

\$554,257,230 (Approximate)



FannieMae®

**Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 2005-W2**

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 May 2035.

Our guaranty does not cover uncovered prepayment interest shortfalls, Relief Act shortfalls, interest carryover amounts or failure to receive amounts due under the cap contracts.

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 having the characteristics described in the prospectus and
- a non-interest bearing cash deposit of \$4,600.83.

Class	Original Class Balance (1)	Principal Type	Interest Rate (2)	Interest Type	CUSIP Number	Final Distribution Date
A-1	\$ 80,514,000	SR/SEQ	(3) (4)	FLT	31394DJP6	May 2035
A-2	80,514,000 (5)	NTL	(3)	INV/IO	31394DJQ4	May 2035
A-3	200,000,000	SR/SEQ	(3) (4)	FLT	31394DJR2	May 2035
A-4	200,000,000 (5)	NTL	(3)	INV/IO	31394DJS0	May 2035
A-5	200,000,000	SR/AS/SEQ	(3) (4)	FLT	31394DJT8	May 2035
A-6	200,000,000 (5)	NTL	(3)	INV/IO	31394DJU5	May 2035
A-7	14,001,000	SR/SEQ	5.41%	FIX	31394DJV3	May 2035
A-8	57,886,000	SR/NAS/SEQ	5.41	FIX	31394DJW1	May 2035
AR	100	SR/SEQ	5.41	FIX	31394DJX9	May 2035
PO	1,856,130	SR/PT	(6)	PO	31394DJY7	May 2035
X	521,434,105 (5)	NTL	(7)	WAC/IO	31394DJZ4	May 2035
RL	0	NPR	0	NPR	31394DKJ8	May 2035

(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 the maximum annual rate as described in the prospectus.

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

(6) Principal only class.

(7) This class will bear interest at a variable annual rate calculated as described in the prospectus. During the first interest accrual period, the X Class is expected to bear interest at an annual rate of approximately 0.199257%.

The dealer specified below will offer the senior certificates (other than the PO and X Classes) from time to time in negotiated transactions at varying prices. We expect the settlement date to be March 30, 2005.

Countrywide Securities Corporation

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, interest carryover amounts or failure to receive amounts due under the cap contracts.

Without Fannie Mae's guaranty, the senior certificates would be paid only from the mortgage loans (and from the cap contracts in the case of the A-1, A-3 and A-5 Classes) 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 mortgage loans and, in the case of the A-1, A-3 and A-5 Classes, proceeds received by the trust under the respective cap contracts to cover A-1, A-3 and A-5 Class interest carryover amounts. In such event, delinquencies and defaults on the mortgage loans would affect payments to holders of the senior certificates and, if the protection provided by the subordination of the non-senior certificates were exhausted, holders of the 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 PO Senior Principal Distribution Amount and the Non-PO 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 will **not** cover any uncovered prepayment interest shortfalls, Relief Act shortfalls, interest carryover amounts or failure to receive amounts due under the cap contracts. See “Description of the Senior and Mezzanine Certificates—Interest 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.**

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.

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 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.

\$573,070,330 (Approximate)

WISCONSIN AVENUE SECURITIES

REMIC Pass-Through Certificates Fannie Mae REMIC Trust 2005-W2

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 "exempt securities" under the Securities Exchange Act of 1934.

The Certificates

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

Subordination

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

Payments to Certificateholders

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

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

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

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

The Trust and its Assets

The trust will own

- certain first lien, one- to four-family, fixed-rate, fully amortizing mortgage loans having the characteristics described in the prospectus and
- a non-interest bearing cash deposit of \$4,600.83.

Classes of Senior Certificates	Original Class Balance (1)	Principal Type	Interest Rate (2)	Interest Type	CUSIP Number	Final Distribution Date
A-1	\$ 80,514,000	SR/SEQ	(3) (4)	FLT	31394DJP6	May 2035
A-2	80,514,000 (5)	NTL	(3)	INV/IO	31394DJQ4	May 2035
A-3	200,000,000	SR/SEQ	(3) (4)	FLT	31394DJR2	May 2035
A-4	200,000,000 (5)	NTL	(3)	INV/IO	31394DJS0	May 2035
A-5	200,000,000	SR/AS/SEQ	(3) (4)	FLT	31394DJT8	May 2035
A-6	200,000,000 (5)	NTL	(3)	INV/IO	31394DJU5	May 2035
A-7	14,001,000	SR/SEQ	5.41%	FIX	31394DJV3	May 2035
A-8	57,886,000	SR/NAS/SEQ	5.41	FIX	31394DJW1	May 2035
AR	100	SR/SEQ	5.41	FIX	31394DJX9	May 2035
PO	1,856,130	SR/PT	(6)	PO	31394DJY7	May 2035
X	521,434,105 (5)	NTL	(7)	WAC/IO	31394DJZ4	May 2035
RL	0	NPR	0	NPR	31394DKJ8	May 2035

Classes of Mezzanine Certificates (8)	Original Class Balance (1)	Principal Type	Interest Rate (2)	Interest Type	CUSIP Number	Final Distribution Date
M	\$ 10,709,000	MEZZ	5.50%	FIX	31394DKA7	May 2035
B-1	5,209,800	MEZZ	5.50	FIX	31394DKB5	May 2035
B-2	2,894,300	MEZZ	5.50	FIX	31394DKC3	May 2035

- (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 application of the maximum annual rate as described in this prospectus.
- (5) Notional balances. These classes are interest only classes.
- (6) Principal only class.
- (7) This class will bear interest at a variable annual rate calculated as described in this prospectus. During the first interest accrual period, the X Class is expected to bear interest at an annual rate of approximately 0.199257%.
- (8) 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.

The dealer specified below will offer the senior and mezzanine certificates (other than the PO and X Classes) from time to time in negotiated transactions at varying prices. We expect the settlement date to be March 30, 2005.

Countrywide Securities Corporation

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

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

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

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

Countrywide Securities Corporation
Prospectus Department
4500 Park Granada
Calabasas, California 91302
(telephone 1-800-669-6091).

INCORPORATION BY REFERENCE

In this prospectus, 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, as amended, 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, as amended, 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 (the "Board") 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 the Board, Stephen B. Ashley, currently is serving as the non-executive chairman of the Board, Vice Chairman and Chief Operating Officer Daniel H. Mudd currently is serving as interim chief executive officer, and Executive Vice President Robert Levin currently is serving as interim chief financial officer. The Board further announced that the Audit Committee of the Board dismissed KPMG LLP as our independent auditor. On January 4, 2005, the Audit Committee of the Board approved the engagement of Deloitte & Touche LLP ("Deloitte") as our independent auditor. Deloitte will serve as the company's auditor for each of the fiscal years 2001, 2002, 2003 and 2004.

On December 21, 2004, the Office of Federal Housing Enterprise Oversight ("OFHEO") issued a letter (the "Letter") to the 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 submitted 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 January 18, 2005, the Board decided to reduce the first quarter 2005 dividend on our common stock by 50 percent in order to accelerate an increase in our capital. On February 23, 2005, we announced that OFHEO approved our proposed capital restoration plan. Under the plan, we detail how we expect to meet our minimum capital requirement on an ongoing basis, as well as achieve OFHEO's 30 percent surplus capital requirement by September 30, 2005. A summary of the capital restoration plan was filed as an exhibit to a Form 8-K that we filed with the Securities and Exchange Commission (the "SEC") on February 23, 2005.

On December 15, 2004, the Office of the Chief Accountant of the SEC issued a statement (the "Statement") regarding certain accounting issues relating to Fannie Mae, including determinations by the SEC that Fannie Mae should (i) restate our financial statements to eliminate the use of hedge accounting under Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities ("FAS 133"), (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 our 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.

As a result of the SEC's findings, we will restate our financial results from 2001 through June 30, 2004 to comply fully with the SEC's determination. In a Form 12b-25 filed with the SEC on November 15, 2004, we estimated that a loss of hedge accounting under FAS 133 for all derivatives could result in recording into earnings a net cumulative loss on derivative transactions of approximately \$9.0 billion as of September 30, 2004. (We estimate that as of December 31, 2004, this net cumulative after-tax loss was approximately \$8.4 billion.) We also stated that there would be a corresponding decrease to retained earnings and, accordingly, regulatory capital. In a Form 12b-25 filed with the SEC on March 17, 2005, we stated that if we do not qualify for hedge accounting for mortgage commitments accounted for as derivatives since our July 1, 2003 adoption of Financial Accounting Standard No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("FAS 149"), we estimate that we would be required to record in earnings a net cumulative after-tax loss related to these commitments of approximately \$2.4 billion as of December 31, 2004. We are working to determine the effect of the restatement, including the effect on each prior reporting period. We expect that the impact will be material to our reported GAAP and core business results for many, if not all, periods and will vary substantially from period to period based on the amount and types of derivatives held and fluctuations in interest rates and volatility. Our restated financial statements also will reflect corrections as a result of our misapplication of FAS 91 for each prior reporting period described above. We also will consider the impact, if any, of the SEC's decision on FAS 91 for periods prior to those described above.

Accordingly, on December 17, 2004, the Audit Committee of the Board concluded that our previously filed interim and audited financial statements and the independent auditor's reports thereon for the periods from January 2001 through the second quarter of 2004 should no longer be relied upon because such financial statements were prepared applying accounting practices that did not comply with GAAP. We have not yet filed our quarterly report on Form 10-Q for the quarter ended September 30, 2004 or our annual report on Form 10-K for the year ended December 31, 2004. The financial information regarding our anticipated results of operations for the quarter ended September 30, 2004 that was contained in our Form 12b-25 filed on November 15, 2004 and in a Form 8-K filed on November 16, 2004 was prepared applying the same policies and practices, and, accordingly, should not be relied upon. The Audit Committee has discussed the matters described above and in a Form 8-K filed with the SEC on December 22, 2004 with KPMG LLP, our independent auditor through December 21, 2004.

On September 20, 2004, OFHEO delivered its report to the Board of its findings to date of the agency's special examination. Among other matters, the OFHEO report raised a number of questions and concerns about our accounting policies and practices with respect to FAS 91 and FAS 133. On February 23, 2005, we announced that OFHEO notified our Board and management of several additional accounting and internal control issues and questions that OFHEO identified in its ongoing special examination, and directed that these matters be included in the internal reviews by the Board and management and reviewed by Deloitte. OFHEO indicated that it has not completed its review of all aspects of these issues, but has identified policies that it believes appear to be inconsistent with generally accepted accounting principles as well as internal control deficiencies that raise safety and soundness concerns. The issues and questions include the following areas: securities accounting, loan accounting, consolidations, accounting for commitments, and practices to smooth certain income and expense amounts. OFHEO also raised concerns regarding journal entry controls, systems limitations, and database modifications, as well as FAS 149 and new developments relating to FAS 91. A summary of the additional questions raised in OFHEO's ongoing special examination of Fannie Mae has been filed as an exhibit to a Form 8-K that we filed with the SEC on February 23, 2005.

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 "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 4.

The Certificates

- The certificates will represent beneficial ownership interests in Fannie Mae REMIC Trust 2005-W2.
- The assets of the trust will consist of certain first lien, one- to four-family, fixed-rate, fully amortizing mortgage loans having the characteristics described in this prospectus, together with a non-interest bearing cash deposit of \$4,600.83.

Certain Characteristics of the Mortgage Loans

For additional information about the nature of the mortgage loans in the trust, see “The Mortgage Loans” in this prospectus.

General

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

Twelve classes of senior certificates having the following designations will be issued and guaranteed by Fannie Mae:

- | | | |
|--|---|------------------|
| <ul style="list-style-type: none">• A-1• A-2• A-3• A-4• A-5• A-6• A-7• A-8• PO• X | } | Senior Classes |
| <ul style="list-style-type: none">• AR• RL | } | Residual Classes |

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

- | | | |
|---|---|-------------------|
| <ul style="list-style-type: none">• M• B-1• B-2 | } | Mezzanine Classes |
|---|---|-------------------|

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

- | | | |
|---|---|---------------------|
| <ul style="list-style-type: none">• 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 March 30, 2005.

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 April 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 certificates in the following forms:

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

Interest Payments

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

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

During each interest accrual period, the floating rate and inverse floating rate classes will bear interest at the applicable annual interest rates described in this prospectus.

During each interest accrual period, the X Class will bear interest at the applicable variable 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:

Class

A-2	100% of the A-1 Class
A-4	100% of the A-3 Class
A-6	100% of the A-5 Class
X	100% of the aggregate stated principal balance of the Non-Discount Loans

Principal Payments

PO Senior Principal Distribution Amount

To the PO Class to zero.

Non-PO Senior Principal Distribution Amount

1. To the AR Class to zero.
2. To the A-8 Class the amount specified under “Description of the Senior and Mezzanine Certificates—Principal Payments on the Senior and Mezzanine Certificates—*Non-PO Senior Principal Distribution Amount*” in this prospectus.
3. (a) 16.7558073230% of the remaining amount to the A-1 Class to zero, and
(b) 83.2441926770% of such remaining amount as follows:
 - first*, to the A-5 Class, up to \$1,000 on each distribution date;
 - second*, to the A-3 Class, up to \$2,500,000 on each distribution date;
 - third*, to the A-5 Class to zero; and
 - fourth*, to the A-3 Class to zero.
4. To the A-7 Class to zero.
5. To the A-8 Class to zero.

For a description of the PO Senior Principal Distribution Amount and Non-PO 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 certificates, pro rata, with funds available for such purpose to be applied as follows:

- first*, to the M, B-1 and B-2 Classes, in that order of priority, and
- thereafter*, to the subordinate certificates;

subject to certain limitations described in this prospectus.

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

Weighted Average Lives (years) *

<u>Senior Classes</u>	<u>PPC Prepayment Assumption</u>				
	<u>0%</u>	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
A-1 and A-2	18.8	5.5	2.6	1.8	1.3
A-3 and A-4	12.2	3.4	3.4	2.4	1.8
A-5 and A-6	25.4	7.6	1.9	1.1	0.8
A-7	29.8	24.2	9.0	4.5	3.2
A-8	21.0	12.8	10.0	6.1	4.1
AR	0.1	0.1	0.1	0.1	0.1
PO	19.1	6.9	3.8	2.5	1.9
X	19.3	7.0	3.8	2.5	1.9
<u>Mezzanine Classes</u>	<u>PPC Prepayment Assumption</u>				
	<u>0%</u>	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
M, B-1 and B-2	19.3	11.9	9.3	8.2	6.4

* 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., and Moody’s Investors Services, Inc. assign to the mezzanine certificates the ratings specified in the following table:

<u>Class</u>	<u>Standard & Poor’s Rating</u>	<u>Moody’s Rating</u>
M	AA	Aa3
B-1	A	A3
B-2	BBB	Baa3

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.

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.

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 mortgage loans,
- if and when the 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 and Relief Act shortfalls,

- if and when the mortgage loans are repurchased; and
- the actual characteristics of the mortgage loans.

Uncovered prepayment interest shortfalls will reduce the yield on the certificates. Uncovered prepayment interest shortfalls will reduce the amount of interest payable on the certificates. The Fannie Mae guaranty of the senior certificates does **not** cover any 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.

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 mortgage loans are faster than you expect, or
- if you buy your certificates at a discount and principal payments on the 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 mortgage loans occur at a rapid rate.

Even if the average rate at which principal is paid on the 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 mortgage loans during any period is faster or slower than you expect, a corresponding reduc-

tion 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 certificates will be affected.

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

Exercise of the optional clean-up call will have the same effect on the certificates as borrower prepayments of the mortgage loans. The servicer has the option to purchase from the trust all of the mortgage loans on or after the first distribution date when the aggregate stated principal balance of the mortgage loans has been reduced to 10% or less of their aggregate stated principal balance as of the issue date. Purchase of the mortgage loans will have the same effect on the certificates as borrower prepayments of the loans in full.

The rate of principal payments on the certificates depends on numerous additional factors and cannot be predicted. The rate of principal payments on the certificates of a particular class generally will depend on the rate of principal payments on the mortgage loans. Many factors affect the principal payment rate. Principal payments on the mortgage loans may occur as a result of scheduled amortization or prepayments. The rate of principal payments is likely to vary considerably from time to time as a result of the liquidation of foreclosed mortgage loans, as well as because borrowers may prepay substantially all of the mortgage loans at any time without penalty.

The prepayment rate of mortgage loans, especially fixed rate loans, can be particularly sensitive to prevailing interest rates. In general, when the level of prevailing interest rates declines relative to the interest rates on fixed rate mortgage loans, the rate of prepayment is likely to increase. The prepayment rate is influenced by a number of other factors as well, including general economic conditions and homeowner mobility. In addition, no one can predict the degree to which interest rates must decline before significant prepayments are likely to oc-

cur. Increased borrower sophistication regarding the benefits of refinancing and extensive solicitation by lenders may result in an increase in the rate at which the mortgage loans are prepaid due to refinancing. Because of these and other factors, we are unable to estimate what the prepayment experience for the mortgage loans will be.

It is highly *unlikely* that the mortgage loans will prepay:

- at the rates we assume,
- at any constant prepayment rate until maturity, or
- at the same rate.

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

Prepayment rates also can be affected by a breach of the representations and warranties made by the seller. The seller made representations and warranties with respect to the mortgage loans and may have to repurchase the related loans in case of a breach of those representations and warranties. Any such repurchases will increase the rate of prepayment.

Purchase of a delinquent mortgage loan has the effect of a prepayment. Fannie Mae (after the aggregate principal balance of the mezzanine and subordinate certificates has been reduced to zero) and the servicer (at any time) have the option to purchase from the trust 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 mortgage loans.

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

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

Unpredictable timing of last payment affects yields on certificates. The actual final payment on each class of certificates is likely to occur earlier, and could occur much earlier, than the maturity date of the latest maturing mortgage loan in the trust. 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 applicable 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 liquidation proceeds to holders of the applicable certificates could occur. Further, liquidation expenses (such as legal fees, real estate taxes and maintenance and preservation expenses) will reduce the proceeds of the mortgage loans payable to certificateholders.

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

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

a higher payment priority, than the other classes of non-senior certificates.

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

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

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

Concentration of mortgaged properties in certain states. The table on page 22 under “The Mortgage Loans—Initial Pool Statistics” set forth the geographic distribution of the mortgage loans.

As of the issue date, 27.02%, 6.47% and 5.26% of the mortgage loans (based on their aggregate stated principal balance) are secured by mortgaged properties located in California, Florida and New York, respectively.

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

Loan characteristics may differ from descriptions due to permitted variance. The principal amount of mortgage loans delivered to the trust on the settlement date may vary by plus or minus 10%. In that event the principal balances and notional principal balances of the

certificates will be adjusted accordingly to reflect such variance and maintain the required level of subordination. In addition, it is expected that additional mortgage loans may be added to, and certain mortgage loans may be deleted from, the trust between the issue date and the settlement date. As a result, the characteristics of the mortgage loans actually included in the trust may differ from the characteristics of the mortgage loans specified in this prospectus.

Declines in real estate values and mortgaged property values diminish security for mortgage loans. An overall decline in residential real estate markets could adversely affect the values of the mortgaged properties that secure the mortgage loans. In that event, the outstanding balances of the mortgage loans could equal or exceed the values of the related mortgaged properties. Residential real estate markets in many states have experienced periods of softness and decline in the recent past. We cannot predict or quantify any future declines in property values. During a period of property value decline, the rates of delinquencies, foreclosures and losses on the mortgage loans would probably be higher than those experienced in the mortgage lending industry in general. Geographic concentration of the mortgage loans may increase the impact of such market changes.

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

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

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

Uncertain market for the certificates could make them difficult to sell and cause their values to fluctuate. We cannot be sure that a market for resale of the certificates will develop. Further, if a market develops, it may not continue or be sufficiently liquid to allow you to sell your certificates. As a result, you may be unable to

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

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 Factor Relating to the A-1, A-3 and A-5 Classes

Application of the 5.41% rate cap to the A-1, A-3 and A-5 Classes may adversely affect their yields. The interest rates on the A-1, A-3 and A-5 Classes are subject to a 5.41% rate cap. The resulting interest carryover amounts (i.e., the amounts by which interest payments on the A-1, A-3 and A-5 Classes are reduced due to application of the 5.41% rate cap) will be paid to the A-1, A-3 and A-5 Classes on the current distribution date or future distribution dates to

the extent of proceeds received under the related cap contracts. However, we cannot assure you that funds from the cap contracts will be adequate to cover the related interest carryover amounts. The Fannie Mae guaranty of the senior certificates does **not** cover any interest carryover amount or any failure of the trust to receive payments under the cap contracts.

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 of a liquidated mortgage loan may be insufficient to pay principal of the mezzanine certificates in an amount equal to the full balance of that mortgage loan. (For purposes of allocating losses or payments to the mezzanine certificates, the M Class will be deemed to have a lower numerical designation, and to be of a higher payment priority, than the other classes of non-senior certificates.)

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

- the default and realized loss experience on the mortgage loans, and
- the timing of any such defaults or realized losses.

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

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

in the reverse order of their numerical class designations, until their principal balances are

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

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

Yields may be affected by disproportionate allocations of prepayments to the senior and mezzanine certificates. The yields and weighted average lives of the certificates probably will be affected by the disproportionately reduced allocation of mortgage loan prepayments to the mezzanine certificates relative to the senior certificates. This disproportionate allocation will have the effect of accelerating the amortization of the senior certificates while increasing the proportionate interest in the mortgage loans evidenced by the non-senior certificates. This feature is intended to preserve the subordination provided by the non-senior certificates to the senior certificates. The disproportionate allocation of prepayments will cause the principal balances of the mezzanine certificates to decline more slowly than would be the case if the mezzanine certificates received their proportionate share of principal prepayments. As a result of this allocation of prepayments, the average lives of the mezzanine certificates will likely be longer than otherwise would be the case. In addition, the performance characteristics of the mezzanine certificates will be different from those of other mortgage pass-through certificates that do not provide for such disproportionate allocation of mortgage loan prepayments.

In addition, under the limited circumstances described in this prospectus, principal

prepayments payable to the non-senior classes may be disproportionately allocated to those non-senior classes (including one or more of the mezzanine classes) having higher payment priorities.

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

Collecting and obtaining recovery costs may be difficult due to state and federal laws. Certain states have imposed statutory prohibitions that limit the remedies of a beneficiary under a deed of trust or a mortgagee under a mortgage. In some states, statutes limit the right of the beneficiary or mortgagee to obtain a deficiency judgment against the borrower following foreclosure or sale. (A deficiency judgment is a personal judgment against the borrower generally equal to the difference between the net amount received upon the public sale of the real property and the amount due the lender.) Other statutes require the beneficiary or mortgagee to foreclose in an attempt to satisfy the full debt before bringing a personal action against the borrower. Finally, following a judicial sale other statutory provisions limit any deficiency judgment against the borrower to the excess of the outstanding debt over the fair market value of the property at the time of the public sale. The purpose of these statutes is generally to prevent a beneficiary or a mortgagee from obtaining a

large deficiency judgment against the borrower as a result of a low bid, or no bids, at the judicial sale.

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

- limit the ability of the trust to collect all or part of the principal of or interest on the mortgage loans,
- entitle the borrower to a refund of amounts previously paid, and
- subject the trust to monetary damages and administrative enforcement.

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

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

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

GENERAL

The material under this heading summarizes certain features of the Senior and Mezzanine Certificates (each as defined in this prospectus). You will find additional information about the Senior and Mezzanine Certificates in the other sections of this prospectus. You will also find additional information about the Senior Certificates in the senior supplement. If we use a capitalized term in this prospectus without defining it, you will find the definition of that term in the Trust Agreement.

Structure. We, the Federal National Mortgage Association (“Fannie Mae”), a corporation organized and existing under the laws of the United States, under the authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act (12 U.S.C. § 1716 *et seq.*), will create the Fannie Mae REMIC Trust specified on the cover of this prospectus (the “Trust”) pursuant to a trust agreement (the “Trust Agreement”) dated as of March 1, 2005 (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, Countrywide Home Loans, Inc., as seller (the “Seller” or “Countrywide”), and Countrywide Home Loans Servicing LP (“Countrywide Servicing”), an affiliate of the Seller, as servicer (the “Servicer”) of the mortgage loans (the “Mortgage Loans”), will be parties to a sale and servicing agreement (the “Sale and Servicing Agreement”) dated as of the Issue Date.

A portion of the Trust (the “Upper 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 and a separate non-interest bearing cash deposit of \$1,223.54	Interests in the Lower Tier REMIC other than the RL Class (the “Lower Tier Regular Interests”)	RL
Upper Tier REMIC . . .	Lower Tier Regular Interests	REMIC Certificates other than the RL and AR Classes	AR

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

<u>Classes</u>	<u>Denominations</u>
The A-2, A-4, A-6, PO and X Classes and the Mezzanine Classes	\$100,000 minimum plus whole dollar increments
The A-1, A-3, A-5, A-7 and A-8 Classes	\$1,000 minimum plus whole dollar increments

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

Characteristics of Senior and Mezzanine Certificates. The Senior and Mezzanine Classes, other than the AR and RL Classes, will be represented by one or more certificates (the “DTC Certificates”) to be registered at all times in the name of the nominee of The Depository Trust Company (“DTC”), a New York-chartered limited purpose trust company, or any successor or depository selected or approved by us. We refer to the nominee of DTC as the “Holder” or “Certificateholder” of the Certificates. DTC will maintain the DTC Certificates through its book-entry facilities. A Holder is not necessarily the beneficial owner of a Certificate. Beneficial owners ordinarily will hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing

organizations. See “Description of the Senior and Mezzanine Certificates—Book-Entry Procedures” in this prospectus.

The holder of the Combined Residual Certificate will have the right to exchange the Combined Residual Certificate for three separate residual certificates (each, a “Separate Residual Certificate”) relating to each of the AR and RL Classes.

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

The Holder of the AR Class will receive the proceeds of any remaining assets of the Upper Tier REMIC, and the Holder of the RL Class will receive the proceeds of any remaining assets of the Lower Tier REMIC, in each case only by presenting and surrendering the related Certificate at the office of the paying agent. 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 applicable class factor is multiplied by the original principal balance (or notional principal balance) of a Certificate of any Class, the product will equal the current principal balance (or notional principal balance) of that Certificate after taking into account payments on the Distribution Date in the same month.

Optional Clean-up Call by Countrywide Servicing. Countrywide Servicing may elect to purchase all of the Mortgage Loans from the Lower Tier REMIC on or after the first Distribution Date on which the aggregate Stated Principal Balance of the Mortgage Loans has been reduced to 10% or less of their aggregate Stated Principal Balance on the Issue Date. If the Mortgage Loans are purchased in this way, it will have the same effect on the Certificates as a prepayment in full of the Mortgage Loans.

THE MORTGAGE LOANS

General

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

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

As of the Issue Date, the Initial Mortgage Pool consists of 3,135 Mortgage Loans having an aggregate principal balance of \$578,859,590. The aggregate amount of the mortgage loans actually delivered to the Trust on the Settlement Date may vary by plus or minus 10%. 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 Trust on the Settlement Date will not differ materially from the characteristics described in this prospectus.

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

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

The Mortgage Loans have terms of not more than 30 years. Each Mortgage Loan provides that the obligor on the related Mortgage Note (the “borrower”) must make monthly payments of principal and interest by a scheduled day of each month. This day is fixed at the time of origination. In addition, each Mortgage Loan provides that each borrower must pay interest on its outstanding principal balance at the rate originally specified in the related Mortgage Note (the “Mortgage Interest Rate”).

Initial Pool Statistics

The following tables set forth certain additional information, as of the Issue Date, with respect to the Initial Mortgage Pool. References to “Issue Date Principal Balance” mean the aggregate of the Stated Principal Balances 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.

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>
0.00– 50,000.00	46	\$ 1,958,106.43	0.34%	6.109%	359	1
50,000.01–100,000.00	368	30,670,398.19	5.30	5.969	359	0
100,000.01–150,000.00	823	104,554,225.60	18.06	5.957	359	0
150,000.01–200,000.00	775	135,801,292.97	23.46	5.939	359	0
200,000.01–250,000.00	474	106,499,664.64	18.40	5.903	359	0
250,000.01–300,000.00	344	94,649,109.17	16.35	5.887	359	0
300,000.01–350,000.00	186	60,540,821.64	10.46	5.867	359	0
350,000.01–400,000.00	106	38,031,759.32	6.57	5.840	360	0
400,000.01–450,000.00	6	2,567,368.32	0.44	6.026	359	1
450,000.01–500,000.00	6	2,895,949.02	0.50	6.083	360	0
500,000.01 or greater	1	690,894.88	0.12	5.875	359	1
Total	<u>3,135</u>	<u>\$578,859,590.18</u>	<u>100.00%</u>			

* As of the Issue Date, the average principal balance of the Mortgage Loans was approximately \$184,644.

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)
5.00001-5.50000	80	\$ 15,157,830.94	2.62%	5.438%	360	0
5.50001-6.00000	2268	434,060,499.73	74.99	5.837	359	0
6.00001-6.50000	785	129,243,759.51	22.33	6.236	359	0
6.50001-7.00000	2	397,500.00	0.07	6.625	359	1
Total	<u>3,135</u>	<u>\$578,859,590.18</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average Mortgage Interest Rate of the Mortgage Loans was approximately 5.916%. The Mortgage Interest Rates of the Mortgage Loans shown in the preceding table are net of any lender-paid primary mortgage insurance.

Remaining Term*

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)
360.....	2,209	\$400,087,115.01	69.12%	5.913%	360	0
359.....	758	145,683,220.23	25.17	5.919	359	1
358.....	98	19,459,139.09	3.36	5.925	358	2
357.....	22	3,905,244.24	0.67	6.028	357	3
356.....	12	2,376,201.90	0.41	6.094	356	4
355.....	2	552,245.13	0.10	6.068	355	5
353.....	2	650,945.39	0.11	5.809	353	7
352.....	3	638,681.21	0.11	5.885	352	3
350.....	1	155,602.58	0.03	6.125	350	10
349.....	1	291,684.10	0.05	5.875	349	1
348.....	1	169,810.70	0.03	5.750	348	1
308.....	1	135,008.16	0.02	5.750	308	52
300.....	16	2,996,161.00	0.52	5.953	300	0
299.....	5	869,787.06	0.15	5.970	299	1
298.....	2	419,246.94	0.07	5.807	298	2
297.....	1	220,598.41	0.04	5.750	297	3
238.....	1	248,899.03	0.04	5.875	238	2
Total	<u>3,135</u>	<u>\$578,859,590.18</u>	<u>100.00%</u>			

* As of the Issue Date, the weighted average remaining term of the Mortgage Loans was approximately 359 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)
0-24	3,134	\$578,724,582.02	99.98%	5.916%	359	0
49-72	1	135,008.16	0.02	5.750	308	52
Total	<u>3,135</u>	<u>\$578,859,590.18</u>	<u>100.00%</u>			

Geographical Concentrations by State

<u>State</u>	<u>Number of Mortgage Loans</u>	<u>Issue Date Principal Balance</u>	<u>Percentage by Issue Date Principal Balance</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
California	664	\$156,425,918.42	27.02%	5.866%	359	1
Florida	225	37,450,727.39	6.47	5.977	360	0
New York	139	30,424,587.64	5.26	5.932	360	0
New Jersey	133	28,204,859.79	4.87	5.949	359	0
Arizona	155	24,585,032.73	4.25	5.944	359	1
Nevada	97	19,864,600.91	3.43	5.932	359	0
Washington	110	19,565,039.17	3.38	5.881	359	0
Texas	122	18,099,886.62	3.13	5.928	360	0
Massachusetts	75	17,075,450.60	2.95	5.925	358	0
Virginia	76	14,931,648.62	2.58	5.896	359	0
Illinois	72	13,833,216.49	2.39	5.971	359	0
Michigan	79	12,030,261.55	2.08	5.915	359	0
Pennsylvania	83	11,856,126.89	2.05	5.969	358	0
Other (less than 2%)	<u>1,105</u>	<u>174,512,233.36</u>	<u>30.15</u>	5.930	359	0
Total	<u>3,135</u>	<u>\$578,859,590.18</u>	<u>100.00%</u>			

Fannie Mae Mortgage Purchase Program

General

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

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

Selling and Servicing Guides

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

Mortgage Loan Eligibility Standards—Conventional Loans

Dollar Limitations. The Charter Act requires that we establish maximum original principal balance dollar limitations for the conventional loans that we purchase. These limitations, which we refer to as our conforming loan limits, typically are adjusted annually. As of January 1, 2005, our conforming loan limit for conventional loans secured by first liens on residences containing one dwelling unit is \$359,650, except for mortgage loans secured by property in Alaska, Guam, Hawaii or

the Virgin Islands where it is \$539,475. Our conforming loan limit as of January 1, 2005 for conventional loans secured by first liens on residences containing two dwelling units is \$460,400, three dwelling units is \$556,500 and four dwelling units is \$691,600, except for mortgage loans secured by property in Alaska, Guam, Hawaii, or the Virgin Islands where for two dwelling units it is \$690,600, for three dwelling units it is \$834,750 and for four dwelling units it is \$1,037,400. In addition, the aggregate original principal balance of all the mortgage loans we own that are secured by the same residence cannot exceed the amount of our first lien conforming loan limit for single family (1-4 unit) residences. Aside from the limits imposed under the Charter Act, we may, from time to time, impose maximum dollar limitations on specific types of mortgage loans that we purchase.

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

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

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

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

The Seller

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

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

The Seller services substantially all of the mortgage loans it originates or acquires. In addition, the Seller has purchased in bulk the rights to service mortgage loans originated by other lenders. The Seller has in the past and may in the future sell to other mortgage bankers a portion of its portfolio of loan servicing rights. As of December 31, 2004, the Seller provided servicing for approximately \$838.322 billion aggregate principal amount of mortgage loans, substantially all of which are being serviced for unaffiliated persons.

Servicing of Mortgage Loans

The Servicer. Countrywide Servicing will act as Servicer. The principal executive offices of Countrywide Servicing are located at 7105 Corporate Drive, Plano, TX 75024. Countrywide Servicing is a Texas limited partnership directly owned by Countrywide GP, Inc. and Countrywide LP, Inc., each a Nevada corporation and a direct wholly owned subsidiary of the Seller. The Seller is a direct wholly owned subsidiary of Countrywide Financial Corporation, a Delaware corporation. Countrywide GP, Inc. owns a 0.1% interest in Countrywide Servicing and is the general partner. Countrywide LP, Inc. owns a 99.9% interest in Countrywide Servicing and is a limited partner.

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

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

Countrywide Servicing is an approved mortgage loan servicer for Fannie Mae, Freddie Mac, Ginnie Mae, HUD and the VA and is licensed to service mortgage loans in each state where a license is required. Its loan servicing activities are guaranteed by Countrywide Financial and the Seller (when required by the owner of the mortgage loans). As of December 31, 2004, Countrywide Servicing had a net worth of approximately \$11.9 billion.

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

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

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

The following table summarizes the delinquency, foreclosure and loss experience, respectively, on the dates indicated, of the mortgage loans originated or acquired by the Seller, serviced or master serviced by the Seller or the Servicer and securitized in alternative loan trusts through their affiliates, CWALT, Inc. and CWMB, Inc. The mortgage loans included in these transactions consist of both non-conforming and conforming balance mortgage loans. The delinquency, foreclosure and loss

percentages may be affected by the size and relative lack of seasoning in the related servicing portfolio which increased from approximately \$2.247 billion at February 28, 2001, to approximately \$5.083 billion at December 31, 2001, to approximately \$9.862 billion at December 31, 2002, to approximately \$14.733 billion at December 31, 2003, and to approximately \$30.878 billion at December 31, 2004. Accordingly, the information should not be considered as a basis for assessing the likelihood, amount or severity of delinquency or losses on the mortgage loans and no assurances can be given that the foreclosure, delinquency and loss experience presented in the following table will be indicative of the actual experience on the mortgage loans (totals may not add due to rounding):

	At February 28, 2001	At December 31, 2001	At December 31, 2002	At December 31, 2003	At December 31, 2004
Delinquent Mortgage Loans and Pending Foreclosures at Period End:					
30-59 days	2.28%	2.92%	3.08%	2.63%	1.89%
60-89 days	0.51	0.65	0.86	0.72	0.39
90 days or more (excluding pending foreclosures) ...	0.19	0.21	0.45	0.53	0.36
Total of delinquencies	2.97%	3.77%	4.39%	3.87%	2.64%
Foreclosures pending	0.47%	0.43%	0.45%	0.91%	0.28%
Total delinquencies and foreclosures pending	3.44%	4.21%	4.84%	4.78%	2.92%
Net Gains/(Losses) on liquidated loans(1)	\$(374,332)	\$(1,057,748)	\$(5,372,415)	\$(9,334,817)	\$(20,017,873)
Percentage of Net Gains/(Losses) on liquidated loans(1) (2)	(0.017)%	(0.021)%	(0.054)%	(0.063)%	(0.065)%
Percentage of Net Gains/(Losses) on liquidated loans (based on average outstanding principal balance) (1) ..	(0.018)%	(0.021)%	(0.057)%	(0.064)%	(0.073)%

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

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

DESCRIPTION OF THE SENIOR AND MEZZANINE CERTIFICATES

General

The Certificates will consist of:

- twelve classes of guaranteed senior Certificates designated as the A-1, A-2, A-3, A-4, A-5, A-6, A-7, A-8, PO, X, AR 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.

The initial aggregate principal balance of the Mezzanine Classes will be approximately \$18,813,100 and will initially evidence undivided ownership interests of approximately 3.25% in the Mortgage Loans. The initial aggregate principal balance of the Subordinate Classes will be approximately \$5,789,260 and will initially evidence undivided ownership interests of approximately 1.00% in the Mortgage Loans. Only the Senior and Mezzanine Classes are being offered by this prospectus and, in the case of the Senior Classes, by the senior supplement. On the Settlement Date, we will issue the

Subordinate Classes and, at the direction of the Seller, deliver them to or on behalf of the Dealer, which may sell them at any time thereafter in limited private offerings.

Book-Entry Procedures

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

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

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

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

Interest Payments on the Senior and Mezzanine Certificates

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

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

<u>Interest Type*</u>	<u>Classes</u>
Senior Classes	
Fixed Rate	A-7, A-8 and AR
Floating Rate	A-1, A-3 and A-5
Inverse Floating Rate	A-2, A-4 and A-6
Weighted Average Coupon	X
Available Funds	A-1, A-2, A-3, A-4, A-5, A-6, A-7, A-8, X and AR
Interest Only	A-2, A-4, A-6 and X
Principal Only	PO
Mezzanine Classes	
Fixed Rate	M, B-1 and B-2
Available Funds	M, B-1 and B-2
No Payment Residual	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 April 2005.

Interest to be paid on each Certificate on each Distribution Date will consist of one month’s interest on the outstanding principal balance of that Certificate immediately prior to that Distribution Date. But see “—Uncovered Prepayment Interest Shortfalls and Relief Act Shortfalls” below.

Our determination of the interest rates 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 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 Floating Rate and Inverse Floating Rate Classes	One-month period begins on the 25th day of the month preceding the month in which the Distribution Date occurs
The Fixed Rate Classes and the X Class (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs

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

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

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 A-1 Class. On the initial Distribution Date, we will pay interest on the A-1 Class in an amount equal to interest accrued during the related Interest Accrual Period at an annual rate of 3.05%. On each subsequent Distribution Date, we will pay interest on the A-1 Class in an amount (the “A-1 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* 0.20%
- and
- 5.41%.

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

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

- the *excess* of
 - (i) the *lesser* of (x) the *sum* of LIBOR for the related Index Determination Date *plus* 0.20% and (y) 9.00%
 - over*
 - (ii) 5.41%

plus

- the unpaid portion of any such excess for prior Distribution Dates (and interest thereon at the then current interest rate for the A-1 Class, without giving effect to the 5.41% rate cap, but in no event greater than 9.00% per annum).

The A-2 Class. During the initial Interest Accrual Period, the A-2 Class will bear interest at an annual rate of 2.36%. During each subsequent Interest Accrual Period, the A-2 Class will bear interest at an annual rate equal to 5.21% *minus* LIBOR, subject to a minimum rate of 0.00%.

The A-3 Class. On the initial Distribution Date, we will pay interest on the A-3 Class in an amount equal to interest accrued during the related Interest Accrual Period at an annual rate of 3.00%. On each subsequent Distribution Date, we will pay interest on the A-3 Class in an amount (the “A-3 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* 0.15%
- and
- 5.41%.

In addition, on each Distribution Date we will pay to the A-3 Class an amount up to the A-3 Class Interest Carryover Amount (described below), if any, for that Distribution Date from the proceeds received by the Trust in respect of the A-3 Class Cap Contract described under “—The Cap Contracts—*The A-3 Class Cap Contract*” below.

The “A-3 Class Interest Carryover Amount” means, with respect to any Distribution Date, the *sum* of

- the *excess* of
 - (i) the *lesser* of (x) the *sum* of LIBOR for the related Index Determination Date *plus* 0.15% and (y) 9.00%
 - over*
 - (ii) 5.41%

plus

- the unpaid portion of any such excess for prior Distribution Dates (and interest thereon at the then current interest rate for the A-3 Class, without giving effect to the 5.41% rate cap, but in no event greater than 9.00% per annum).

The A-4 Class. During the initial Interest Accrual Period, the A-4 Class will bear interest at a annual rate of 2.41%. During each subsequent Interest Accrual Period, the A-4 Class will bear interest at an annual rate equal to 5.26% *minus* LIBOR, subject to a minimum rate of 0.00%.

The A-5 Class. On the initial Distribution Date, we will pay interest on the A-5 Class in an amount equal to interest accrued during the related Interest Accrual Period at an annual rate of 3.35%. On each subsequent Distribution Date, we will pay interest on the A-5 Class in an amount (the “A-5 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* 0.50%

and

- 5.41%.

In addition, on each Distribution Date we will pay to the A-5 Class an amount up to the A-5 Class Interest Carryover Amount (described below), if any, for that Distribution Date from the proceeds received by the Trust in respect of the A-5 Class Cap Contract described under “—The Cap Contracts—*The A-5 Class Cap Contract*” below.

The “A-5 Class Interest Carryover Amount” means, with respect to any Distribution Date, the *sum* of

- the *excess* of
 - (i) the *lesser* of (x) the *sum* of LIBOR for the related Index Determination Date *plus* 0.50% and (y) 7.50%
 - over*
 - (ii) 5.41%

plus

- the unpaid portion of any such excess for prior Distribution Dates (and interest thereon at the then current interest rate for the A-5 Class, without giving effect to the 5.41% rate cap, but in no event greater than 7.50% per annum).

The A-6 Class. During the initial Interest Accrual Period, the A-6 Class will bear interest at a annual rate of 2.06%. During each subsequent Interest Accrual Period, the A-6 Class will bear interest at an annual rate equal to 4.91% *minus* LIBOR, subject to a minimum rate of 0.00%.

The X Class. During each Interest Accrual Period, the X Class will bear interest at an annual rate equal to the *excess* of

- the weighted average of the Net Mortgage Rates of the Non-Discount Loans for the related Distribution Date (weighted on the basis of their Stated Principal Balances for the related Due Date)

over

- 5.50%.

During the initial Interest Accrual Period the X Class is expected to bear interest at an annual rate of 0.199257%.

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

- A. from interest collections on the Mortgage Loans, the guaranty fee payable to Fannie Mae,
- B. from remaining interest collections on the Mortgage Loans after application of A. above, the Senior Interest Distribution Amount to the Senior Certificates, and
- C. from remaining interest collections on the Mortgage Loans after application of A. and B. above, the Specified Non-Senior Interest Distribution Amount applicable to each of the Classes specified below in the following priority:

first, to the M Class;

second, to the B-1 Class;

third, to the B-2 Class; and

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

Uncovered Prepayment Interest Shortfalls and Relief Act Shortfalls. Uncovered Prepayment Interest Shortfalls and Relief Act Shortfalls with respect to the Mortgage Loans will reduce the amount of interest payable on the Senior Certificates, the Mezzanine Classes and the Subordinate Classes, pro rata, based on the amount of interest that would have been payable thereon before giving effect to such reduction.

Calculation of LIBOR

General. The “Index Determination Date” for each Floating Rate and Inverse Floating Class means the second business day before the first day of each Interest Accrual Period (or, in the case of the initial Interest Accrual Period, the Settlement Date specified under “Reference Sheet” in this prospectus). 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 will be final and binding in the absence of manifest error.

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 One-Month LIBOR that was determined on the previous Index Determination Date or the Reserve Interest Rate, whichever is higher.

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

If we are unable to calculate LIBOR on the initial Index Determination Date, LIBOR for the following Interest Accrual Period will be 2.85%.

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	
Sequential Pay	AR, A-1, A-3, A-5, A-7 and A-8
NAS	A-8
AS	A-5
Pass-Through	PO
Notional	A-2, A-4, A-6 and X
Mezzanine Classes	
Mezzanine	M, B-1 and B-2
No Payment Residual	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 such Certificate’s pro rata share of the Subordinate Percentage of an amount equal to the applicable Non-PO Percentages of the Subsequent Recoveries that are allocated to the Class of which such Certificate forms a part, as described in this prospectus.

The outstanding principal balance of any Certificate at any time is the maximum amount that the Holder will be entitled to receive thereafter as principal from the cash flow on the Mortgage Loans.

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

PO Senior Principal Distribution Amount

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

Non-PO Senior Principal Distribution Amount

On each Distribution Date, we will pay the Non-PO Senior Principal Distribution Amount as principal of the Senior Classes specified below in the following priority:

- (i) to the AR Class, until its principal balance is reduced to zero;
 - (ii) to the A-8 Class, an amount equal to the *product* of
 - the Non-PO Principal Distribution Amount for that Distribution Date *multiplied by*
 - the A-8 Class Specified Percentage (described below) for that date *multiplied by*
 - 100% *minus* the A-8 Class Lockout Percentage (described below) for that date;
 - (iii) (a) 16.7558073230% of the remaining amount to the A-1 Class, until its principal balance is reduced to zero, and
 - (b) 83.2441926770% of such remaining amount as follows:
 - first*, to the A-5 Class, an amount up to \$1,000 on that date;
 - second*, to the A-3 Class, an amount up to \$2,500,000 on that date;
 - third*, to the A-5 Class, until its principal balance is reduced to zero; and
 - fourth*, to the A-3 Class, until its principal balance is reduced to zero;
 - (iv) to the A-7 Class, until its principal balance is reduced to zero; and
 - (v) to the A-8 Class, until its principal balance is reduced to zero.
- } Sequential Pay Classes
- } NAS Class
- } AS Class

The “A-8 Class Specified Percentage” for any Distribution Date will be equal to

- the principal balance of the A-8 Class on that Distribution Date (before taking into account payments made on that date)
- divided by*
- the aggregate of the applicable Non-PO Percentages of the Stated Principal Balances of the Mortgage Loans as of the prior Due Date.

The “A-8 Class Lockout Percentage” for any Distribution Date during the periods specified below will be as follows:

<u>Distribution Date in</u>	<u>A-8 Class Lockout Percentage</u>
April 2005 through March 2010	100%
April 2010 through March 2011	70%
April 2011 through March 2012	60%
April 2012 through March 2013	40%
April 2013 through March 2014	20%
April 2014 and thereafter	0%

Distributions from Remaining Principal Collections

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

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

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

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

first, to the M Class,

second, to the B-1 Class,

third, to the B-2 Class, and

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

(iv) any remaining amount to the AR Class.

} Mezzanine
Classes

} Subordinate
Classes

} Residual
Class

Notwithstanding the foregoing, if on any Distribution Date the Credit Support Percentage of a Non-Senior Class (other than the Non-Senior Class then outstanding with the highest payment priority) is less than the original Credit Support Percentage of that Class, no payment of partial or full principal prepayments of any Mortgage Loan will be made to any Non-Senior Classes with lower payment priorities than that Class (collectively, the “Restricted Classes”). The amount of partial or full principal prepayments otherwise payable to the Restricted Classes will be allocated among the Non-Senior Classes other than the Restricted Classes, pro rata based on their respective outstanding principal balances, and will be paid in the sequential order described above. For purposes of calculating the allocation of partial or full prepayments of principal in accordance with this paragraph, distributions pursuant to clauses (i) and (ii) above will be deemed to be made first from Principal Collections that do not represent partial or full prepayments of principal.

We will include principal prepayments (including net liquidation proceeds) from the Mortgage Loans in the foregoing distributions on each Distribution Date provided that the Servicer gives us information about them in time for the published class factors to reflect these payments. See “Reference Sheet—Class Factors” in this prospectus. If we do not receive the information on time, we will include the prepayments in distributions on the next Distribution Date.

Certain Definitions Relating to Payments on the Certificates

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.

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

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

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

Discount Loan—A Mortgage Loan having a Net Mortgage Rate of less than 5.50%.

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.

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.

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

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

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

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

Non-PO Percentage—For any Discount Loan and Distribution Date, the related Net Mortgage Rate for that Distribution Date *divided by* 5.50%. The Non-PO Percentage for any Non-Discount Loan will be 100%.

Non-PO Principal Distribution Amount—For any Distribution Date, the sum of the Non-PO Senior Principal Distribution Amount and Non-Senior Principal Distribution Amount for that Distribution Date.

Non-PO Senior Principal Distribution Amount—For any Distribution Date, the *sum* of the applicable Non-PO Percentages of the following amounts:

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

Non-Senior Principal Distribution Amount—For any Distribution Date, the *sum* of the applicable Non-PO Percentages of the following amounts:

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

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

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

PO Percentage—For any Discount Loan, (5.50% *minus* the related Net Mortgage Rate) *divided* by 5.50%, expressed as a percentage. For any Non-Discount Loan, 0%.

PO Senior Principal Distribution Amount—For the Discount Loans and any Distribution Date, the aggregate of the following:

(i) the PO Percentage of the aggregate of the following:

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

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

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

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

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

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

(g) any Subsequent Recoveries and Foreclosure Surplus with respect to the Discount Loans received during the related Due period, *plus*

(ii) on the initial Distribution Date, an amount equal to \$3,377.29, *plus*

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

(iv) on each Distribution Date after the Mezzanine Termination Date, all Realized Losses allocated to the PO Class on that Distribution 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 Servicer during the portion of the related Prepayment Period ending in the month prior to the month of such Distribution Date, an amount equal to:

(i) one full month's interest on the principal balance of that Mortgage Loan (before applying the prepayment), *minus*

(ii) the interest that the related borrower paid on that Mortgage Loan in respect of that calendar month.

Prepayment Period—For any Distribution Date, the period beginning on the 2nd day of the month preceding the month in which such Distribution Date occurs (or beginning on the Issue Date, in the case of the first Distribution Date), and ending on the 1st day of the calendar month in which such Distribution Date occurs.

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

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

Realized Loss—In general:

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

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 Interest Distribution Amount—For any Distribution Date, the *sum* of

- the A-1 Class Current Interest Amount for that Distribution Date, *plus*
- one-twelfth of the *product* of the applicable annual interest rate of the A-2 Class *multiplied by* the notional principal balance of the A-2 Class immediately prior to that Distribution Date, *plus*
- the A-3 Class Current Interest Amount for that Distribution Date, *plus*
- one-twelfth of the *product* of the applicable annual interest rate of the A-4 Class *multiplied by* the notional principal balance of the A-4 Class immediately prior to that Distribution Date, *plus*
- the A-5 Class Current Interest Amount for that Distribution Date, *plus*
- one-twelfth of the *product* of the applicable annual interest rate of the A-6 Class *multiplied by* the notional principal balance of the A-6 Class immediately prior to that Distribution Date, *plus*

- one-twelfth of the *product* of the annual interest rate of the A-7 Class *multiplied by* the principal balance of the A-7 Class immediately prior to that Distribution Date, *plus*
- one-twelfth of the *product* of the annual interest rate of the A-8 Class *multiplied by* the principal balance of the A-8 Class immediately prior to that Distribution Date, *plus*
- one-twelfth of the *product* of the annual interest rate of the AR Class *multiplied by* the principal balance of the AR Class immediately prior to that Distribution Date, *plus*
- one-twelfth of the *product* of the applicable annual interest rate of the X Class *multiplied by* the notional principal balance of the X Class immediately prior to that Distribution Date,

as such sum may be reduced by any Uncovered Prepayment Interest Shortfalls and Relief Act Shortfalls allocated to the Senior Classes for that Distribution Date.

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

(i) the percentage equivalent of a fraction, the *numerator* of which is the aggregate principal balance of the Senior Certificates (other than the PO Class) immediately before that Distribution Date, and the *denominator* of which is the aggregate of the applicable Non-PO Percentages of the Stated Principal Balances of the Mortgage Loans as of the prior Due Date, and

(ii) 100%.

Senior Prepayment Percentage—For any Distribution Date during the periods specified below:

<u>Distribution Date</u>	<u>Senior Prepayment Percentage</u>
April 2005 through March 2010	100%
April 2010 through March 2011	the Senior Percentage plus 70% of the Subordinate Percentage
April 2011 through March 2012	the Senior Percentage plus 60% of the Subordinate Percentage
April 2012 through March 2013	the Senior Percentage plus 40% of the Subordinate Percentage
April 2013 through March 2014	the Senior Percentage plus 20% of the Subordinate Percentage
April 2014 and thereafter	the Senior Percentage

Exceptions:

(A) If on any Distribution Date the Senior Percentage exceeds the initial Senior Percentage, the Senior Prepayment Percentage will equal 100%.

(B) In addition, the Senior Prepayment Percentage will not 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 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 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 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 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 Original Non-Senior Principal Balance.

(C) Furthermore, the Senior Prepayment Percentage will not decrease with respect to any Distribution Date if the aggregate Stated Principal Balance of the Mortgage Loans that are delinquent 60 days or more (including Mortgage Loans in foreclosure, real estate owned by the Trust, and Mortgage Loans as to which the related borrowers are in bankruptcy), averaged over each of the preceding six months, as a percentage of the aggregate principal balance of the Non-Senior Certificates for that date, equals or exceeds 50%.

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

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

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

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

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

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

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

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

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

Trust Expense Rate—With respect to each Mortgage Loan any Distribution Date, a fraction, expressed as a percentage, the *numerator* of which is the sum of various Trust expenses, including servicing fees payable to the Servicer and mortgage insurance fees payable by the lender, 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:

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

Allocation of Losses

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

On and after the Distribution Date on which the aggregate principal balance of the Non-Senior Certificates is reduced to zero, after application of the applicable Non-PO Percentages of Realized Losses on that date to any remaining Class or Classes of Non-Senior Certificates until their principal balances are reduced to zero, the Realized Losses on each Distribution Date will be allocated, *pro rata*, to the Senior Certificates, on the basis of their respective outstanding principal balances.

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

Subordination

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

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

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

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

Class Definitions and Abbreviations

Classes of Senior and Mezzanine Certificates 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		
AS	Accelerated Security	Is designed to receive principal payments more rapidly than the related NAS Class during the period in which the NAS Class is receiving limited or no principal payments.
MEZZ	Mezzanine	Is included in a group of classes that, together with the subordinate classes receive a specified subordinate percentage of available principal funds from designated trust assets, with such funds being applied to that group of classes in the order and priority specified before being applied to any subordinate class.
NAS	Non-Accelerated Security	Is designed to receive limited or no principal payments prior to a designated date and thereafter to receive a gradually increasing percentage of principal payments in each month.
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.
SEQ	Sequential Pay	Receives principal payments in a prescribed sequence but without a predetermined schedule.
SR	Senior	Is included in a group of classes that receive a specified senior percentage of available principal funds from designated trust assets, with such funds being applied to that group of classes in the order and priority specified before being applied to any Mezzanine Class.
INTEREST TYPES		
AFC	Available Funds	Receives as interest all or a portion of the scheduled interest payments made on the Mortgage Loans. 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.
FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the class.
FLT	Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies directly with changes in the index.
IO	Interest Only	Receives some or all of the interest payments made on the Mortgage Loans or other assets of the trust but no principal. An Interest Only Class has a notional principal balance. A notional principal balance is the amount used as a reference to calculate the amount of interest due on an Interest Only Class.
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.
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period.

The Cap Contracts

The A-1 Class Cap Contract

Countrywide Home Loans, Inc., as Seller under the Sale and Servicing Agreement, has entered into an interest rate cap transaction with Bank of America, N.A. (“BofA” or the “A-1 Class Cap Contract Counterparty”). As of the date of this prospectus, BofA had a counterparty rating of “AA—” from Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P”), and “Aa2” from Moody’s Investors Service, Inc. (“Moody’s”) and long-term senior unsecured debt ratings of “AA—” and “Aa2” from S&P and Moody’s, respectively. As of the date of this prospectus, BofA also had a short-term unsecured debt rating of “A-1+” from S&P and “P-1” from Moody’s and insurance financial strength ratings of “A—” and “A1” from S&P and Moody’s, respectively.

The interest rate cap transaction is evidenced by a Confirmation and Agreement between the Seller and the A-1 Class Cap Contract Counterparty (the “A-1 Class Cap Contract”). Pursuant to the A-1 Class Cap Contract, the terms of an ISDA Master Agreement were incorporated into the Confirmation of the A-1 Class Cap Contract as if the ISDA Master Agreement had been executed by the Seller and the A-1 Class Cap Contract Counterparty on the date the A-1 Class Cap Contract was executed. On the Settlement Date specified above under “Reference Sheet” in this prospectus, the Seller will assign to the Trustee, on behalf of the Trust, the Seller’s rights under the A-1 Class Cap Contract.

The A-1 Class Cap Contract is scheduled to remain in effect until the A-1 Class Cap Contract Termination Date (described below). The A-1 Class 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 A-1 Class Cap Contract Counterparty or the Trust, the failure by the A-1 Class Cap Contract Counterparty (three business days after notice of such failure is received by the A-1 Class Cap Contract Counterparty) to make a payment due under the A-1 Class Cap Contract, the failure by the A-1 Class Cap Contract Counterparty (30 days after notice of such failure is received) to perform any other agreement made by it under the A-1 Class Cap Contract, and the A-1 Class Cap Contract becoming illegal or subject to certain kinds of taxation.

On or prior to the Distribution Date in August 2012 (the “A-1 Class Cap Contract Termination Date”), proceeds (if any) received by the Trustee under the A-1 Class Cap Contract will be applied as payments to the A-1 Class as described above under “—Interest Payments on the Senior and Mezzanine Certificates—*The A-1 Class*.” On any Distribution Date, after such application of any proceeds received under the A-1 Class Cap Contract, any remaining proceeds will be returned to the A-1 Class Cap Contract Counterparty and will not thereafter be available for payment to any Certificateholder, unless such proceeds are received in connection with an early termination of the A-1 Class Cap Contract, in which case such proceeds will be held by the Trustee until the A-1 Class Cap Contract Termination Date for distribution to the A-1 Class as described in this prospectus.

With respect to any Distribution Date on or prior to the A-1 Class Cap Contract Termination Date, the amount payable by the A-1 Class Cap Contract Counterparty under the A-1 Class Cap Contract will equal

- the *excess* (if any) of
 - (x) the *lesser* of one-month LIBOR (as determined by the A-1 Class Cap Contract Counterparty) and 8.80%
 - over*
 - (y) 5.21%

multiplied by

- the *lesser* of the A-1 Class Cap Contract Notional Balance for that Distribution Date and the outstanding principal balance of the A-1 Class immediately prior to that date

multiplied by

- 30/360.

The “A-1 Class Cap Contract Notional Balance” for each Distribution Date is specified in the following table:

Related Month	A-1 Class Cap Contract Notional Balances (\$)	Related Month	A-1 Class Cap Contract Notional Balances (\$)
April 2005	80,514,000.00	October 2007	35,953,988.83
May 2005	79,749,885.85	November 2007 . . .	34,723,953.14
June 2005	78,864,960.48	December 2007 . . .	33,522,908.89
July 2005	77,860,692.32	January 2008	32,350,182.48
August 2005	76,738,996.56	February 2008	31,205,115.89
September 2005 . . .	75,502,251.92	March 2008	30,087,066.29
October 2005	74,153,297.75	April 2008	28,995,405.72
November 2005 . . .	72,695,428.31	May 2008	27,929,520.74
December 2005	71,132,384.07	June 2008	26,888,812.08
January 2006	69,468,340.00	July 2008	25,872,694.34
February 2006	67,707,891.00	August 2008	24,880,595.65
March 2006	65,856,034.18	September 2008 . . .	23,911,957.39
April 2006	63,923,553.43	October 2008	22,966,233.82
May 2006	62,036,362.92	November 2008 . . .	22,042,891.86
June 2006	60,193,412.89	December 2008	21,141,410.76
July 2006	58,393,677.75	January 2009	20,261,281.80
August 2006	56,636,155.56	February 2009	19,402,008.07
September 2006 . . .	54,919,867.53	March 2009	18,563,104.13
October 2006	53,243,857.40	April 2009	17,744,095.79
November 2006 . . .	51,607,191.01	May 2009	16,944,519.85
December 2006	50,008,955.72	June 2009	16,163,923.81
January 2007	48,448,259.96	July 2009	15,401,865.69
February 2007	46,924,232.75	August 2009	14,657,913.70
March 2007	45,436,023.19	September 2009 . . .	13,931,646.09
April 2007	43,982,800.04	October 2009	13,222,650.87
May 2007	42,563,751.24	November 2009 . . .	12,530,525.59
June 2007	41,178,083.47	December 2009	11,854,877.14
July 2007	39,825,021.73	January 2010	11,195,321.52
August 2007	38,503,808.94	February 2010	10,551,483.62
September 2007 . . .	37,213,705.48	March 2010	9,922,997.04

Related Month	A-1 Class Cap Contract Notional Balances (\$)	Related Month	A-1 Class Cap Contract Notional Balances (\$)
April 2010	9,309,503.87	July 2011	3,136,013.34
May 2010	8,806,461.86	August 2011	2,833,141.00
June 2010	8,316,995.54	September 2011 ...	2,539,161.40
July 2010	7,840,776.01	October 2011	2,253,850.19
August 2010	7,377,482.07	November 2011 ...	1,976,988.37
September 2010 ...	6,926,800.04	December 2011....	1,708,362.19
October 2010	6,488,423.61	January 2012	1,447,762.99
November 2010 ...	6,062,053.64	February 2012	1,194,987.13
December 2010....	5,647,398.03	March 2012.....	949,835.82
January 2011	5,244,171.51	April 2012	712,115.05
February 2011	4,852,095.52	May 2012.....	533,785.53
March 2011.....	4,470,898.04	June 2012	361,243.26
April 2011	4,100,313.45	July 2012	194,330.43
May 2011.....	3,769,361.23	August 2012	32,893.21
June 2011	3,448,008.26		

The A-3 Class Cap Contract

Countrywide Home Loans, Inc., as Seller under the Sale and Servicing Agreement, has entered into an interest rate cap transaction with Bear Stearns Financial Products Inc. (“BSFP” or the “A-3 Class Cap Contract Counterparty”), a wholly owned subsidiary of The Bear Stearns Companies Inc. As of the date of this prospectus, BSFP had a counterparty rating of “AAA” from S&P and “Aaa” from Moody’s.

The interest rate cap transaction is evidenced by a Confirmation and Agreement between the Seller and the A-3 Class Cap Contract Counterparty (the “A-3 Class Cap Contract”). Pursuant to the A-3 Class Cap Contract, the terms of an ISDA Master Agreement were incorporated into the Confirmation of the A-3 Class Cap Contract as if the ISDA Master Agreement had been executed by the Seller and the A-3 Class Cap Contract Counterparty on the date the A-3 Class Cap Contract was executed. On the Settlement Date specified above under “Reference Sheet” in this prospectus, the Seller will assign to the Trustee, on behalf of the Trust, the Seller’s rights under the A-3 Class Cap Contract.

The A-3 Class Cap Contract is scheduled to remain in effect until the A-3 Class Cap Contract Termination Date (described below). The A-3 Class 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 A-3 Class Cap Contract Counterparty or the Trust, the failure by the A-3 Class Cap Contract Counterparty (three business days after notice of such failure is received by the A-3 Class Cap Contract Counterparty) to make a payment due under the A-3 Class Cap Contract, the failure by the A-3 Class Cap Contract Counterparty (30 days after notice of such failure is received) to perform any other agreement made by it under the A-3 Class Cap Contract, and the A-3 Class Cap Contract becoming illegal or subject to certain kinds of taxation.

On or prior to the Distribution Date in August 2012 (the “A-3 Class Cap Contract Termination Date”), proceeds (if any) received by the Trustee under the A-3 Class Cap Contract will be applied as payments to the A-3 Class as described above under “—Interest Payments on the Senior and Mezzanine Certificates—*The A-3 Class.*” On any Distribution Date, after such application of any proceeds received under the A-3 Class Cap Contract, any remaining proceeds will be returned to the A-3 Class Cap Contract Counterparty and will not thereafter be available for payment to any Certificateholder, unless such proceeds are received in connection with an early termination of the

A-3 Class Cap Contract, in which case such proceeds will be held by the Trustee until the A-3 Class Cap Contract Termination Date for distribution to the A-3 Class as described in this prospectus.

With respect to any Distribution Date on or prior to the A-3 Class Cap Contract Termination Date, the amount payable by the A-3 Class Cap Contract Counterparty under the A-3 Class Cap Contract will equal

- the *excess* (if any) of
 - (x) the *lesser* of one-month LIBOR (as determined by the A-3 Class Cap Contract Counterparty) and 8.85%

over

- (y) 5.26%

multiplied by

- the *lesser* of the A-3 Class Cap Contract Notional Balance for that Distribution Date and the outstanding principal balance of the A-3 Class immediately prior to that date

multiplied by

- 30/360.

The “A-3 Class Cap Contract Notional Balance” for each Distribution Date is specified in the following table:

Related Month	A-3 Class Cap Contract Notional Balances (\$)	Related Month	A-3 Class Cap Contract Notional Balances (\$)
April 2005	200,000,000.00	July 2007	132,500,000.00
May 2005	197,500,000.00	August 2007	130,000,000.00
June 2005	195,000,000.00	September 2007 ...	127,500,000.00
July 2005	192,500,000.00	October 2007	125,000,000.00
August 2005	190,000,000.00	November 2007 ...	122,500,000.00
September 2005 ...	187,500,000.00	December 2007	120,000,000.00
October 2005	185,000,000.00	January 2008	117,500,000.00
November 2005 ...	182,500,000.00	February 2008	115,000,000.00
December 2005	180,000,000.00	March 2008	112,500,000.00
January 2006	177,500,000.00	April 2008	110,000,000.00
February 2006	175,000,000.00	May 2008	107,500,000.00
March 2006	172,500,000.00	June 2008	105,000,000.00
April 2006	170,000,000.00	July 2008	102,500,000.00
May 2006	167,500,000.00	August 2008	100,000,000.00
June 2006	165,000,000.00	September 2008 ...	97,500,000.00
July 2006	162,500,000.00	October 2008	95,000,000.00
August 2006	160,000,000.00	November 2008 ...	92,500,000.00
September 2006 ...	157,500,000.00	December 2008	90,000,000.00
October 2006	155,000,000.00	January 2009	87,500,000.00
November 2006 ...	152,500,000.00	February 2009	85,000,000.00
December 2006	150,000,000.00	March 2009	82,500,000.00
January 2007	147,500,000.00	April 2009	80,000,000.00
February 2007	145,000,000.00	May 2009	77,500,000.00
March 2007	142,500,000.00	June 2009	75,000,000.00
April 2007	140,000,000.00	July 2009	72,500,000.00
May 2007	137,500,000.00	August 2009	70,000,000.00
June 2007	135,000,000.00	September 2009 ...	67,500,000.00

A-3 Class Cap Contract		A-3 Class Cap Contract	
Related Month	Notional Balances (\$)	Related Month	Notional Balances (\$)
October 2009	65,000,000.00	April 2011	20,370,685.59
November 2009	62,252,654.66	May 2011	18,726,488.45
December 2009	58,895,979.05	June 2011	17,129,981.18
January 2010	55,619,253.89	July 2011	15,579,965.42
February 2010	52,420,615.64	August 2011	14,075,271.38
March 2010	49,298,243.97	September 2011	12,614,757.19
April 2010	46,250,360.78	October 2011	11,197,308.24
May 2010	43,751,207.77	November 2011	9,821,836.56
June 2010	41,319,499.91	December 2011	8,487,280.16
July 2010	38,953,603.15	January 2012	7,192,602.48
August 2010	36,651,921.74	February 2012	5,936,791.74
September 2010	34,412,897.33	March 2012	4,718,860.40
October 2010	32,235,008.12	April 2012	3,537,844.58
November 2010	30,116,767.98	May 2012	2,651,889.26
December 2010	28,056,725.68	June 2012	1,794,685.44
January 2011	26,053,464.03	July 2012	965,449.13
February 2011	24,105,599.11	August 2012	163,416.11
March 2011	22,211,779.52		

The A-5 Class Cap Contract

Countrywide Home Loans, Inc., as Seller under the Sale and Servicing Agreement, has entered into an interest rate cap transaction with BSFP (in such capacity, the “A-5 Class Cap Contract Counterparty”). As of the date of this prospectus, BSFP had a counterparty rating of “AAA” from S&P and “Aaa” from Moody’s.

The interest rate cap transaction is evidenced by a Confirmation and Agreement between the Seller and the A-5 Class Cap Contract Counterparty (the “A-5 Class Cap Contract”). Pursuant to the A-5 Class Cap Contract, the terms of an ISDA Master Agreement were incorporated into the Confirmation of the A-5 Class Cap Contract as if the ISDA Master Agreement had been executed by the Seller and the A-5 Class Cap Contract Counterparty on the date the A-5 Class Cap Contract was executed. On the Settlement Date specified above under “Reference Sheet” in this prospectus, the Seller will assign to the Trustee, on behalf of the Trust, the Seller’s rights under the A-5 Class Cap Contract.

The A-5 Class Cap Contract is scheduled to remain in effect until the A-5 Class Cap Contract Termination Date (described below). The A-5 Class 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 A-5 Class Cap Contract Counterparty or the Trust, the failure by the A-5 Class Cap Contract Counterparty (three business days after notice of such failure is received by the A-5 Class Cap Contract Counterparty) to make a payment due under the A-5 Class Cap Contract, the failure by the A-5 Class Cap Contract Counterparty (30 days after notice of such failure is received) to perform any other agreement made by it under the A-5 Class Cap Contract, and the A-5 Class Cap Contract becoming illegal or subject to certain kinds of taxation.

On or prior to the Distribution Date in October 2009 (the “A-5 Class Cap Contract Termination Date”), proceeds (if any) received by the Trustee under the A-5 Class Cap Contract will be applied as payments to the A-5 Class as described above under “—Interest Payments on the Senior and Mezzanine Certificates—*The A-5 Class*.” On any Distribution Date, after such application of any proceeds received under the A-5 Class Cap Contract, any remaining proceeds will be returned to the A-5 Class Cap Contract Counterparty and will not thereafter be available for payment to any

Certificateholder, unless such proceeds are received in connection with an early termination of the A-5 Class Cap Contract, in which case such proceeds will be held by the Trustee until the A-5 Class Cap Contract Termination Date for distribution to the A-5 Class as described in this prospectus.

With respect to any Distribution Date on or prior to the A-5 Class Cap Contract Termination Date, the amount payable by the A-5 Class Cap Contract Counterparty under the A-5 Class Cap Contract will equal

- the *excess* (if any) of
 - (x) the *lesser* of one-month LIBOR (as determined by the A-5 Class Cap Contract Counterparty) and 7.00%
 - over*
 - (y) 4.91%

multiplied by

- the *lesser* of the A-5 Class Cap Contract Notional Balance for that Distribution Date and the outstanding principal balance of the A-5 Class immediately prior to that date

multiplied by

- 30/360.

The “A-5 Class Cap Contract Notional Balance” for each Distribution Date is specified in the following table:

Related Month	A-5 Class Cap Contract Notional Balances (\$)	Related Month	A-5 Class Cap Contract Notional Balances (\$)
April 2005	200,000,000.00	August 2007	61,290,006.42
May 2005	198,703,819.68	September 2007 . . .	57,380,669.12
June 2005	196,807,439.60	October 2007	53,622,295.89
July 2005	194,318,154.94	November 2007 . . .	50,011,380.08
August 2005	191,245,480.59	December 2007	46,544,496.07
September 2005 . . .	187,601,234.17	January 2008	43,218,297.36
October 2005	183,399,521.83	February 2008	40,029,514.83
November 2005 . . .	178,656,709.71	March 2008	36,974,954.87
December 2005	173,391,380.72	April 2008	34,051,497.74
January 2006	167,624,276.55	May 2008	31,256,095.77
February 2006	161,378,224.89	June 2008	28,585,771.81
March 2006	154,678,051.91	July 2008	26,037,617.50
April 2006	147,577,332.77	August 2008	23,608,791.78
May 2006	140,701,619.22	September 2008 . . .	21,296,519.29
June 2006	134,045,695.86	October 2008	19,098,088.87
July 2006	127,604,467.52	November 2008 . . .	17,010,852.07
August 2006	121,372,956.58	December 2008	15,032,221.75
September 2006 . . .	115,346,300.17	January 2009	13,159,670.63
October 2006	109,519,747.64	February 2009	11,390,729.91
November 2006 . . .	103,888,657.91	March 2009	9,722,987.95
December 2006	98,448,496.99	April 2009	8,154,088.94
January 2007	93,194,835.49	May 2009	6,681,731.62
February 2007	88,123,346.25	June 2009	5,303,668.01
March 2007	83,229,802.00	July 2009	4,017,702.20
April 2007	78,510,073.00	August 2009	2,821,689.15
May 2007	73,960,124.89	September 2009 . . .	1,713,533.50
June 2007	69,576,016.43	October 2009	691,188.46
July 2007	65,353,897.38		

Special Characteristics of the AR and RL Classes

While the AR Class will receive payments of interest and principal, the RL Class will not have a principal balance and will not bear interest. 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 AR Class the proceeds from 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 either case.

No Residual Certificate may be transferred to a “disqualified organization” or to anyone acting on behalf of a disqualified organization. The term “transfer” can include any transfer of record ownership or of beneficial ownership, whether as a result of a sale, gift, pledge, default or otherwise. The term “disqualified organization” includes the United States, any State or other political subdivision, any foreign government, any international organization, or any agency or instrumentality of any of them (other than certain taxable instrumentalities), any cooperative organization furnishing electric energy or providing telephone service to persons in rural areas, or any organization (other than a farmers’ cooperative) that is exempt from federal income tax, unless such organization is subject to a tax on unrelated business income. Each person or entity to which 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 the Residual Certificate—Sales and Other Dispositions of Residual Certificates—Residual Certificates Transferred to or Held by Disqualified Organizations*” in this prospectus. The transferee also must deliver a properly executed Internal Revenue Service Form W-9 (or, if applicable, a Form W-8ECI) in which the transferee provides its taxpayer identification number. In addition, if a pass-through entity (including a nominee) holds a Residual Certificate, it may be subject to additional taxes if a disqualified organization is a record holder in the entity.

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

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

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

Under the Regulations, the phrase “a significant purpose of the transfer to impede the assessment or collection of tax” means that the transferor of a Residual Certificate had “improper knowledge” at the time of the transfer. In other words, the transferor knew, or should have known, that the transferee would be unwilling or unable to pay taxes due on its share of the taxable income of the related REMIC. A transferor is presumed not to have improper knowledge if four conditions are met.

- First, the transferor conducts, at the time of the transfer, a reasonable investigation of the financial condition of the transferee and, based on the results, finds that the transferee has historically paid its debts as they come due and finds no significant evidence to indicate that the transferee will not continue to pay its debts as they come due in the future.
- Second, the transferee makes certain representations to the transferor in the affidavit relating to disqualified organizations discussed above.
- Third, the transferee makes the representation to the transferor in the affidavit relating to foreign permanent establishments discussed above.
- Fourth, the transfer satisfies either the “asset test” or the “formula test.”

If you plan to transfer the 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” 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 transferor do not reasonably indicate that the taxes associated with the residual interest will not be paid.

A transfer satisfies the formula test if the present value of the anticipated tax liabilities associated with holding a Residual Certificate is less than or equal to the present value of the *sum* of

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

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

The Holder of the AR Class will be considered to be the holder of the “residual interest” in the Upper Tier REMIC, and the Holder of the RL Class will be considered to be the holder of the “residual interest” in the Lower Tier REMIC. See “Certain Federal Income Tax Consequences—REMIC Elections and Special Tax Attributes.” Pursuant to the Trust Agreement we will be obligated to provide to the Holder or Holders of the AR and RL Classes (i) information that it needs to prepare their federal income tax returns and (ii) any reports regarding the AR 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;
- LIBOR is 2.81%;
- the annual interest rates for Floating Rate and Inverse Floating Rate Classes for the initial Interest Accrual Period are as follows:

A-1	3.01%
A-2	2.40%
A-3	2.96%
A-4	2.45%
A-5	3.31%
A-6	2.10%

- the Mortgage Loans prepay at the constant percentages of PPC specified in the tables;
- there are no Uncovered Prepayment Interest Shortfalls or Relief Act Shortfalls;
- there are no A-1, A-3 or A-5 Class Interest Carryover Amounts;
- there are no defaults, losses, delinquencies or liquidations with respect to the Mortgage Loans;
- there are no substitutions of the Mortgage Loans after the Issue Date;
- the Servicer does not exercise its optional clean-up call;
- the settlement date for the sale of the Certificates is March 30, 2005; and
- each Distribution Date for the Certificates occurs on the 25th day of each month beginning in April 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 “PPC” model (the “Prepayment Assumption”).

A 100% PPC Prepayment Assumption assumes a CPR of 8% for mortgage loans in the first month of the life of those mortgage loans and an additional 1.4545454545% (precisely $\frac{1}{11}\%$) of CPR for each month thereafter, building to 24% CPR in the twelfth month. Beginning in the twelfth month and in each month thereafter, 100% PPC assumes a 24% CPR each month. The Prepayment Assumption for each Class of Certificates is 100% PPC.

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

These models do not purport to be an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans. It is highly unlikely that the Mortgage Loans will prepay at any constant percentage of the Prepayment Assumption or at any other constant rate.

Yield Tables

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

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

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

We cannot assure you that

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

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

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

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

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

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

- the annual interest rates for the Inverse Floating Rate Classes for each Interest Accrual Period subsequent to the initial Interest Accrual Period will be based on the specified level of the Index, and
- the aggregate purchase prices of those Classes (expressed in each case as a percentage of the original notional principal balance) are as follows:

<u>Class</u>	<u>Price*</u>
A-2	3.250%
A-4	2.875%
A-6	2.000%

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

Sensitivity of the A-2 Class to Prepayments and LIBOR (Pre-Tax Yields to Maturity)

<u>LIBOR</u>	<u>PPC Prepayment Assumption</u>				
	<u>0%</u>	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
0.81%	168.7%	150.5%	130.5%	108.0%	83.1%
2.81%	84.1%	67.3%	47.4%	24.1%	(1.4)%
4.81%	10.3%	(6.5)%	(38.9)%	(70.6)%	(98.6)%
5.21%	*	*	*	*	*

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

Sensitivity of the A-4 Class to Prepayments and LIBOR (Pre-Tax Yields to Maturity)

<u>LIBOR</u>	<u>PPC Prepayment Assumption</u>				
	<u>0%</u>	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
0.81%	197.2%	173.0%	172.3%	168.7%	157.9%
2.81%	97.6%	76.0%	75.6%	67.0%	50.4%
4.81%	11.4%	(21.3)%	(21.4)%	(45.9)%	(71.7)%
5.26%	*	*	*	*	*

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

Sensitivity of the A-6 Class to Prepayments and LIBOR (Pre-Tax Yields to Maturity)

<u>LIBOR</u>	<u>PPC Prepayment Assumption</u>				
	<u>0%</u>	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
0.81%	289.7%	275.9%	231.7%	177.9%	123.2%
2.81%	130.7%	117.4%	75.5%	23.0%	(23.1)%
4.81%	2.6%	(12.2)%	(88.9)%	*	*
4.91%	*	*	*	*	*

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

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

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

<u>Class</u>	<u>Price</u>
PO	75.0%

Sensitivity of the PO Class to Prepayments*

	<u>PPC Prepayment Assumption</u>				
	<u>0%</u>	<u>50%</u>	<u>100%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yields to Maturity . . .	1.6%	4.7%	8.7%	13.0%	17.6%

* Applies only to the Discount Loans.

Weighted Average Lives of the Senior and Mezzanine Certificates

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

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

The weighted average life of each Class of Senior and Mezzanine Certificates will be influenced by, among other factors, the rate at which principal payments are made on the Mortgage Loans. For the purpose of the preceding sentence, principal payments include scheduled payments, principal prepayments, liquidations due to default, casualty and condemnation and payments made pursuant to Countrywide Servicing's call option. We will apply prepayments on the Mortgage Loans to principal payments on the Certificates, as described in this prospectus. The effect of these factors may differ as to various Classes of the Senior and Mezzanine Certificates and the effects on any Class may vary at different times during the life of that Class. Accordingly, we can give no assurance as to the weighted average life of any Class.

Maturity Considerations, 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 May 2035.

The last scheduled Distribution Date for each Class of Mezzanine Certificates is the Distribution Date in May 2035. This date is determined on the basis that no Mortgage Loan is prepaid or repurchased from the Trust prior to its maturity date.

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

It is unlikely:

- that all of the Mortgage Loans will have the interest rates or remaining terms to maturity assumed or
- that all of the Mortgage Loans will prepay at any constant percentage of the 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 PPC. This is the case even if the dispersion of weighted average maturities of the Mortgage Loans are identical to the dispersion of the weighted average maturities specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

Date	A-1 and A-2† Classes					A-3 and A-4† Classes					A-5 and A-6† Classes					A-7 Class				
	PPC Prepayment Assumption					PPC Prepayment Assumption					PPC Prepayment Assumption					PPC Prepayment Assumption				
	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 2006	99	89	79	70	60	97	85	85	85	85	100	93	74	54	34	100	100	100	100	100
March 2007	97	75	55	37	21	94	70	70	70	42	100	79	39	3	0	100	100	100	100	100
March 2008	96	62	36	16	1	91	55	55	32	2	100	69	17	0	0	100	100	100	100	100
March 2009	94	51	22	3	0	88	40	40	5	0	100	63	4	0	0	100	100	100	100	0
March 2010	92	42	12	0	0	84	25	23	0	0	100	59	0	0	0	100	100	100	0	0
March 2011	90	34	5	0	0	81	10	10	0	0	100	58	0	0	0	100	100	100	0	0
March 2012	89	28	1	0	0	77	0	2	0	0	100	56	0	0	0	100	100	100	0	0
March 2013	87	23	0	0	0	73	0	0	0	0	100	46	0	0	0	100	100	54	0	0
March 2014	85	19	0	0	0	69	0	0	0	0	100	38	0	0	0	100	100	23	0	0
March 2015	83	16	0	0	0	65	0	0	0	0	100	32	0	0	0	100	100	17	0	0
March 2016	80	13	0	0	0	61	0	0	0	0	100	27	0	0	0	100	100	12	0	0
March 2017	78	11	0	0	0	56	0	0	0	0	100	22	0	0	0	100	100	9	0	0
March 2018	75	9	0	0	0	50	0	0	0	0	100	18	0	0	0	100	100	7	0	0
March 2019	72	7	0	0	0	45	0	0	0	0	100	14	0	0	0	100	100	5	0	0
March 2020	69	6	0	0	0	39	0	0	0	0	100	11	0	0	0	100	100	4	0	0
March 2021	66	4	0	0	0	33	0	0	0	0	100	8	0	0	0	100	100	3	0	0
March 2022	63	3	0	0	0	26	0	0	0	0	100	6	0	0	0	100	100	2	0	0
March 2023	60	2	0	0	0	19	0	0	0	0	100	4	0	0	0	100	100	1	0	0
March 2024	56	1	0	0	0	12	0	0	0	0	100	2	0	0	0	100	100	1	0	0
March 2025	52	*	0	0	0	4	0	0	0	0	100	1	0	0	0	100	100	1	0	0
March 2026	48	0	0	0	0	0	0	0	0	0	95	0	0	0	0	100	94	*	0	0
March 2027	43	0	0	0	0	0	0	0	0	0	87	0	0	0	0	100	76	*	0	0
March 2028	39	0	0	0	0	0	0	0	0	0	77	0	0	0	0	100	60	*	0	0
March 2029	34	0	0	0	0	0	0	0	0	0	67	0	0	0	0	100	46	*	0	0
March 2030	28	0	0	0	0	0	0	0	0	0	57	0	0	0	0	100	35	*	0	0
March 2031	23	0	0	0	0	0	0	0	0	0	45	0	0	0	0	100	25	*	0	0
March 2032	17	0	0	0	0	0	0	0	0	0	33	0	0	0	0	100	17	*	0	0
March 2033	10	0	0	0	0	0	0	0	0	0	21	0	0	0	0	100	10	*	0	0
March 2034	4	0	0	0	0	0	0	0	0	0	7	0	0	0	0	100	4	*	0	0
March 2035	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	18.8	5.5	2.6	1.8	1.3	12.2	3.4	3.4	2.4	1.8	25.4	7.6	1.9	1.1	0.8	29.8	24.2	9.0	4.5	3.2

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

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

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

Date	A-8 Class					AR Class					PO Class					X† Class				
	PPC Prepayment Assumption					PPC Prepayment Assumption					PPC Prepayment Assumption					PPC Prepayment Assumption				
	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%	0%	50%	100%	150%	200%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
March 2006	100	100	100	100	100	0	0	0	0	0	99	91	83	75	66	99	91	83	75	66
March 2007	100	100	100	100	100	0	0	0	0	0	97	79	62	47	34	98	79	62	47	34
March 2008	100	100	100	100	100	0	0	0	0	0	96	68	46	30	17	96	68	47	30	17
March 2009	100	100	100	100	49	0	0	0	0	0	94	59	35	19	9	95	59	35	19	9
March 2010	100	100	100	78	6	0	0	0	0	0	93	51	26	12	5	93	51	26	12	5
March 2011	99	96	92	40	0	0	0	0	0	0	91	44	19	7	2	92	44	19	7	2
March 2012	99	90	82	18	0	0	0	0	0	0	89	38	14	5	1	90	38	15	5	1
March 2013	98	83	68	8	0	0	0	0	0	0	87	33	11	3	1	88	33	11	3	1
March 2014	96	73	54	4	0	0	0	0	0	0	85	28	8	2	*	86	29	8	2	*
March 2015	94	63	40	2	0	0	0	0	0	0	83	24	6	1	*	84	25	6	1	*
March 2016	91	54	30	1	0	0	0	0	0	0	81	21	4	1	*	82	21	4	1	*
March 2017	88	46	22	1	0	0	0	0	0	0	78	18	3	*	*	80	18	3	*	*
March 2018	85	39	16	1	0	0	0	0	0	0	76	15	2	*	*	77	15	2	*	*
March 2019	82	33	12	*	0	0	0	0	0	0	73	13	2	*	*	74	13	2	*	*
March 2020	79	28	9	*	0	0	0	0	0	0	70	11	1	*	*	71	11	1	*	*
March 2021	76	24	6	*	0	0	0	0	0	0	67	9	1	*	*	68	9	1	*	*
March 2022	72	20	5	*	0	0	0	0	0	0	64	8	1	*	*	65	8	1	*	*
March 2023	68	17	3	*	0	0	0	0	0	0	60	6	*	*	*	62	6	*	*	*
March 2024	64	14	2	*	0	0	0	0	0	0	57	5	*	*	*	58	5	*	*	*
March 2025	60	11	2	*	0	0	0	0	0	0	53	4	*	*	*	54	4	*	*	*
March 2026	55	9	1	*	0	0	0	0	0	0	49	3	*	*	*	50	4	*	*	*
March 2027	51	7	1	*	0	0	0	0	0	0	45	3	*	*	*	46	3	*	*	*
March 2028	45	6	1	*	0	0	0	0	0	0	40	2	*	*	*	41	2	*	*	*
March 2029	40	4	*	*	0	0	0	0	0	0	35	2	*	*	*	36	2	*	*	*
March 2030	34	3	*	*	0	0	0	0	0	0	30	1	*	*	*	31	1	*	*	*
March 2031	28	2	*	*	0	0	0	0	0	0	25	1	*	*	*	25	1	*	*	*
March 2032	21	2	*	*	0	0	0	0	0	0	19	1	*	*	*	19	1	*	*	0
March 2033	15	1	*	*	0	0	0	0	0	0	13	*	*	*	*	13	*	*	*	0
March 2034	7	*	*	*	0	0	0	0	0	0	7	*	*	*	*	6	*	*	*	0
March 2035	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	21.0	12.8	10.0	6.1	4.1	0.1	0.1	0.1	0.1	0.1	19.1	6.9	3.8	2.5	1.9	19.3	7.0	3.8	2.5	1.9

M, B-1 and B-2 Classes					
Date	PPC Prepayment Assumption				
	0%	50%	100%	150%	200%
Initial Percent	100	100	100	100	100
March 2006	99	99	99	99	99
March 2007	98	98	98	98	98
March 2008	96	96	96	96	96
March 2009	95	95	95	95	95
March 2010	93	93	93	93	93
March 2011	92	88	84	80	55
March 2012	90	82	74	66	28
March 2013	88	75	62	50	14
March 2014	86	66	49	34	7
March 2015	84	57	36	21	4
March 2016	82	48	27	13	2
March 2017	79	41	20	8	1
March 2018	77	35	14	5	*
March 2019	74	30	11	3	*
March 2020	71	25	8	2	*
March 2021	68	21	6	1	*
March 2022	65	18	4	1	*
March 2023	62	15	3	*	*
March 2024	58	12	2	*	*
March 2025	54	10	1	*	*
March 2026	50	8	1	*	*
March 2027	45	7	1	*	*
March 2028	41	5	*	*	*
March 2029	36	4	*	*	*
March 2030	31	3	*	*	*
March 2031	25	2	*	*	*
March 2032	19	1	*	*	*
March 2033	13	1	*	*	*
March 2034	6	*	*	*	0
March 2035	0	0	0	0	0
Weighted Average Life (years)**	19.3	11.9	9.3	8.2	6.4

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

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

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

THE AGREEMENTS

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

Transfer of Mortgage Loans to the Lower Tier REMIC

The Trust Agreement will contain a mortgage loan schedule that will identify the Mortgage Loans that are being transferred to the Lower Tier REMIC. As Trustee, we will hold, on behalf of the Certificateholders, the original Mortgage Notes, endorsed in blank, and assignments of the mortgage instruments to us in recordable form. However, a blanket assignment may be used for the transfer of a large number of Mortgage Loans, even if the properties are not located in the same recording jurisdiction. We may change these document custody requirements at any time, as long as we determine that any such change will not have a materially adverse effect on the interests of Certificateholders.

At our option, we may choose to maintain the documents described above with one or more custodian institutions supervised and regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation or the National Credit Union Administration. We will review the mortgage loan schedule before we issue the Certificates and will conduct random spot checks after issuing the Certificates to confirm that we have all the documents we need.

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

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

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

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

Servicing Through Countrywide Home Loans Servicing LP

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

The Servicer will be obligated to perform diligently all services and duties customary to the servicing of mortgages. We will monitor the Servicer's performance and we have the right to remove the Servicer for cause at any time we consider its removal to be in the best interest of Certificateholders. The duties performed by the Servicer include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts, collection of insurance claims, and, if necessary, foreclosure.

Each month, an amount equal to the Trust Expense Rate *multiplied by* the Stated Principal Balance of each Mortgage Loan will be retained to pay various Trust expenses, including servicing payable to the Servicer and mortgage insurance fees payable by the lender, if any. The Servicer is not entitled to retain any Foreclosure Surplus. We will pay all expenses (excluding Delinquency Advances, Servicing Advances and other liquidation expenses) incurred in connection with servicing activities, including, without limitation, the fees to the Servicer, and we are not entitled to be reimbursed for such expenses out of the assets of the Lower Tier REMIC. Late charges, assumption fees and similar charges, to the extent they are collected from borrowers, will be retained by the Servicer as additional servicing compensation.

Payments on Mortgage Loans; Deposits in the Certificate Account

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

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

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

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

Reports to Certificateholders

We will make available the class factors for each Class of Certificates 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.

After the end of each calendar year, we will furnish to each person who was a Certificateholder at any time during that year a statement containing any information required by the Internal Revenue Service.

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

Collection and Other Servicing Procedures

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

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

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

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

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

Subject to the limitations discussed below, the Servicer may:

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

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

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

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

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

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

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

Certain Matters Regarding Fannie Mae

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

We are not liable under the Trust Agreement to the Lower Tier REMIC, the 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.

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

Countrywide Servicing may exercise the optional clean-up call if the aggregate principal balance of the Mortgage Loans is 10% or less of their aggregate principal balance as of the Issue Date.

If Countrywide Servicing exercises its optional clean-up call, the Certificates will be retired. In no event, however, will the Lower Tier REMIC, the 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 A-1, A-3 and A-5 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.

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
- Treatment of the A-1, A-3 and A-5 Classes
- Taxation of Beneficial Owners of Regular Certificates
- Taxation of A-1, A-3 and A-5 Class Interest Carryover Amounts
- Taxation of Beneficial Owners of Residual Certificates
- Taxes on the REMICs
- Reporting and Other Administrative Matters
- Tax Return Disclosure Requirements
- Backup Withholding
- Foreign Investors

REMIC Elections and Special Tax Attributes

We will elect to treat both the Lower Tier REMIC and the Upper Tier REMIC as REMICs under the Code. Qualification as a REMIC requires ongoing compliance with certain conditions. Arnold & Porter LLP, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that, assuming compliance with the Trust Agreement, each of the Lower Tier REMIC and the Upper Tier REMIC will be treated as a REMIC for federal income tax purposes. The Senior, Mezzanine, and Subordinate Certificates (other than the AR and RL Classes) will be designated as the “regular interests” in the Upper Tier REMIC (each a “Regular Certificate” and, together, the “Regular Certificates”) and the AR Class will be designated as the “residual interest” in the Upper Tier REMIC. The Lower Tier Regular Interests will be designated as the “regular interests,” 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 sixteen regular interests, one corresponding to each of the A-1, A-2, A-3, A-4, A-5, A-6, A-7, A-8, PO, X, 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 rates on the regular interests corresponding to the A-1, A-3 and A-5 Classes will be determined without regard to the A-1 Class Interest Carryover Amount, A-3 Class Interest Carryover Amount or A-5 Class Interest Carryover Amount, respectively. A beneficial owner of an A-1, A-3 or A-5 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 A-1, A-3 or A-5 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 A-1, A-3 and A-5 Class Interest Carryover Amounts*” below. For purposes of this discussion, each of the regular interests issued by the Upper Tier REMIC is referred to as a “Regular Certificate” and, together, as “Regular Certificates.”

Because each of the Lower Tier REMIC and the Upper Tier REMIC will qualify as a REMIC, 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” with respect to financial asset securitization investment trusts.

Treatment of the A-1, A-3 and A-5 Classes

Except as provided below, a beneficial owner of an A-1, A-3 or A-5 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 an A-1, A-3 or A-5 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 an A-1, A-3 or A-5 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 A-1, A-3 and A-5 Class Interest 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 A-1, A-3 and A-5 Class Certificate (that is, the corresponding REMIC regular interest and the notional principal contract).

Allocations

A beneficial owner of an A-1, A-3 or A-5 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. As a result, the REMIC regular interest represented by an A-1, A-3 or A-5 Class Certificate may be treated as having been issued with original issue discount. See “—*Taxation of Beneficial Owners of Regular Certificates—Treatment of Original Issue Discount*” below. When a beneficial owner of an A-1, A-3 or A-5 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 value of the notional principal contract corresponding to each Certificate is more than *de minimis*, relative to the value of the corresponding REMIC regular interest, as of the Settlement Date. See “—*Taxation of the A-1, A-3 and A-5 Class Interest 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 (or perhaps, less) 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 A-1, A-3 or A-5 Class had a higher value as of the Settlement

Date, a greater portion of the purchase price for the A-1, A-3 or A-5 Class, respectively, 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 A-1, A-3 or A-5 Class, respectively. See "*—Taxation of Beneficial Owners of Regular Certificates*" and "*—Taxation of the A-1, A-3 and A-5 Class Interest Carryover Amounts*" below. You therefore should consider the tax consequences to you if the IRS were to assert different values for the notional principal contracts corresponding to the A-1, A-3 and A-5 Classes.

It is possible that the notional principal contracts provide no value, in which case the full purchase prices of the A-1, A-3 and A-5 Classes should be allocated to the corresponding REMIC regular interests. In such a case, a beneficial owner of the A-1, A-3 or A-5 Class would not be treated as entering into a notional principal contract and the federal income tax consequences to the beneficial owner would be determined without regard to the discussion under the caption "*—Taxation of the A-1, A-3 and A-5 Class Interest Carryover Amounts*" below.

Tax Attributes

Although the A-1, A-3 and A-5 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 an A-1, A-3 or A-5 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 Trust or its assets. Interest, original issue discount and market discount with respect to a Regular Certificate will represent ordinary income to the beneficial owner of the Certificate (a "Regular Owner"). A Regular Owner must report interest on a Regular Certificate using an accrual method of accounting, regardless of whether it otherwise reports income using a cash method of accounting. Rules regarding original issue discount and market discount are discussed below.

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

Treatment of Original Issue Discount

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

Definition of Original Issue Discount

In general, a Regular Certificate will be considered to be issued with OID equal to the excess, if any, of its “stated redemption price at maturity” over its “issue price.” The issue price of a Regular Certificate is the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Regular Certificates was sold. The issue price also includes any accrued interest attributable to the period before the Settlement Date. The stated redemption price at maturity of a Regular Certificate generally is its stated principal amount, plus an amount equal to the excess (if any) of the interest payable on the first Distribution Date over the interest that accrues for the period from the Settlement Date to the first Distribution Date. The stated redemption price at maturity of a Regular Certificate of a Notional Class, 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 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 the Mortgage Loans is 100% PPC. See “Description of the Senior and Mezzanine Certificates—Structuring Assumptions—*Prepayment Assumption*” in this prospectus.

Daily Portions of Original Issue Discount

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

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

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

- (i) the sum of (A) the present values of all the distributions remaining to be made on the Regular Certificate, if any, as of the end of the accrual period and (B) the distribution

made on the Certificate during the accrual period of amounts included in the stated redemption price at maturity, over

(ii) the adjusted issue price of the Certificate at the beginning of the accrual period.

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

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

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

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

Subsequent Holders’ Treatment of Original Issue Discount

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

Regular Certificates Purchased at a Premium

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

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

income (“fully taxable bonds”) held by the Regular Owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by it. A Regular Owner may revoke the election only with the consent of the IRS.

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

Regular Certificates Purchased with Market Discount

A Regular Owner that purchases a Regular Certificate at a price that is less than the remaining stated redemption price at maturity of the Regular Certificate (or in the case of a Regular Certificate issued with OID, less than the adjusted issue price of the Certificate) has market discount with respect to the Certificate in the amount of the difference. In general, three consequences arise if a Regular Owner acquires a Regular Certificate with market discount.

- First, the Regular Owner must treat any principal payment with respect to a Regular Certificate acquired with market discount as ordinary income to the extent of the market discount that accrued while the Regular Owner held the Certificate.
- Second, the Regular Owner must treat gain on the disposition or retirement of such a Certificate as ordinary income under the circumstances discussed below under “—Sales and Other Dispositions of Regular Certificates.”
- Third, a Regular Owner that incurs or continues indebtedness to acquire a Regular Certificate at a market discount may be required to defer the deduction of all or a portion of the interest on the indebtedness until the corresponding amount of market discount is included in income.

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

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

Notwithstanding the above rules, market discount on a Regular Certificate will be considered to be zero if the discount is less than 0.25% 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 A-1, A-3 and A-5 Class Interest Carryover Amounts

The beneficial owners of an A-1, A-3 or A-5 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”). Pursuant to the notional principal contracts,

a beneficial owner of an A-1, A-3 or A-5 Class Certificate will be treated as agreeing to pay a premium for the right to receive A-1, A-3 or A-5 Class Interest Carryover Amounts, respectively, from the proceeds received under the Cap Contract.

Treatment of Payments under the Notional Principal Contracts

Under the NPC Regulations, the premium that is deemed to have been paid for the right to receive the A-1, A-3 or A-5 Class Interest Carryover Amounts, must be amortized over the life of the A-1, A-3 or A-5 Class, respectively, taking into account the declining balance of the A-1, A-3 or A-5 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 A-1, A-3 and A-5 Class Interest Carryover Amounts received by the A-1, A-3 and A-5 Classes pursuant to the notional principal contracts 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 notional principal contract is limited under section 67 of the code in the case of (i) estates and trusts, and (ii) individuals owning an interest in an A-1, A-3 or A-5 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 notional principal contract in computing the beneficial owner's alternative minimum tax liability.

Disposition of the Notional Principal Contracts

Any amounts that are considered to be allocated to the right to receive A-1, A-3 and A-5 Class Interest Carryover Amounts in connection with the sale or other disposition of an A-1, A-3 or A-5 Class Certificate as described under "*—Treatment of the A-1, A-3 and A-5 Classes—Allocations*" above will be considered a "termination payment" under the NPC Regulations. Under the NPC Regulations, a beneficial owner of an A-1, A-3 or A-5 Class Certificate will have gain or loss from the disposition of the right to receive A-1, A-3 or A-5 Class Interest Carryover Amounts, respectively, equal to (i) the sum of the unamortized portion of any premium received or deemed to have been received by the beneficial owner attributable to the right to receive A-1, A-3 or A-5 Class Interest Carryover Amounts 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 attributable to the right to receive A-1, A-3 or A-5 Class Interest Carryover Amounts and any termination payment it makes or is deemed to have made. The gain or loss should be capital gain or loss, provided the notional principal 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 the Residual Certificate (a "Residual Owner") generally will be required to report its daily portion of the taxable income or net loss of the 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 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 Lower Tier REMIC and the Upper 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 AR Certificate).
- Market discount equal to any excess of the total Stated Principal Balances of the qualified mortgages over the related REMIC's basis in these mortgages generally will be included in income by the related REMIC as it accrues under a constant yield method, taking into account the prepayment assumption described above.
- If the related REMIC is treated as having acquired qualified mortgages at a premium, the premium also will be amortized using a constant yield method.
- No item of income, gain, loss or deduction allocable to a prohibited transaction (see "*Taxes on the REMICs—Prohibited Transactions*" below) will be taken into account.
- The REMICs generally may not deduct any item that would not be allowed in calculating the taxable income of a partnership by virtue of section 703(a)(2) of the Code.

- The limitation on miscellaneous itemized deductions imposed on individuals by section 67 of the Code will not be applied at the REMIC level to any administrative fees, such as servicing and guaranty fees. (See, however, “—Pass-Through of Servicing and Guaranty Fees to Individuals” below.)
- No deduction is allowed for any expenses incurred in connection with the formation of the REMICs and the issuance of the Regular and Residual Certificates.
- Any gain or loss to the REMICs from the disposition of any asset, including a qualified mortgage or “permitted investment” as defined in section 860G(a)(5) of the Code, will be treated as ordinary gain or loss.

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

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

Basis Rules and Distributions

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

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

Treatment of Excess Inclusions

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

Any excess inclusions cannot be offset by losses from other activities. For Residual Owners that are subject to tax only on unrelated business taxable income (as defined in section 511 of the Code), an excess inclusion of the Residual Owner is treated as unrelated business taxable income. With respect to variable contracts (within the meaning of section 817 of the Code), a life insurance company cannot adjust its reserve to the extent of any excess inclusion, except as provided in

regulations. If a Residual Owner is a member of an affiliated group filing a consolidated income tax return, the taxable income of the affiliated group cannot be less than the sum of the excess inclusions attributable to all residual interests in REMICs held by members of the affiliated group. For purposes of the alternative minimum tax, taxable income does not include excess inclusions, the alternative minimum taxable income cannot be less than excess inclusions, and excess inclusions are disregarded in computing the alternative tax net operating loss deduction. For a discussion of the effect of excess inclusions on certain foreign investors that own a Residual Certificate, see “—*Foreign Investors*—Residual Certificates” below.

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

Pass-Through of Servicing and Guaranty Fees to Individuals

A Residual Owner who is an individual will be required to include in income a share of the administrative fees of the related REMIC, including the servicing and guaranty fees imposed at the level of the Mortgage Loans. See, for example, “Description of Certificates—Servicing Through Lenders” and “Certain Federal Income Tax Consequences” in our MBS prospectus. A deduction for such fees generally will be allowed to such a Residual Owner only to the extent that such fees, along with certain of the Residual Owner’s other miscellaneous itemized deductions, exceed 2% 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 a Residual Certificate is determined as described above under “—Basis Rules and Distributions.” Except as provided in section 582(c) of the Code, the gain or loss, if any, will be capital gain or loss, provided the Certificate is held as a capital asset.

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

Residual Certificate Transferred to or Held by Disqualified Organizations

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

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

Other Transfers of a Residual Certificate

A transfer of a Residual Certificate that has tax avoidance potential is disregarded for federal income tax purposes if the transferee is not a U.S. Person (a "Non-U.S. Person"), unless the transferee's income from the Certificate is otherwise subject to U.S. income tax. A transfer of a Residual Certificate has tax avoidance potential unless, at the time of the transfer, the transferor reasonably expects that, for each excess inclusion, the Trust will pay to the transferee an amount that will equal at least 30% of the excess inclusion, and that each amount will be paid at or after the time at which the excess inclusion accrues and not later than the close of the calendar year following the calendar year of accrual. Certain transfers by a Non-U.S. Person to a U.S. Person or another Non-U.S. Person are also disregarded if the transfer has the effect of allowing the transferor to avoid tax on accrued excess inclusions. See "Description of the Senior and Mezzanine Certificates—Special Characteristics of the AR 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 such 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 Lower Tier REMIC and the Upper Tier REMIC 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 any of the REMICs. If in certain circumstances a tax is imposed on the REMIC, distributions on the Mezzanine or Subordinate Certificates may be reduced by the amount of that 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 of the REMICs will be treated as a partnership and the related Residual Owner will be treated as the partner in such REMIC. We will prepare, sign and file federal income tax returns for the REMICs, which returns are subject to audit by the IRS. We will also act as the tax matters partner for the REMICs, either as a beneficial owner of a Residual Certificate or as a fiduciary for a Residual Owner. Each Residual Owner, by the acceptance of a Residual Certificate, agrees that we will act as its fiduciary in the performance of any duties required of it in the event that it is the tax matters partner.

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

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

Tax Return Disclosure Requirements

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

Backup Withholding

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

Foreign Investors

Regular Certificates

Distributions made on a Regular Certificate to, or on behalf of, a Regular Owner that is a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, provided (a) the Regular Owner is not subject to U.S. tax as a result of a connection to the United States other than ownership of the Certificate, (b) the Regular Owner signs a statement under penalties of perjury that certifies that the Regular Owner is a Non-U.S. Person, and provides the name and address of the Regular Owner, and (c) the last U.S. Person in the chain of payment to the Regular Owner receives the statement from the Regular Owner or a financial institution holding on its behalf and does not have actual knowledge that the statement is false. You should be aware that the IRS might take the position that this exemption does not apply to a Regular Owner that also owns 10 percent or more of the Residual Certificates or of the voting stock of Fannie Mae, or to a Regular Owner that is a “controlled foreign corporation” described in section 81(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 Residual Certificates*—Treatment of Excess Inclusions.”

LEGAL INVESTMENT CONSIDERATIONS

General

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

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities, you may be subject to restrictions on investment in certain classes of the Senior and Mezzanine Certificates. If you are a financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the Treasury or other federal or state agencies with similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing or pledging any Senior or Mezzanine Certificates. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Senior or Mezzanine Certificate.

Mezzanine Certificates

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

We make no representations regarding:

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

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

SMMEA Eligibility of the M Class

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

LEGAL OPINION

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

ERISA CONSIDERATIONS

General

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code impose certain requirements on employee benefit plans subject to ERISA (such as employer-sponsored retirement plans) and upon other types of benefit plans and arrangements subject to section 4975 of the Code (such as individual retirement accounts). ERISA and the Code also impose these requirements on certain entities in which the benefit plans or arrangements that are subject to ERISA and the Code invest. We refer to these plans, arrangements and entities as “Plans.” Any person who is a fiduciary of a Plan is also subject to the requirements imposed by ERISA and the Code.

Senior Certificates

General. On November 13, 1986, the U.S. Department of Labor issued a final regulation covering the acquisition by a Plan of a “guaranteed governmental mortgage pool certificate,” defined to include certificates which are “backed by, or evidencing an interest in specified mortgages or participation interests therein” and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a Plan in a “guaranteed governmental mortgage pool certificate” does not cause the assets of the Plan to include the mortgages underlying the certificate or cause the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgages in the pool. At the time the regulation was originally issued, certificates similar to the Senior Certificates did not exist. However, we have been advised by our counsel, Sidley Austin Brown & Wood LLP, that the Senior Certificates (other than certain rights of the A-1, A-3 and A-5 Classes) qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of Senior Certificates by Plans will not cause the 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.

Additional Considerations Relating to the A-1, A-3 and A-5 Classes. Because the right to interest payable under the cap contracts for Holders of the A-1, A-3 and A-5 Classes is not guaranteed by Fannie Mae, the “guaranteed governmental mortgage pool” exception may or may not be applicable to the acquisition and holding of that right. Therefore, any Plan fiduciary considering an investment in the A-1, A-3 or A-5 Class should consider the identity of the A-1, A-3 or A-5 Class Cap Contract Counterparty, as applicable, in determining whether an investment in the A-1, A-3 or A-5 Class would give rise to a prohibited transaction. Depending on the relevant facts and circumstances, certain prohibited transaction exemptions may apply to the acquisition of the A-1, A-3 and A-5 Classes and rights under the related cap contracts—for example:

- Prohibited Transaction Class Exemption (“PTCE”) 84-14, which exempts certain transactions effected on behalf of a Plan by a “qualified professional asset manager”,
- PTCE 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 A-1, A-3 or A-5 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 A-1, A-3 or A-5 Class and rights under the related 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 Master Servicer to have duties in addition to those specified in the Agreements.

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

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

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

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

PLAN OF DISTRIBUTION

Pursuant to the Sale and Servicing Agreement, we will acquire the Mortgage Loans from the Seller in exchange for the Certificates. The Seller has retained Countrywide Securities Corporation (“Countrywide Securities” or the “Dealer”), which proposes to offer the Senior Certificates (other than the PO and X Classes) and the Mezzanine Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer is an affiliate of the Seller and Servicer. The Dealer may effect these transactions to or through other dealers. The PO and X Classes initially will be retained by the Seller.

RATINGS

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

<u>Class</u>	<u>Standard & Poor’s Rating</u>	<u>Moody’s Rating</u>
M	AA	Aa3
B-1	A	A3
B-2	BBB	Baa3

The ratings that the Rating Agencies assign to mortgage pass-through certificates reflect the likelihood that certificateholders will receive all distributions to which they are entitled under the transaction. The Rating Agencies analyze 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 applicable Mezzanine Classes independently of similar ratings on other types of securities. A security rating is not a recommendation to buy, sell or hold securities. The Rating Agencies may revise or withdraw their ratings at any time.

We have not requested ratings of the Mezzanine Classes by any rating agency other than the Rating Agencies. 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 the Rating Agencies.

LEGAL MATTERS

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

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Exhibit A

Certain Assumed Characteristics of the Mortgage Loans

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

Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	WAM	WALA	Remaining Interest Only Term
\$ 55,673,907.53	5.321982100%	5.581950163%	360 months	0 month	0 month
497,141,614.22	5.695291218	5.949225087	359 months	0 month	0 month
1,751,577.27	5.330003056	5.580003056	360 months	0 month	120 months
23,401,891.16	5.772530012	6.022530012	359 months	1 month	119 months
890,600.00	5.987704918	6.237704918	359 months	1 month	179 months

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

The Securities and Exchange Commission has not approved or disapproved the certificates or determined if this senior supplement is truthful and complete. Any representation to the contrary is a criminal offense.

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\$554,257,230
(Approximate)



FannieMae®

**Guaranteed REMIC
Pass-Through Certificates
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SENIOR SUPPLEMENT

Countrywide Securities Corporation

February 17, 2005