Group is 25% CPR. 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% 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 the 1-AF Class Net WAC Carryover Amounts

The beneficial owners of a 1-AF Class Certificate will be treated as having entered into a “notional principal contract” within the meaning of Treasury Department regulations promulgated under section 446 of the Code (the “NPC Regulations”) with respect to the 1-AF Cap Contract. Pursuant to the notional principal contract, a beneficial owner of a 1-AF Class Certificate will be treated as agreeing to pay a premium for the right to receive the payments on the 1-AF Cap Contract. A beneficial owner of a 1-AF Class Certificate will be treated as having entered into the notional principal contract on the date the beneficial owner acquires the Certificate.

Treatment of Payments under the 1-AF Cap Contract

Under the NPC Regulations, the premium that is deemed to have been paid for the 1-AF Cap Contract must be amortized over the life of the 1-AF Class, taking into account the declining balance of the 1-AF Class. For information reporting purposes, we intend to amortize the premium under a constant yield method, similar to that used to amortize OID. You should consult your tax advisor regarding the method for amortizing this premium.

Any payment received by the 1-AF Class pursuant to the 1-AF Cap Contract will be treated as a periodic payment under the NPC Regulations. To the extent that the periodic payments for any year exceed the amount of the premium amortized in that year, such excess shall represent net income for that year. Conversely, to the extent that the amount of the premium amortized in any year exceeds the periodic payments for that year, such excess shall represent a net deduction for that year. Although not clear, net income or a net deduction should be treated as ordinary income or as an ordinary deduction.

A beneficial owner’s ability to recognize a net deduction with respect to the 1-AF Cap Contract is limited under section 67 of the code in the case of (i) estates and trusts, and (ii) individuals owning an interest in a 1-AF Class Certificate directly or through an investment in a “pass-through entity” (other than in connection with such individual’s trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, certain limited liability companies, and non-publicly offered regulated investment companies, but do not include estates, nongrantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies. Generally, such a beneficial owner can recognize a net deduction only to the extent that these costs, when aggregated with certain of the beneficial owner’s other miscellaneous itemized deductions, exceed 2% of the beneficial owner’s adjusted gross income. For this purpose, an estate or nongrantor trust computes adjusted gross income in the same manner as in the case of an individual, except that deductions for administrative expenses of the estate or trust that would not have been incurred if the property were not held in such trust or estate are treated as allowable in arriving at adjusted gross income. In addition, section 68 of the Code may provide for certain limitations on itemized deductions otherwise allowable for a beneficial owner who is an individual. Further, such a beneficial owner may not be able to recognize a net deduction with respect to the 1-AF Cap Contract in computing the beneficial owner’s alternative minimum tax liability.

Disposition of the 1-AF Cap Contract

Any amount that is considered to be allocated to the 1-AF Cap Contract in connection with the sale or other disposition of a 1-AF Class Certificate as described under “—Treatment of the 1-AF Class—Allocations” above will be considered a “termination payment” under the NPC Regulations. Under the NPC Regulations, a beneficial owner of a 1-AF Class Certificate will have gain or loss

from the disposition of the 1-AF Cap Contract equal to (i) the sum of the unamortized portion of any premium received or deemed to have been received by the beneficial owner upon entering into the Cap Contract and any termination payment it receives or is deemed to have received, less (ii) the sum of the unamortized portion of any premium paid or deemed to have been paid by the beneficial owner upon entering into the 1-AF Cap Contract and any termination payment it makes or is deemed to have made. The gain or loss should be capital gain or loss, provided the 1-AF Cap Contract is a capital asset to the beneficial owner. The ability to deduct capital losses is subject to limitations.

Taxation of Beneficial Owners of Residual Certificates

Amounts Paid to a Transferee of a Residual Certificate

The Treasury Department recently issued 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 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. In addition, under the Regulations an inducement fee shall be treated as income from sources within the United States. The Regulations, which are effective for taxable years ending on or after May 11, 2004, contain additional details regarding their application. You should consult your own tax advisor regarding the application of the Regulations to the transfer of a Residual Certificate.

Daily Portions

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

Taxable Income or Net Loss of the REMICs

The taxable income or net loss of the Upper Tier REMIC, the Middle Tier REMIC and the Lower Tier REMIC will be the income from the "qualified mortgages" it holds 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 Upper Tier REMIC, a deduction will be allowed for accruals of interest (including any OID, but without regard to the investment interest limitation in section 163(d) of the Code) on the Regular Certificates (but not the R Certificate).
- Market discount equal to any excess of the total Stated Principal Balances of the qualified mortgages over the related REMIC's basis in these mortgages generally will be included in

income by the related REMIC as it accrues under a constant yield method, taking into account the prepayment assumption described above.

- If the related REMIC is treated as having acquired qualified mortgages at a premium, the premium also will be amortized using a constant yield method.
- No item of income, gain, loss or deduction allocable to a prohibited transaction (see “—*Taxes on the REMICs*—Prohibited Transactions” below) will be taken into account.
- The REMICs generally may not deduct any item that would not be allowed in calculating the taxable income of a partnership by virtue of section 703(a)(2) of the Code.
- The limitation on miscellaneous itemized deductions imposed on individuals by section 67 of the Code will not be applied at the REMIC level to any administrative fees, such as servicing and guaranty fees. (See, however, “—Pass-Through of Servicing and Guaranty Fees to Individuals” below.)
- No deduction is allowed for any expenses incurred in connection with the formation of the 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 Upper Tier REMIC’s basis in its assets is the aggregate of the issue prices of all the Regular and Residual Certificates in the Upper Tier REMIC on the Settlement Date. If, however, the amount sold to the public of any class of Regular or Residual Certificates is not substantial, then the fair market value of all the Regular or Residual Certificates in that class as of the date of this prospectus should be substituted for the issue price. If the deductions allowed to a REMIC exceed its gross income for a calendar quarter, the excess will be a net loss for the REMIC for that calendar quarter.

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

Basis Rules and Distributions

A Residual Owner has an initial basis in the related Residual Certificate equal to the amount paid for the Residual Certificate. The basis is increased by amounts included in the income of the Residual Owner and decreased by distributions and by any net loss taken into account with respect to the Residual Certificate. A distribution on 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 R, 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 R, 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.

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% 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.

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

The Senior Certificates (Other than the 1-AF Class)

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 (other than the 1-AF Class) qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of Senior Certificates (other than the 1-AF Class) 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.

The 1-AF Class

Because the right to interest payable under the 1-AF Cap Contract to Holders of the 1-AF Class is not guaranteed by Fannie Mae, the “guaranteed governmental mortgage pool exemption” may or may not be applicable to the acquisition and holding of that right. Therefore, any Plan Fiduciary considering an investment in the 1-AF Class should consider the identity of the Cap Contract Counterparty, UBS Aggregate Group, London Branch, in determining whether an investment in the 1-AF Class would give rise to a prohibited transaction under ERISA or the Code. Depending on the relevant facts and circumstances, certain prohibited transaction exemptions may apply to the acquisition of the 1-AF Class and rights under the 1-AF Cap Contract. For example:

- Prohibited Transaction Class Exemption (“PTCE”) 84-14, which exempts certain transactions effect on behalf of a Plan by a “qualified professional asset manager,”
- PTCC 90-1, which exempts certain transactions by insurance company pooled separate accounts,
- PTCE 91-38, which exempts certain transactions by bank collective investment funds,
- PTCE 95-60, which exempts certain transactions by insurance company general accounts, or
- PTCE 96-23, which exempts certain transactions effected on behalf of a Plan by an “in-house asset manager.”

Each Plan that invests in the 1-AF Class, by its acceptance of the related Certificate, will be deemed to make certain representations as provided in the Trust Agreement, including that its

acquisition of the 1-AF Class and rights under the 1-AF Cap Contract do not give rise to a nonexempt prohibited transaction under section 406 of ERISA or section 4975 of 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 applicable 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 UBS Securities LLC (“UBS” or the “Dealer”), which proposes to offer the Offered Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer is an affiliate of the Seller and the Cap Contract Counterparty. The Dealer may effect these transactions to or through other dealers.

RATINGS

We will not issue the Certificates unless Standard & Poor’s Ratings Service, a division of The McGraw Hill Companies, Inc. (“S&P”), assigns 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 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 Dewey Ballantine LLP. McKee Nelson LLP will provide legal representation for the Dealer.

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Exhibit A

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.

Certain Assumed Characteristics of the Mortgage Loans

	Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	WAM	WALA
Category A Loans	\$265,096,484.93	6.4737857601%	6.9212533034%	315	38
Category B Loans	\$ 814,869.32	7.6850000000	8.1250000000	313	47
	983,463.63	7.7500000000	8.2500000000	333	14
	2,912,281.43	7.8100000000	8.2500000000	296	64
	418,456.62	7.8750000000	8.3750000000	335	6
	2,450,844.67	7.9350000000	8.3750000000	304	56
	1,170,250.32	8.0000000000	8.5000000000	324	17
	8,275,864.52	8.0600000000	8.5000000000	272	79
Total	\$ 17,026,030.51	7.9547197261%	8.4037840958%	291	62
Category C Loans	\$ 6,363,310.90	8.5434970538%	8.9925852817%	283	75

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\$280,408,222 (Approximate)



Guaranteed REMIC Pass-Through Certificates

Fannie Mae REMIC Trust 2004-W14

SENIOR SUPPLEMENT

UBS Investment Bank

December 3, 2004