

\$576,523,163 (Approximate)



FannieMae®

Guaranteed Pass-Through Certificates Fannie Mae Trust 2005-W3

Carefully consider the risk factors beginning on page 11 of this prospectus. Unless you understand and are able to tolerate these risks, you should not invest in the certificates.

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

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

The Certificates

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

Payments to Certificateholders

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

- interest to the extent accrued as described in this prospectus, and
- principal to the extent available for payment as described in this prospectus.

The Fannie Mae Guaranty

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

The Trust and Its Assets

The trust assets will be divided into three groups.

- Group 1 and Group 2 will consist of first lien, one- to four-family, fully amortizing, fixed-rate mortgage loans insured by the Federal Housing Administration (FHA) or partially guaranteed by the U.S. Department of Veterans Affairs (VA) or the Rural Housing Service of the U.S. Department of Agriculture (RHS) and having the characteristics described in this prospectus. Group 1 will be treated as a grantor trust for tax purposes. The mortgage loans in Group 1 may not be qualified assets for REMIC purposes. Group 2 will be treated as a REMIC for tax purposes.
- Group 3 will consist of first lien, one- to four-family, fully amortizing, adjustable rate mortgage loans insured by the FHA or partially guaranteed by the VA and having the characteristics described in this prospectus. Group 3 will be treated as a grantor trust for tax purposes. The mortgage loans in Group 3 may not be qualified assets for REMIC purposes.

Class	Group*	Original Class Balance (1)	Principal Type (2)	Interest Rate (3)	Interest Type (2)	CUSIP Number	Assumed Maturity Date (4)
1-A	1	\$ 88,644,508	PT	7.50%	FIX	31394FRY3	March 2035
1-A-PO	1	1,612,194	PT	(5)	PO	31394FRZ0	March 2035
1-A-IO	1	90,256,702 (6)	NTL	(7)	WAC/IO	31394FSA4	March 2035
2-A-F	2	398,185,996	PT	(8)	FLT	31394FSB2	March 2035
2-A-S	2	398,185,996 (6)	NTL	(8)	INV/IO	31394FSC0	March 2035
3-A	3	88,080,465	PT	(9)	WAC	31394FSD8	April 2035
R	(10)	0	NPR	0	NPR	31394FSE6	March 2035
RL	(10)	0	NPR	0	NPR	31394FSF3	March 2035

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

- (1) Approximate. May vary by plus or minus 5%.
- (2) See "Description of the Certificates—Class Definitions and Abbreviations."
- (3) Subject to uncovered prepayment interest shortfalls as described in this prospectus.
- (4) The Assumed Maturity Date is calculated assuming the maturity dates of the mortgage loans are not modified. Fannie Mae does not guarantee payment in full of the principal balances of the certificates on the related Assumed Maturity Date. Fannie Mae will guarantee payment in full of the principal balances of the certificates no later than the distribution date in March 2045 for the Group 1 and Group 2 Classes and no later than the distribution date in April 2045 for the Group 3 Class.
- (5) The 1-A-PO Class will be a principal only class and will not bear interest.
- (6) Notional principal balances. These classes are interest only classes.
- (7) The 1-A-IO Class will bear interest at the variable annual rate described in this prospectus. During the initial interest accrual period, the 1-A-IO Class is expected to bear interest at an annual rate of approximately 0.50653%.
- (8) Based on One-Month LIBOR and, in the case of the 2-A-F Class, subject to the net WAC cap as described in this prospectus.
- (9) The 3-A Class will bear interest at the variable annual rate described in this prospectus. During the initial interest accrual period, the 3-A Class is expected to bear interest at an annual rate of approximately 4.58177%.
- (10) The R and RL Classes relate to Group 2 only.

The dealer will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be August 30, 2005.

Countrywide Securities Corporation

August 3, 2005

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Available Information	4	Principal Payments on the Certificates...	35
Incorporation By Reference	4	<i>Categories of Classes—Principal</i>	35
Recent Developments	5	<i>General</i>	35
Reference Sheet	8	Principal Distribution Amount	35
Risk Factors	11	<i>Group 1 Principal Distribution</i>	
General	14	<i>Amount</i>	35
<i>Structure</i>	14	<i>Group 1 Non-PO Principal</i>	
<i>Authorized Denominations</i>	15	<i>Distribution Amount</i>	35
<i>Characteristics of Certificates</i>	15	<i>Group 1 PO Principal Distribution</i>	
<i>Fannie Mae Guaranty</i>	16	<i>Amount</i>	35
<i>Distribution Dates</i>	16	<i>Group 2 Principal Distribution</i>	
<i>Record Date</i>	16	<i>Amount</i>	35
<i>Class Factors</i>	16	<i>Group 3 Principal Distribution</i>	
<i>Authorized Denominations</i>	16	<i>Amount</i>	35
<i>Optional Termination by the Servicer</i>	16	Certain Definitions Relating to	
The Mortgage Loans	16	Payments on the Certificates	36
General	16	Class Definitions and Abbreviations	38
Group 1 Loans	18	The Cap Contract	38
Group 2 Loans	21	<i>General</i>	38
Group 3 Loans	24	Special Characteristics of R and	
Fannie Mae Mortgage Purchase		RL Class Certificates	42
Program	29	Structuring Assumptions	44
Selling and Servicing Guides	30	<i>Pricing Assumptions</i>	44
Mortgage Loan Eligibility Standards—		<i>Prepayment Assumptions</i>	44
Government Insured Loans	30	Yield Tables	45
<i>Dollar Limitations</i>	30	<i>General</i>	45
<i>Loan-to-Value Ratios</i>	30	<i>The 1-A-IO Class</i>	45
<i>Underwriting Guidelines</i>	30	<i>The 2-A-S Class</i>	46
Description of the Certificates	31	<i>The 1-A-PO Class</i>	47
Book-Entry Procedures	31	Weighted Average Lives of the	
<i>DTC</i>	31	Certificates	47
<i>Title to DTC Certificates</i>	31	Decrement Tables	48
<i>Method of Payment</i>	31	The Trust Agreement	50
Interest Payments on the Certificates	31	Transfer of Mortgage Loans to the	
<i>Categories of Classes—Interest</i>	31	Trust	50
<i>Interest Calculation</i>	32	Servicing Through Lenders	50
<i>Interest Accrual Periods</i>	32	Distributions on Mortgage Loans;	
<i>Notional Classes</i>	32	Deposits in the Certificate Account ...	51
<i>The 1-A-IO Class</i>	32	Reports to Certificateholders	51
<i>The 2-A-F Class</i>	33	Servicing Compensation and Payment	
<i>The 2-A-S Class</i>	33	of Certain Expenses by Fannie Mae ..	51
<i>The 3-A Class</i>	33	Collection and Other Servicing	
<i>Uncovered Prepayment Interest</i>		Procedures	51
<i>Shortfalls</i>	33	Certain Matters Regarding Fannie Mae ..	52
Calculation of One-Month LIBOR	34	Repurchase of Mortgage Loans	53
<i>General</i>	34	Events of Default	53
<i>Calculation Method</i>	34	Rights Upon Event of Default	53
		Voting Rights	53
		Amendment	53

	<u>Page</u>		<u>Page</u>
Termination	54	<i>Treatment of Payments under the</i>	
U.S. Treasury Circular 230 Notice ...	54	<i>Cap Contract</i>	67
Certain Federal Income Tax		<i>Disposition of the Cap Contract</i>	67
Consequences	54	Taxation of Beneficial Owners of a	
Taxation of the Portion of the Trust		Residual Certificate	68
with Respect to the Group 1 and		Amounts Paid to a Transferee of a	
Group 3 Classes	55	Residual Certificate	68
Taxation of Beneficial Owners of		Daily Portions.....	68
Certificates of the Group 1 and		Taxable Income or Net Loss of the	
Group 3 Classes	55	REMICs	68
The 1-A-IO and I-A-PO Classes.....	55	Basis Rules and Distributions.....	69
The 1-A and 3-A Classes	57	Treatment of Excess Inclusions	69
Expenses of the Trust.....	58	Pass-Through of Servicing and	
Sales and Other Dispositions of		Guaranty Fees to Individuals	70
Certificates of the Group 1 and		Sales and Other Dispositions of a	
Group 3 Classes	59	Residual Certificate	70
Special Tax Attributes of Certificates of		<i>Residual Certificate Transferred to or</i>	
the Group 1 and Group 3 Classes	59	<i>Held by Disqualified Organizations</i>	71
Modifications of FHA/VA Loans.....	59	<i>Other Transfers of a Residual</i>	
Information Reporting and Backup		<i>Certificate</i>	71
Withholding for Certificates of the		Termination	71
Group 1 and Group 3 Classes	60	Taxes on the REMICs	72
Foreign Investors in Certificates of the		Prohibited Transactions.....	72
Group 1 and Group 3 Classes	60	Contributions to a REMIC after the	
REMIC Elections and Special Tax		Startup Day.....	72
Attributes for the Group 2 Classes ...	61	Net Income from Foreclosure	
<i>Allocations</i>	62	Property	72
<i>Tax Attributes</i>	62	Reporting and Other Administrative	
Taxation of Beneficial Owners of		Matters for REMIC Investors	72
Regular Certificates	62	Backup Withholding for REMIC	
Treatment of Original Issue Discount ..	63	Investors	73
<i>Definition of Original Issue</i>		Foreign Investors in REMICs.....	73
<i>Discount</i>	63	Regular Certificates	73
<i>Daily Portions of Original Issue</i>		Residual Certificates	73
<i>Discount</i>	63	Legal Investment Considerations	73
Subsequent Holders' Treatment of		Legal Opinion	74
Original Issue Discount	64	ERISA Considerations	74
Regular Certificates Purchased at a		<i>General</i>	74
Premium	64	<i>Additional Considerations Relating to</i>	
Regular Certificates Purchased with		<i>the 2-A-F Class</i>	74
Market Discount	65	Plan of Distribution	75
Special Election	66	Legal Matters	75
Sales and Other Dispositions of		Index of Defined Terms	76
Regular Certificates	66	Exhibit A	A-1
Termination	66		
Taxation of the Net WAC Carryover			
Amounts.....	66		

AVAILABLE INFORMATION

You should purchase the certificates only if you have read and understood this prospectus and any information incorporated by reference in this prospectus as discussed below under the heading “Incorporation by Reference” (the “Disclosure Documents”).

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

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

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

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

Countrywide Securities Corporation
Prospectus Department
4500 Park Grenada
Calabasas, California 91302
(telephone 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 since the end of the fiscal year covered by the Form 10-K until the date of this prospectus, excluding any information “furnished” to the SEC on Form 8-K; and
- all proxy statements that we file with the SEC and all documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 subsequent to the date of this prospectus 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 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. 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 our auditor for each of the fiscal years 2001, 2002, 2003, 2004 and 2005.

Stephen B. Ashley, a member of the Board, currently is serving as the non-executive Chairman of the Board. On June 1, 2005, the Board announced that it had selected Daniel H. Mudd, the former Chief Operating Officer of Fannie Mae, to be the new President and Chief Executive Officer. Mr. Mudd had been serving as the interim Chief Executive Officer since the retirement of Mr. Raines. Executive Vice President Robert Levin currently is serving as the interim Chief Financial Officer.

On December 15, 2004, the Office of the Chief Accountant of the Securities and Exchange Commission (the "SEC") issued a statement (the "Statement") regarding certain accounting issues relating to Fannie Mae, including determinations by the SEC that we 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 reports on Form 10-Q for the quarters ended September 30, 2004, March 31, 2005 and June 30, 2005, 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, the Office of Federal Housing Enterprise Oversight ("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.

Our Board and management are addressing the issues and questions raised by OFHEO. In addition, the Board designated its Special Review Committee to review the findings of OFHEO's September 2004 special examination report. This review, led by former Senator Warren Rudman of the law firm of Paul, Weiss, Rifkind, Wharton & Garrison ("Paul Weiss"), is focused on: accounting issues, including accounting policies, procedures and controls regarding FAS 91 and FAS 133; organization, structure and governance, including Board oversight and management responsibilities and resources; and executive compensation. Paul Weiss' work continues as it examines these areas and other issues that may arise in the course of its review, reporting regularly to the Board. We will report to OFHEO regarding each of these issues and will continue to work with OFHEO to resolve these matters as part of our ongoing internal reviews and restatement process. In light of the foregoing, management has initiated a comprehensive review of accounting routines and controls, the financial reporting process and the application of GAAP, which will include the issues OFHEO has identified, as well as issues identified by management and/or Deloitte. Management, working with accounting consultants, will develop a view on these issues, which then will be reviewed with the Audit Committee, Deloitte and OFHEO. Upon conclusion of this review, our financial statements will be restated where necessary and submitted to Deloitte for review as part of its audit. We are providing periodic updates to the SEC and the New York Stock Exchange on the restatement. In addition, the SEC and the U.S. Attorney's Office for the District of Columbia are conducting ongoing investigations into these matters.

OFHEO is required to review our capital classification quarterly, and as of September 30, 2004 and December 31, 2004, classified us as "significantly undercapitalized." As a result of this classifica-

tion, we submitted a capital restoration plan to OFHEO in January 2005, and 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 SEC on February 23, 2005. On May 19, 2005, OFHEO classified us as "adequately capitalized" as of March 31, 2005. OFHEO has noted that this classification is subject to revision pending the outcome of ongoing accounting reviews, and that this classification does not amend any existing capital restoration plans currently in place between Fannie Mae and OFHEO.

In a Form 12b-25 filed with the SEC on August 9, 2005, we reported that, based on our current assessment, we are not likely to complete and file our Annual Report on Form 10-K for the year ended December 31, 2004, which will contain restated financial information, prior to the second half of 2006. We also reported in that Form 12b-25 that we are uncertain whether Deloitte will be able to opine on either the effectiveness of our internal control over financial reporting or management's process for assessing the effectiveness of internal control over financial reporting as of December 31, 2004 or December 31, 2005. We also reported in that Form 12b-25 that current NYSE listing standards allow the NYSE to continue to list the securities of a listed company for up to nine months after a company is delinquent in filing its Annual Report on Form 10-K (until December 16, 2005, in the case of Fannie Mae). The NYSE, in its sole discretion, also may extend the listing of a company's securities for another three months after that date, depending on the company's circumstances. Under the rules of the NYSE, Fannie Mae would have a right to a review of any decision to delist its securities by a committee of the NYSE Board of Directors.

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 referred to on page 4.

The Certificates

- The certificates will represent beneficial ownership interests in Fannie Mae Trust 2005-W3.
- The trust assets will be divided into three mortgage loan groups. All of the mortgage loans were previously repurchased from Ginnie Mae pools as a result of past delinquency.
- Group 1 and Group 2 will consist of first lien, one- to four-family, fully amortizing, fixed-rate mortgage loans insured by the Federal Housing Administration (FHA) or partially guaranteed by the U.S. Department of Veterans Affairs (VA) or the Rural Housing Service of the U.S. Department of Agriculture (RHS).
- Group 3 will consist of first lien, one- to four-family, fully amortizing, adjustable-rate mortgage loans insured by the FHA or partially guaranteed by the VA.

Certain Characteristics of the Mortgage Loans

Each of the mortgage loans was originated in accordance with the underwriting guidelines of the FHA, VA or RHS and included in a Ginnie Mae pool. Generally, each mortgage loan was subsequently repurchased from a Ginnie Mae pool after a delinquency on the loan was not cured for at least 90 days. The mortgage loans are now reperforming as and to the extent described in the section of this prospectus entitled “The Mortgage Loans.”

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

Class Factors

The class factors are numbers that, when multiplied by the initial principal balance or notional balance of a certificate, can be used to calculate the current principal balance or notional balance of that certificate (after taking into account distributions in the same month). We will publish the class factors for the certificates on or shortly after the 23rd day of each month.

Settlement Date

We expect to issue the certificates on August 30, 2005.

Distribution Dates

We will make payments on the certificates on the 25th day of each calendar month, or the next business day if the 25th day is not a business day, beginning in September 2005.

Book-Entry Certificates

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

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

DTC Book-Entry

All classes other than the R and RL Classes

Physical

R and RL Classes

Interest Rates

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

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

Notional Classes

The 1-A-IO and 2-A-S Classes are notional classes. A notional class will not receive principal. The notional principal balance of a notional class is the balance used to calculate interest. See “Description of the Certificates—Interest Payments on the Certificates—*Notional Classes*” and “—Yield Tables—The 1-A-IO Class” and “—The 2-A-S Class” in this prospectus.

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

1-A-IO	100% of the Group 1 Loans
2-A-S	100% of the 2-A-F Class

Principal Only Class

The 1-A-PO Class is a principal only class and will not bear interest. See “Description of the Certificates—Principal Payments on the Certificates” and “—Yield Tables—*The 1-A-PO Class*” in this prospectus.

Payments of Principal

Group 1 Principal Distribution Amount

Group 1 Non-PO Principal Distribution Amount

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

Group 1 PO Principal Distribution Amount

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

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

Group 2 Principal Distribution Amount

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

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

Group 3 Principal Distribution Amount

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

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

Guaranty Payments

We guarantee that we will pay to the holders of certificates (i) all required installments of principal and interest on the certificates on time and (ii) the remaining principal balance of each class of certificate no later than the distribution date in March 2045 for the Group 1 and Group 2 Classes and the distribution date in April 2045 for the Group 3 Class.

Weighted Average Lives (years) *

<u>Group 1 Classes</u>	<u>CPR Prepayment Assumption</u>						
	<u>10%</u>	<u>15%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>	<u>40%</u>
1-A	6.9	5.2	4.0	3.2	2.7	2.2	1.9
1-A-PO	7.2	5.3	4.1	3.3	2.7	2.3	1.9
1-A-IO	6.9	5.2	4.0	3.2	2.7	2.2	1.9
<u>Group 2 Classes</u>	<u>CPR Prepayment Assumption</u>						
	<u>10%</u>	<u>15%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>	<u>40%</u>
2-A-F and 2-A-S	7.2	5.3	4.1	3.3	2.7	2.3	1.9
<u>Group 3 Class</u>	<u>CPR Prepayment Assumption</u>						
	<u>10%</u>	<u>15%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>	<u>40%</u>
3-A	7.2	5.3	4.1	3.3	2.7	2.2	1.9

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

RISK FACTORS

We describe below some of the risks associated with an investment in the certificates. Because each investor has different investment needs and a different risk tolerance, you should consult your own financial and legal advisors to determine whether the certificates are a suitable investment for you.

Suitability

The certificates may not be a suitable investment. The certificates are not a suitable investment for every investor. Before investing, you should consider carefully the following:

- You should have sufficient knowledge and experience to evaluate the merits and risks of the certificates and the information contained in this prospectus and the other disclosure documents described on page 4.
- You should thoroughly understand the terms of the certificates.
- You should be able to evaluate (either alone or with the help of a financial advisor) the economic, interest rate and other factors that may affect your investment.
- You should have sufficient financial resources and liquidity to bear all risks associated with the certificates.
- You should investigate any legal investment restrictions that may apply to you.
- You should exercise particular caution if your circumstances do not permit you to hold the certificates until maturity.

Investors whose investment activities are subject to legal investment laws and regulations, or to review by regulatory authorities, may be unable to buy certain certificates. You should get legal advice to determine whether your purchase of the certificates is a legal investment for you or is subject to any investment restrictions.

Yield Considerations

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

- in the case of the 2-A-F and 2-A-S Classes, monthly changes in the one-month LIBOR index and the effect of the fixed interest rates of the Group 2 Loans;
- the price you paid for the certificates;

- how quickly or slowly borrowers prepay the mortgage loans;
- the extent of any uncovered prepayment interest shortfalls;
- if and when the mortgage loans are liquidated due to borrower defaults, casualties or condemnations affecting the properties securing those loans;
- if and when the mortgage loans are repurchased;
- the actual characteristics of the mortgage loans; and
- in the case of the interest only classes and the 2-A-F and 3-A Classes, fluctuations in the weighted average of the net mortgage rates of the related mortgage loans.

Yields may be lower than expected due to unexpected rate of principal payment. The actual yield on your certificates probably will be lower than you expect:

- if you own interest only certificates or if you buy your certificates at a premium and principal payments on the related mortgage loans are faster than you expect, or
- if you buy your certificates (including the 1-A-PO Class) at a discount and principal payments on the related mortgage loans are slower than you expect.

In addition, investors in the 1-A-IO Class should note that if Group 1 Non-Discount Loans with relatively high interest rates prepay more rapidly than Group 1 Non-Discount Loans with relatively low interest rates, its interest rate will decrease.

Even if the mortgage loans are prepaid at a rate that on average is consistent with your expectations, variations in the prepayment rate over time could significantly affect your yield. Generally, the earlier the payment of principal, the greater the effect on the yield to maturity. As a result, if the rate of principal prepayment during any period is faster or slower than you

expect, a corresponding reduction or increase in the prepayment rate during a later period may not fully offset the impact of the earlier prepayment rate on your yield.

We used certain assumptions concerning the mortgage loans in preparing certain tabular information in this prospectus. If the actual mortgage loan characteristics differ even slightly from those assumptions, the weighted average life and yield of the certificates will be affected.

You must make your own decision as to the assumptions, including the principal prepayment assumptions, you will use in deciding whether to purchase the certificates.

Unpredictable timing of last payment affects yield on certificates. The actual final payment on the certificates may occur earlier, and could occur much earlier, than the distribution date occurring in March 2045 for the Group 1 and Group 2 Classes and the distribution date in April 2045 for the Group 3 Class. If you assumed the actual final payment would occur on the distribution date occurring in March 2045 for the Group 1 and Group 2 Classes and the distribution date in April 2045 for the Group 3 Class, your yield could be lower than you expect.

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

Additional Risk Factors Relating to Certain Classes

Application of the net WAC cap to the 2-A-F Class may adversely affect its yield. The interest rate on the 2-A-F Class is subject to an interest rate cap based on the net WAC of the Group 2 Loans. The resulting net WAC carryover amount (the amount by which interest payments to the 2-A-F Class are reduced due to the application of the net WAC of the Group 2 Loans up to their net maximum rate) will be paid to the related certificateholders on the current distribution date or future distribution dates to the extent of proceeds received under the cap contract. However, we cannot assure you that funds from the cap contract will be adequate to cover the net WAC carryover

amount. **The Fannie Mae guaranty does not cover any net WAC carryover amount or any failure of the trust to receive payments under the cap contract.**

Absence of correlation between one-month LIBOR and the Group 2 Loans may adversely affect the yield on the 2-A-F Class. The interest rate on the 2-A-F Class adjusts monthly and is based on one-month LIBOR. The interest rates on the Group 2 Loans are fixed.

Prepayment Considerations

The rate of principal payments on the certificates depends on numerous 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 related mortgage loans. Principal payments on the mortgage loans may occur as a result of scheduled amortization or prepayments. The rate of principal payments is likely to vary considerably from time to time as a result of the liquidation of foreclosed mortgage loans, FHA insurance payments and VA and RHS guarantee payments, as well as because borrowers generally may prepay the mortgage loans at any time without penalty. Prepayment rates also may be influenced by changes in FHA, VA or RHS program guidelines.

In general, prepayment rates may be influenced by:

- the level of current interest rates relative to the rates borne by the mortgage loans,
- homeowner mobility,
- existence of any prepayment premiums or prepayment restrictions,
- the general creditworthiness of the borrowers,
- repurchases of mortgage loans from the pools, and
- general economic conditions.

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.

Because so many factors affect the prepayment rate of the mortgage loans, we cannot estimate the prepayment experience of the mortgage loans.

In general FHA, VA and RHS mortgage loans may be assumed by creditworthy purchasers of mortgaged properties from the original borrowers. In this way, property sales by borrowers can affect the rate of prepayment. In addition, if borrowers are able to refinance their loans by obtaining new loans secured by the same properties, any refinancing will affect the rate of prepayment. Furthermore, the seller made representations and warranties with respect to the mortgage loans and may have to repurchase the related loans if they materially breach those representations and warranties. Any such repurchases will increase the rate of prepayment.

The servicer will repurchase from the trust any Group 1 and Group 2 Loan whose mortgage interest rate has been reduced. Any such repurchase will have the same effect on the related certificates as borrower prepayments.

In addition, the servicer has the right under certain circumstances to recast the amortization schedule (based on a 30-year term) and/or extend the scheduled date of final payment on a mortgage loan (but not beyond March 2045 for the Group 1 and Group 2 Classes and not beyond April 2045 for the Group 3 Class). To the extent that the servicer so recasts the amortization schedule or extends the term of a mortgage loan, the weighted average lives of the related class or classes of certificates could be extended.

Exercise of any optional clean-up calls will have the same effect on the related classes as borrower prepayments of the related loans. The servicer may purchase all the remaining mortgage loans in a loan group once the aggregate balance of the related mortgage loans is reduced to 1% or less of its original level. If the servicer purchases the mortgage loans in a loan group in this way, it would have the same effect as a prepayment in full of all the mortgage loans in that loan group.

Concentration of mortgaged properties in certain states could lead to increased delinquencies, with the same effect as borrower prepayments. As of the issue date, the states with

relatively high concentrations of mortgaged properties in each loan group are as follows:

- Loan Group 1: Texas (13.91%), Georgia (7.76%), Florida (7.35%) and New York (6.88%).
- Loan Group 2: Texas (14.67%), Florida (6.55%), Georgia (5.79%) and Illinois (5.66%)
- Loan Group 3: Colorado (13.05%), Georgia (9.25%), Michigan (8.36%), Illinois (6.32%) and North Carolina (5.86%)

If the residential real estate markets in those states should experience an overall decline in property values, the rates of loan delinquencies in those states probably will increase and may increase substantially.

Reinvestment Risk

Generally, a borrower may prepay a mortgage loan at any time. As a result, we cannot predict the amount of principal payments on the certificates. The certificates may not be an appropriate investment for you if you require a specific amount of principal on a regular basis or on a specific date. Because interest rates fluctuate, you may not be able to reinvest the principal payments on the certificates at a rate of return that is as high as your rate of return on the certificates. You may have to reinvest those funds at a much lower rate of return. You should consider this risk in light of other investments that may be available to you.

Market and Liquidity Considerations

We cannot be sure that a market for resale of the certificates will develop. Further, if a market develops, it may not continue or be sufficiently liquid to allow you to sell your certificates. Even if you are able to sell your certificates, the sale price may not be comparable to similar investments that have a developed market. Moreover, you may not be able to sell small or large amounts of certificates at prices comparable to those available to other investors.

A number of factors may affect the resale of certificates, including:

- the method, frequency and complexity of calculating principal and interest;

- the characteristics of the mortgage loans;
- past and expected prepayment levels of the mortgage loans and comparable loans;
- the outstanding principal amount of the certificates;
- the amount of certificates offered for resale from time to time;
- any legal restrictions or tax treatment limiting demand for the certificates;
- the availability of comparable securities;
- the level, direction and volatility of interest rates generally; and
- general economic conditions.

Terrorist activities and accompanying 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.

Fannie Mae Guaranty Considerations

If we were unable to perform our guaranty obligations, certificateholders would receive only borrower payments and other recoveries on the mortgage loans plus, with respect to the 2-A-F Class, payments on the cap contract. If that happened, delinquencies and defaults on the mortgage loans could directly affect the amounts that certificateholders would receive each month.

GENERAL

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

Structure. We, the Federal National Mortgage Association (“Fannie Mae”), a corporation organized and existing under the laws of the United States, under the authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*), will create the Fannie Mae Trust specified on the cover of this prospectus (the “Trust”) pursuant to a trust agreement dated as of August 1, 2005 (the “Issue Date”). We will issue the Guaranteed Pass-Through Certificates (the “Certificates”) pursuant to that trust agreement (the “Trust Agreement”). We will execute the Trust Agreement in our corporate capacity and as trustee (the “Trustee”).

The assets of the Trust will consist of three groups of mortgage loans (the “Group 1 Loans,” “Group 2 Loans” and “Group 3 Loans” and, together, the “Mortgage Loans”) and will evidence the entire beneficial ownership interest in the payments of principal and interest on the Mortgage Loans. The Mortgage Loans are insured by the Federal Housing Administration (“FHA”) or partially guaranteed by the U.S. Department of Veterans Affairs (“VA”) or by the Rural Housing Service of the U.S. Department of Agriculture (“RHS”) and, as a result of past delinquency, have been repurchased from Ginnie Mae pools. Group 1 and Group 3 will be treated as a grantor trust for tax purposes. The Group 1 and Group 3 Loans may not be qualified assets for REMIC purposes. Group 2 will be treated as a REMIC for tax purposes.

We will designate portions of the Trust (the “Upper Tier REMIC” and the “Lower Tier REMIC”) as “real estate mortgage investment conduits” (each, a “REMIC”) under the Internal Revenue Code of 1986, as amended (the “Code”). The assets of the Upper Tier REMIC will consist of the Lower Tier Regular Interests.

The assets of the Lower Tier REMIC will consist of the Group 2 Loans. The Group 1 and Group 3 Loans and the Cap Contract (described under “—The Cap Contract” in this prospectus) will not be included in any REMIC.

- The Group 2 Classes will be the “regular interests” in the Upper Tier REMIC.
- The R Class will be the “residual interest” in the Upper Tier REMIC.
- The interests in the Lower Tier REMIC other than the RL Class (the “Lower Tier Regular Interests”) will be the “regular interests” in the Lower Tier REMIC.
- The RL Class will be the “residual interest” in the Lower Tier REMIC.

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

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

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

Characteristics of Certificates. The Certificates (except the R 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 DTC Certificates. DTC will maintain the DTC Certificates through its book-entry facilities. A Holder is not necessarily the beneficial owner of a Certificate. Beneficial owners ordinarily will hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See “Description of the Certificates—Book-Entry Procedures” in this prospectus.

The holder of the Combined Residual Certificate will have the right to exchange the Combined Residual Certificate for two separate residual certificates (each, a “Separate Residual Certificate”) relating to each of the R 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 (“US Bank”) in Boston, Massachusetts will be the initial Transfer Agent. We may impose a service charge for any registration of transfer of a Residual Certificate and may require payment to cover any tax or other governmental charge. In addition, the Combined Residual Certificate may be exchanged for the Separate Residual Certificates at the corporate trust office of the Transfer Agent or at the office of the Transfer Agent in New York, New York.

The Holder of the R Class will receive the proceeds of any remaining assets of the Upper Tier REMIC 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. US Bank will be the initial Paying Agent. See “—Special Characteristics of the R and RL Classes” in this prospectus.

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

- required installments of principal and interest on the Certificates on time, and
- the remaining principal balance of each Class of Certificates no later than the Distribution Date in March 2045 for the Group 1 and Group 2 Classes and no later than the Distribution Date in April 2045 for the Group 3 Class, whether or not we have received sufficient payments.

Our guaranty will **not** cover any Uncovered Prepayment Interest Shortfalls as described under the heading “Description of the Certificates—Interest Payments on the Certificates” in this prospectus. Our guaranty will **not** cover your receipt of Net WAC Carryover Amounts. Investors will be entitled to receive Net WAC Carryover Amounts only to the extent available as described under the heading “Description of the Certificates—Interest Payments on the Certificates” in this prospectus. Additionally, our guaranty will **not** cover the failure to receive amounts due to the Holders of the 2-A-F Class under the Cap Contract described under the heading “Description of the Certificates—The Cap Contract” in this prospectus.

If we were unable to perform these guaranty obligations, Certificateholders would receive only the amounts paid or advanced and other recoveries on the Mortgage Loans and, in the case of the 2-A-F Class, amounts paid under the cap contract. If that happened, delinquencies and defaults on the Mortgage Loans would directly affect the amounts that Certificateholders would receive each month. Our guaranty is not backed by the full faith and credit of the United States.

Distribution Dates. We will make monthly payments on the 25th day of each calendar month, or the next business day if the 25th is not a business day. We refer to each such date as a “Distribution Date.” We will make the first payments to Certificateholders in September 2005.

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

Class Factors. On or shortly after the 23rd calendar day of each month, we will publish a class factor (carried to eight decimal places) for each Class of Certificates. When the factor is multiplied by the original principal balance (or notional principal balance) of a Certificate of that Class, the product will equal the remaining principal balance (or notional principal balance) of that Certificate after taking into account payments on the Distribution Date in the same month.

Optional Termination by the Servicer. The Servicer may effect an early termination of the Trust as described under “The Trust Agreement—Termination” in this prospectus. We have no option to effect an early termination of the Lower Tier REMIC or the Trust. Further, we will not repurchase any of the Mortgage Loans in a “clean-up call.”

THE MORTGAGE LOANS

General

We expect that the Trust will consist of approximately 6,586 Mortgage Loans having an aggregate principal balance of approximately \$576,523,164 as of the Issue Date. This aggregate amount may vary by plus or minus 5%. Fannie Mae, as purchaser, Countrywide Home Loans, Inc., as seller of the Mortgage Loans (the “Seller” or “Countrywide”), and Countrywide Home Loans Servicing LP (“Countrywide Servicing”), an affiliate of the Seller, as master servicer of the Mortgage Loans (the “Servicer”), will be parties to a sale and servicing agreement dated as of the Issue Date (the “Sale and Servicing Agreement”).

The Mortgage Loans consist of three groups (“Loan Group 1,” “Loan Group 2” and “Loan Group 3”) of first lien, one- to four-family, fully amortizing loans. All of the Group 1 and Group 2 Loans bear fixed rates of interest. All of the Group 3 Loans bear adjustable rates of interest. All of the Mortgage Loans are FHA-insured or partially guaranteed by the VA or the RHS. Each Mortgage Loan

is evidenced by a promissory note or similar evidence of indebtedness (a “Mortgage Note”) that is secured by a first mortgage or deed of trust on a one- to four-family residential property. Each Mortgage Note requires the borrower to make monthly payments of principal and interest. We refer to the property that secures repayment of a Mortgage Loan as the “Mortgaged Property.”

Each Mortgage Loan provides that the obligor on the related Mortgage Note (the “borrower”) must make payments by a scheduled day of each month. This day is fixed at the time of origination. In addition, each Mortgage Loan provides that each borrower must pay interest on its outstanding principal balance at the rate specified or described in the related Mortgage Note (the “Mortgage Interest Rate”). Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months. If a borrower makes a payment earlier or later than the scheduled due date, the amortization schedule will not change, nor will the relative application of such payment to principal and interest.

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

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

Each Mortgage Loan was eligible to be included in a Ginnie Mae pool at the time of origination as permitted by the rules of the Government National Mortgage Association (“Ginnie Mae”). Substantially all the Mortgage Loans were previously pooled with Ginnie Mae and then purchased from Ginnie Mae pools when each such Mortgage Loan had a delinquency that was not cured for at least 90 days.

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

	<u>No. of Mortgage Loans</u>	<u>Approximate Aggregate Principal Balance of Mortgage Loans</u>	<u>Approximate Aggregate Amount of Arrearages*</u>
Group 1	1,437	\$ 90,256,703	\$1,245,000
Group 2	4,263	\$398,185,997	\$2,799,051
Group 3	886	\$ 88,080,465	\$1,019,945

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

Group 1 Loans

The Group 1 Loans are fixed-rate mortgage loans. As of the Issue Date, no Group 1 Loan was more than 180 days contractually delinquent. Neither the Servicer nor Fannie Mae has the right to purchase a Group 1 Loan from the Trust based upon the Issue Date contractual delinquency of that loan. However, if at any time the aggregate principal balance of the Group 1 Loans that are 90 days or more delinquent (the “90+ Delinquent Group 1 Loans”) exceeds 49.00% of the aggregate principal balance of the Group 1 Loans, the Seller is required to repurchase from the Trust a sufficient amount of 90+ Delinquent Group 1 Loans to reduce the aggregate principal balance of 90+ Delinquent Group 1 Loans to 49.00% or less of the aggregate principal balance of the Group 1 Loans (but not less than 45.00%).

The following tables set forth certain information, as of the Issue Date, as to the Group 1 Loans. References to “Principal Balance Outstanding” mean the aggregate of the Stated Principal Balances of the related Mortgage Loans as of the Issue Date. The sum of the percentage columns in the following tables may not equal 100% due to rounding.

The table immediately below shows the contractual delinquency rates of the Group 1 Loans. A Mortgage Loan is “contractually delinquent” as of the Issue Date if delinquencies that occurred at any time during the term of the loan have not been cured. As of the Issue Date, no Group 1 Loan was more than 180 days contractually delinquent. Neither the Servicer nor Fannie Mae has the right to repurchase a Mortgage Loan from the Trust based upon the Issue Date contractual delinquency of that loan.

Contractual Delinquency

Contractual Delinquency (Days)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
Current	560	\$30,997,191	34.34%	8.739%	246	107
30	386	23,720,106	26.28	8.416	264	90
60	147	9,795,002	10.85	8.408	269	84
90	155	11,357,333	12.58	7.776	286	66
120	45	2,975,236	3.30	7.732	280	68
150	54	4,089,118	4.53	7.649	294	63
180	90	7,322,717	8.11	7.463	298	58
Total	<u>1,437</u>	<u>\$90,256,703</u>	<u>100.00%</u>			

Issue Date Mortgage Loan Principal Balances (1)

Issue Date Mortgage Loan Principal Balances (\$)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0.01- 25,000.00	141	\$ 2,441,091	2.70%	9.939%	124	210
25,000.01- 50,000.00	417	16,132,492	17.87	8.725	227	123
50,000.01- 75,000.00	475	29,324,315	32.49	8.274	267	86
75,000.01-100,000.00	222	18,821,924	20.85	8.180	282	74
100,000.01-150,000.00	150	17,755,922	19.67	8.050	287	68
150,000.01-200,000.00	26	4,306,260	4.77	7.766	307	52
200,000.01-250,000.00	3	690,004	0.76	8.146	309	50
250,000.01-300,000.00	3	784,696	0.87	8.265	316	44
Total	<u>1,437</u>	<u>\$90,256,703</u>	<u>100.00%</u>			

(1) As of the Issue Date, the average principal balance for the Group 1 Loans is expected to be approximately \$62,809.

Mortgage Interest Rates (1)

<u>Mortgage Interest Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
6.501- 7.000	77	\$ 6,930,339	7.68%	7.000%	306	48
7.001- 7.500	129	10,060,361	11.15	7.418	292	61
7.501- 8.000	318	21,788,894	24.14	7.983	274	80
8.001- 8.500	475	31,076,677	34.43	8.425	267	86
8.501- 9.000	199	12,214,394	13.53	8.896	265	88
9.001- 9.500	92	3,892,889	4.31	9.442	210	142
9.501-10.000	46	1,544,404	1.71	9.982	168	187
10.001-10.500	52	1,624,496	1.80	10.457	130	222
10.501-11.000	16	359,846	0.40	10.808	104	238
11.001-11.500	7	209,699	0.23	11.476	104	244
11.501-12.000	8	200,150	0.22	11.962	100	259
12.001-12.500	6	143,726	0.16	12.397	93	258
12.501-13.000	7	113,813	0.13	12.877	75	282
13.001-13.500	1	12,631	0.01	13.500	109	250
13.501-14.000	2	37,992	0.04	14.000	83	275
15.001-15.500	1	26,530	0.03	15.500	70	290
16.001-16.500	1	19,862	0.02	16.500	70	284
Total	<u>1,437</u>	<u>\$90,256,703</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average mortgage interest rate of the Group 1 Loans is expected to be approximately 8.311%.

Original Terms to Stated Maturity (1)

<u>Original Terms to Stated Maturity (months)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
151-180	18	\$ 398,831	0.44%	8.384%	81	97
211-240	15	916,523	1.02	8.309	178	60
271-300	4	189,108	0.21	7.865	171	120
301-360	<u>1,400</u>	<u>88,752,241</u>	<u>98.33</u>	<u>8.311</u>	<u>268</u>	<u>88</u>
Total	<u>1,437</u>	<u>\$90,256,703</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average original term to stated maturity of the Group 1 Loans is expected to be approximately 358 months.

Remaining Terms to Stated Maturity (1)

<u>Remaining Terms to Stated Maturity (months)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
1-120	121	\$ 2,326,723	2.58%	10.352%	79	234
121-150	75	2,857,211	3.17	9.472	134	214
151-180	69	2,810,270	3.11	9.574	165	173
181-210	72	3,600,223	3.99	8.572	196	141
211-240	141	8,161,410	9.04	8.328	228	118
241-270	271	16,881,035	18.70	8.291	255	99
271-300	408	29,399,704	32.57	8.351	289	68
301-360	<u>280</u>	<u>24,220,125</u>	<u>26.83</u>	<u>7.751</u>	<u>313</u>	<u>46</u>
Total	<u>1,437</u>	<u>\$90,256,703</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 1 Loans is expected to be approximately 266 months.

Mortgage Loan Ages (1)

<u>Mortgage Loan Ages (months)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
0- 14	2	\$ 269,017	0.30%	7.000%	281	12
15- 24	7	729,496	0.81	7.000	339	21
25- 36	25	2,366,430	2.62	7.196	327	32
37- 60	322	26,124,670	28.94	7.946	305	50
61-120	687	45,256,782	50.14	8.315	270	83
121-180	174	9,099,343	10.08	8.552	210	142
181-240	141	5,058,374	5.60	9.732	142	212
241-320	72	1,302,297	1.44	11.280	74	282
321-360	7	50,292	0.06	8.975	30	327
Total	<u>1,437</u>	<u>\$90,256,703</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average mortgage loan age of the Group 1 Loans is expected to be approximately 88 months.

Geographic Distribution of Mortgaged Properties

<u>State</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Texas	236	\$12,550,428	13.91%	8.448%	253	97
Georgia	87	7,008,299	7.76	8.025	279	74
Florida	109	6,638,040	7.35	8.370	263	91
New York	83	6,211,430	6.88	8.376	272	80
Michigan	64	4,336,645	4.80	8.444	282	71
Ohio	58	3,972,322	4.40	7.855	280	74
Pennsylvania	69	3,898,585	4.32	8.317	269	86
New Jersey	44	3,539,852	3.92	8.483	262	93
Tennessee	76	3,422,914	3.79	8.723	237	120
Indiana	53	3,262,651	3.61	8.074	277	77
Other	558	35,415,537	39.24	8.295	265	89
Total	<u>1,437</u>	<u>\$90,256,703</u>	<u>100.00%</u>			

Mortgage Loan Type

<u>Mortgage Loan Type</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
FHA	1097	\$70,179,229	77.76%	8.300%	268	85
VA	205	11,185,719	12.39	8.424	235	117
RHS	135	8,891,755	9.85	8.249	284	72
Total	<u>1,437</u>	<u>\$90,256,703</u>	<u>100.00%</u>			

Bankruptcy Status

Bankruptcy Status	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 1 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
Not in Bankruptcy	1,242	\$78,507,501	86.98%	8.280%	268	85
In Bankruptcy	195	11,749,202	13.02	8.515	252	105
Total	<u>1,437</u>	<u>\$90,256,703</u>	<u>100.00%</u>			

Group 2 Loans

The Group 2 Loans are fixed-rate mortgage loans. The following tables set forth certain information, as of the Issue Date, as to the Group 2 Loans. References to “Principal Balance Outstanding” mean the aggregate of the Stated Principal Balances of the related Mortgage Loans as of the Issue Date. The sum of the percentage columns in the following tables may not equal 100% due to rounding.

The table immediately below shows the contractual delinquency rates of the Group 2 Loans. A Mortgage Loan is “contractually delinquent” as of the Issue Date if delinquencies that occurred at any time during the term of the loan have not been cured. Neither the Servicer nor Fannie Mae has the right to repurchase a Mortgage Loan from the Trust based upon the Issue Date contractual delinquency of that loan.

Contractual Delinquency

Contractual Delinquency (Days)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Current	2,074	\$195,510,618	49.10%	6.755%	302	45	3.9	7.3
30	1,236	110,477,166	27.75	6.916	301	51	3.0	6.2
60	503	47,490,023	11.93	6.748	313	41	2.1	5.4
90	333	33,153,116	8.33	6.782	320	32	1.5	4.0
120 and above	117	11,555,073	2.90	6.688	314	34	1.9	4.1
Total	<u>4,263</u>	<u>\$398,185,997</u>	<u>100.00%</u>					

Number of Payments Made in Last 3 Months (1)

Number of Payments Made in Last 3 Months	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
1	422	\$ 41,511,282	10.43%	6.680%	319	33	1.0	4.4
2	676	64,475,643	16.19	6.770	312	42	2.0	5.7
3 or more	3,165	292,199,071	73.38	6.823	302	48	3.7	6.8
Total	<u>4,263</u>	<u>\$398,185,997</u>	<u>100.00%</u>					

(1) As of the Issue Date, the balance weighted number of payments on the Group 2 Loans (based on their Issue Date Principal Balances) made in the last three months is approximately 3.2 payments.

Number of Payments Made in Last 6 Months (1)

Number of Payments Made in Last 6 Months	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
3	193	\$ 19,033,716	4.78%	6.740%	323	32	1.3	3.0
4	317	31,466,897	7.90	6.730	314	37	1.8	4.0
5	695	60,742,000	15.25	6.936	301	49	2.6	5.0
6 or more	3,058	286,943,383	72.06	6.782	304	46	3.6	7.2
Total	<u>4,263</u>	<u>\$398,185,997</u>	<u>100.00%</u>					

(1) As of the Issue Date, the balance weighted number of payments made on the Group 2 Loans (based on their Issue Date Principal Balances) made in the last six months is approximately 6.4 payments.

Issue Date Mortgage Loan Principal Balances (1)

Issue Date Mortgage Loan Principal Balances (\$)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0.01- 25,000.00	52	\$ 893,625	0.22%	7.469%	124	119
25,000.01- 50,000.00	448	18,287,468	4.59	7.223	258	75
50,000.01- 75,000.00	1,077	67,929,583	17.06	7.073	290	58
75,000.01-100,000.00	1,067	92,132,157	23.14	6.880	303	48
100,000.01-150,000.00	1,263	153,127,437	38.46	6.707	311	40
150,000.01-200,000.00	273	45,523,378	11.43	6.523	323	33
200,000.01-250,000.00	55	12,091,028	3.04	6.400	332	26
250,000.01-300,000.00	16	4,289,379	1.08	6.415	333	24
Greater than or equal to 300,000.01	12	3,911,942	0.98	6.500	340	20
Total	<u>4,263</u>	<u>\$398,185,997</u>	<u>100.00%</u>			

(1) As of the Issue Date, the average principal balance for the Group 2 Loans is expected to be approximately \$93,405.

Mortgage Interest Rates (1)

Mortgage Interest Rates (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
Less than or equal to 5.500	167	\$ 17,301,630	4.35%	5.317%	298	24
5.501- 6.000	521	60,728,518	15.25	5.951	329	24
6.001- 6.500	655	70,229,257	17.64	6.429	319	29
6.501- 7.000	1,312	125,723,702	31.57	6.897	307	44
7.001- 7.500	1,185	95,079,009	23.88	7.418	290	65
7.501- 8.000	403	27,707,875	6.96	7.852	270	79
8.001- 8.500	3	236,545	0.06	8.191	293	64
8.501- 9.000	17	1,179,461	0.30	8.882	250	105
Total	<u>4,263</u>	<u>\$398,185,997</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average mortgage interest rate of the Group 2 Loans is expected to be approximately 6.799%.

Original Terms to Stated Maturity (1)

Original Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
151-180	127	\$ 6,613,041	1.66%	5.955%	133	46
181-210	2	168,240	0.04	6.399	195	5
211-240	110	9,807,208	2.46	6.694	212	29
241-270	6	419,337	0.11	6.686	249	13
271-300	61	5,422,234	1.36	6.514	262	31
301-360	<u>3,957</u>	<u>375,755,938</u>	<u>94.37</u>	6.821	311	46
Total	<u>4,263</u>	<u>\$398,185,997</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average original term to stated maturity of the Group 2 Loans is expected to be approximately 353 months.

Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
1-120	65	\$ 1,740,720	0.44%	7.360%	77	107
121-150	45	2,533,930	0.64	6.850	138	94
151-180	69	4,615,777	1.16	5.729	159	44
181-210	106	6,847,173	1.72	7.375	201	94
211-240	223	16,382,812	4.11	7.083	222	86
241-270	297	22,721,858	5.71	7.323	259	85
271-300	728	59,689,410	14.99	7.215	282	71
301-360	<u>2,730</u>	<u>283,654,317</u>	<u>71.24</u>	6.653	327	32
Total	<u>4,263</u>	<u>\$398,185,997</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 2 Loans is expected to be approximately 305 months.

Mortgage Loan Ages (1)

Mortgage Loan Ages (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0-14	326	\$ 36,423,203	9.15%	6.499%	331	11
15-24	586	66,336,984	16.66	6.141	327	20
25-36	837	86,779,981	21.79	6.362	320	31
37-60	1,303	121,218,959	30.44	7.175	309	45
61-120	978	75,465,660	18.95	7.297	268	83
121-180	211	11,248,544	2.82	7.569	203	142
181-240	16	686,397	0.17	7.740	137	224
241-320	1	15,479	(2)	9.000	91	268
321-360	<u>5</u>	<u>10,790</u>	<u>(2)</u>	8.360	19	337
Total	<u>4,263</u>	<u>\$398,185,997</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average mortgage loan age of the Group 2 Loans is expected to be approximately 45 months.

(2) Less than 0.01%.

Geographic Distribution of Mortgaged Properties

State	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Texas	692	\$ 58,418,883	14.67%	6.784%	291	45	3.2	6.3
Florida	306	26,064,280	6.55	6.766	305	44	3.2	6.6
Georgia	225	23,039,177	5.79	6.915	310	46	3.3	6.2
Illinois	221	22,520,970	5.66	6.730	316	39	3.0	6.2
Michigan	212	19,834,501	4.98	6.813	319	36	3.3	6.3
Maryland	168	18,684,136	4.69	6.787	302	50	3.3	6.9
New York	149	16,048,847	4.03	6.898	303	46	3.3	7.1
Ohio	181	15,891,493	3.99	6.912	308	44	3.1	6.1
California	133	15,838,463	3.98	6.883	302	51	3.0	6.4
North Carolina	154	14,566,108	3.66	6.724	308	45	3.1	6.3
Other	1,822	167,279,140	42.01	6.781	307	46	3.1	6.3
Total	4,263	\$398,185,997	100.00%					

Mortgage Loan Type

Mortgage Loan Type	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
FHA	3,356	\$315,229,411	79.17%	6.822%	308	43	3.2	6.4
VA	659	65,276,299	16.39	6.575	292	52	3.2	6.6
RHS	248	17,680,287	4.44	7.222	309	48	3.2	6.2
Total	4,263	\$398,185,997	100.00%					

Bankruptcy Status

Bankruptcy Status	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 2 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)	Balance-Weighted # of Payments Last 3 Months	Balance-Weighted # of Payments Last 6 Months
Not in Bankruptcy ...	3,955	\$372,493,006	93.55%	6.783%	306	44	3.2	6.4
In Bankruptcy	308	25,692,991	6.45	7.029	289	61	3.4	6.6
Total	4,263	\$398,185,997	100.00%					

Group 3 Loans

Each Group 3 Loan has a Mortgage Interest Rate which is subject to adjustment on the dates (each such date, an “Interest Adjustment Date”) specified in the related Mortgage Note to equal the sum of the index, which is the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year (“1 Year CMT”) plus a fixed percentage amount specified in the Mortgage Note (the “Interest Rate Margin”), subject to the limitations described in this paragraph. Generally, the index value used will be the value most recently published 30 days prior to the applicable Interest Adjustment Date. The Mortgage Interest Rate on each Group 3 Loan will not increase or decrease by more than 1.00% (the “Mortgage Interest Rate Periodic Cap”) on any Interest Adjustment Date. The Mortgage Interest Rate on each Group 3 Loan over its life will not exceed a specified maximum mortgage interest rate over the life of that Mortgage Loan (the “Mortgage Interest Rate Life Cap”) or be less than (x) a minimum Mortgage Interest Rate specified in the Mortgage Note, if any, or (y) the applicable Interest Rate Margin (the “Mortgage Interest Rate Life Floor”).

As of the Issue Date, no Group 3 Loan was 180 days or more contractually delinquent. Neither the Servicer nor Fannie Mae has the right to purchase a Group 3 Loan from the Trust based upon the Issue Date contractual delinquency of that loan. However, if at any time the aggregate principal balance of the Group 3 Loans that are 90 days or more delinquent (the “90+ Delinquent Group 3 Loans”) exceeds 49.00% of the aggregate principal balance of the Group 3 Loans, the Seller is required to repurchase from the Trust a sufficient amount of 90+ Delinquent Group 3 Loans to reduce the aggregate principal balance of 90+ Delinquent Group 3 Loans to 49.00% or less of the aggregate principal balance of the Group 3 Loans (but not less than 45.00%).

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

The table immediately below shows the contractual delinquency rates of the Group 3 Loans. A Mortgage Loan is “contractually delinquent” as of the Issue Date if delinquencies that occurred at any time during the term of the loan have not been cured. As of the Issue Date, no Group 3 Loan was more than 180 days contractually delinquent. Neither the Servicer nor Fannie Mae has the right to repurchase a Mortgage Loan from the Trust based upon the Issue Date contractual delinquency of that loan.

Contractual Delinquency

Contractual Delinquency (Days)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
Current	398	\$39,924,198	45.33%	5.054%	306	54
30	194	18,578,389	21.09	5.029	307	53
60	122	11,962,188	13.58	5.149	304	56
90	91	9,354,575	10.62	5.125	317	43
120	34	2,970,987	3.37	5.123	307	53
150	23	2,372,586	2.69	5.171	291	69
180	24	2,917,543	3.31	5.212	307	53
Total	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>			

Issue Date Mortgage Loan Principal Balance (1)

Issue Date Mortgage Loan Principal Balances (\$)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0.01- 25,000.00	2	\$ 19,022	0.02%	5.767%	243	117
25,000.01- 50,000.00	97	3,991,158	4.53	5.073	244	116
50,000.01- 75,000.00	188	11,728,120	13.32	5.179	272	88
75,000.01-100,000.00	210	18,219,743	20.69	5.119	293	67
100,000.01-150,000.00	278	33,620,528	38.17	5.105	317	43
150,000.01-200,000.00	91	15,508,163	17.61	5.039	331	29
200,000.01-250,000.00	13	2,801,250	3.18	4.703	339	21
250,000.01-300,000.00	4	1,078,861	1.22	4.493	350	10
Greater than or equal to 300,000.01	3	1,113,619	1.26	4.747	338	22
Total	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>			

(1) As of the Issue Date, the average principal balance for the Group 3 Loans is expected to be approximately \$99,414.

Current Mortgage Interest Rates (1)

Current Mortgage Interest Rates (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
Less than or equal to 5.500.....	679	\$69,364,912	78.75%	4.910%	309	51
5.501-6.000.....	183	16,275,274	18.48	5.642	295	65
6.001-6.500.....	21	2,201,981	2.50	6.135	311	49
6.501-7.000.....	3	238,299	0.27	6.510	288	72
Total.....	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average current mortgage interest rate of the Group 3 Loans is expected to be approximately 5.080%.

Original Terms to Maturity (1)

Original Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
301-360.....	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>	5.080%	307	53
Total.....	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average original term to stated maturity of the Group 3 Loans is expected to be approximately 360 months.

Remaining Terms to Maturity (1)

Remaining Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
121-150.....	6	\$ 250,703	0.28%	4.707%	142	218
151-180.....	4	159,283	0.18	4.500	155	205
181-210.....	18	1,191,943	1.35	4.716	203	157
211-240.....	120	7,728,715	8.77	4.889	227	133
241-270.....	176	13,063,070	14.83	5.368	257	103
271-300.....	70	6,404,604	7.27	5.375	287	73
301-360.....	<u>492</u>	<u>59,282,147</u>	<u>67.30</u>	5.020	333	27
Total.....	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Group 3 Loans is expected to be approximately 307 months.

Mortgage Loan Ages (1)

Mortgage Loan Ages (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
0- 14.....	79	\$10,418,237	11.83%	4.566%	349	11
15- 24.....	142	18,231,476	20.70	5.075	341	19
25- 36.....	124	15,235,663	17.30	5.066	329	31
37- 60.....	149	15,548,513	17.65	5.212	318	42
61-120.....	248	19,588,944	22.24	5.368	266	94
121-180.....	134	8,647,647	9.82	4.866	223	137
181-240.....	10	409,985	0.47	4.626	147	213
Total.....	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average mortgage loan age of the Group 3 Loans is expected to be approximately 53 months.

Mortgage Interest Rate Life Caps (1)

<u>Mortgage Interest Rate Life Caps (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
7.501- 8.000.....	2	\$ 157,784	0.18%	2.750%	353	7
8.001- 8.500.....	14	1,547,520	1.76	4.286	342	18
8.501- 9.000.....	40	5,533,025	6.28	4.765	342	18
9.001- 9.500.....	141	18,544,528	21.05	5.018	338	22
9.501-10.000.....	170	19,018,453	21.59	5.012	326	34
10.001-10.500.....	143	14,316,937	16.25	5.142	303	57
10.501-11.000.....	102	8,841,481	10.04	5.204	284	76
11.001-11.500.....	94	7,286,278	8.27	5.415	267	93
11.501-12.000.....	96	6,917,267	7.85	5.216	261	99
12.001-12.500.....	57	4,343,318	4.93	5.177	253	107
12.501-13.000.....	15	880,447	1.00	5.130	254	106
13.001-13.500.....	9	573,278	0.65	5.027	209	151
13.501-14.000.....	1	30,905	0.04	5.000	154	206
14.001-14.500.....	2	89,244	0.10	4.876	154	206
Total	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average mortgage interest rate life cap of the Group 3 Loans is expected to be approximately 10.352%.

Mortgage Interest Rate Life Floors (1) (2)

<u>Mortgage Interest Rate Life Floors (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
1.000-1.500.....	1	\$ 58,158	0.07%	4.625%	229	131
1.501-2.000.....	146	12,147,483	13.79	4.721	281	79
2.001-2.500.....	264	31,078,737	35.28	4.891	330	30
2.501-3.000.....	465	44,149,766	50.12	5.315	299	61
3.001-3.500.....	6	321,784	0.37	4.560	190	170
3.501-4.000.....	1	30,905	0.04	5.000	154	206
4.001-4.500.....	2	204,252	0.23	5.223	306	54
5.001-5.500.....	1	89,380	0.10	5.500	351	9
Total	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>			

(1) The Mortgage Interest Rate Life Floor is equal to the greater of (x) the minimum Mortgage Interest Rate specified in the Mortgage Note, if any, or (y) the applicable Mortgage Interest Rate Margin.

(2) As of the Issue Date, the weighted average Mortgage Interest Rate Life Floor of the Group 3 Loans is expected to be approximately 2.499%, the minimum Mortgage Interest Rate Life Floor of the Group 3 Loans is expected to be approximately 1.500% and the maximum Mortgage Interest Rate Life Floor is expected to be approximately 5.500%.

Next Interest Rate Adjustment Dates

<u>Next Interest Rate Adjustment Dates</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
September 1, 2005.....	1	\$ 68,116	0.08%	5.125000%	205	155
October 1, 2005	210	21,031,957	23.88	4.671595	307	53
November 1, 2005	6	303,193	0.34	4.790367	222	138
January 1, 2006	218	22,082,108	25.07	4.925829	306	54
February 1, 2006	10	730,248	0.83	4.825971	256	104
March 1, 2006	1	63,897	0.07	5.750000	319	41
April 1, 2006	189	19,113,920	21.70	5.167748	307	53
May 1, 2006	5	351,691	0.40	4.958896	262	98
June 1, 2006	1	41,421	0.05	4.750000	226	134
July 1, 2006	238	23,885,953	27.12	5.507811	311	49
August 1, 2006	7	407,962	0.46	6.016882	261	99
Total	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>			

Mortgage Interest Rate Margins (1)

<u>Mortgage Interest Rate Margins (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Less than or equal to 2.000.....	157	\$12,762,194	14.49%	4.709780%	277	83
2.001-2.500	266	31,252,053	35.48	4.895438	330	30
2.501-3.000	463	44,066,219	50.03	5.318123	299	61
Total	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average Mortgage Interest Rate Margin of the Group 3 Loans is expected to be approximately 2.483%.

Mortgage Interest Rate Periodic Cap

<u>Mortgage Interest Rate Periodic Cap (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Group 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>WAM (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
1.000	886	\$88,080,465	100.00%	5.080005	307	53
Total	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>	5.080005	307	53

Geographic Distribution of Mortgaged Properties

State	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
Colorado	73	\$11,492,480	13.05%	4.988334%	331	29
Georgia.....	83	8,151,529	9.25	5.034399	305	55
Michigan	80	7,361,286	8.36	5.182713	322	38
Illinois	51	5,565,464	6.32	5.173880	295	65
North Carolina.....	49	5,162,034	5.86	4.969180	316	44
Ohio	48	4,240,371	4.81	5.094693	310	50
Texas	44	3,912,156	4.44	5.086993	311	49
Florida	47	3,780,042	4.29	5.079009	302	58
California.....	34	3,240,504	3.68	5.276979	259	101
Arizona	31	3,079,395	3.50	5.217723	321	39
Other	346	32,095,204	36.44	5.066626	299	61
Total.....	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>			

Mortgage Loan Type

Mortgage Loan Type	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
FHA	866	\$86,644,379	98.37%	5.084079%	308	52
VA.....	20	1,436,086	1.63	4.834205	229	131
Total.....	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>			

Bankruptcy Status

Bankruptcy Status	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Group 3 Loans	Weighted Average Mortgage Interest Rate	WAM (months)	Weighted Average Mortgage Loan Age (months)
Not in Bankruptcy	776	\$79,929,200	90.75%	5.069158%	311	49
In Bankruptcy	110	8,151,265	9.25	5.186370	267	93
Total.....	<u>886</u>	<u>\$88,080,465</u>	<u>100.00%</u>			

FANNIE MAE MORTGAGE PURCHASE PROGRAM

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

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

Selling and Servicing Guides

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

Mortgage Loan Eligibility Standards—Government Insured Loans

Dollar Limitations

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

The maximum loan amount for FHA-insured single-family mortgage loans is established by statute. As of January 2005, the basic maximum loan amount for most FHA-insured single-family mortgage loans is \$172,632 for a one-unit dwelling, \$220,992 for a two-unit dwelling, \$267,120 for a three-unit dwelling, and \$331,968 for a four-unit dwelling. In high-cost areas, as designated by HUD/FHA, the maximum loan amount may be increased up to \$312,895 for a one-unit dwelling, \$400,548 for a two-unit dwelling, \$484,155 for a three-unit dwelling, and \$601,692 for a four-unit dwelling. In addition, the maximum loan amount for FHA-insured mortgages secured by property located in Alaska, Guam, Hawaii, and the Virgin Islands may be adjusted up to 150% of HUD/FHA's high-cost area limits. We purchase FHA mortgages up to the maximum original principal amount that the FHA will insure for the area in which the property is located.

The VA does not establish a maximum loan amount for VA guaranteed loans secured by single-family one- to four-unit properties. We will purchase VA mortgages up to our current maximum original principal amount for conforming loans secured by similar one- to four-unit properties.

The RHS has no maximum dollar limit for loans it guarantees. We will purchase RHS mortgages up to our current maximum original principal amount for conforming loans secured by similar one- to four-unit properties.

Loan-to-Value Ratios

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

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

Underwriting Guidelines

FHA-insured, VA-guaranteed and RHS-guaranteed mortgage loans that we purchase must be originated in accordance with the applicable requirements and underwriting standards of the agency providing the insurance or guaranty. Each insured or guaranteed loan that we purchase must have in effect a valid mortgage insurance certificate or loan guaranty certificate. In the case of VA loans, the unguaranteed portion of the VA loan amount cannot be greater than 75% of the purchase price of the property or 75% of the VA's valuation estimate, whichever is less.

DESCRIPTION OF THE CERTIFICATES

Book-Entry Procedures

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

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

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

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

Interest Payments on the Certificates

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

<u>Interest Type*</u>	<u>Classes</u>
Group 1 Classes	
Fixed Rate	1-A
Weighted Average Coupon	1-A-IO
Interest Only	1-A-IO
Principal Only	1-A-PO
Available Funds	1-A and 1-A-IO
Group 2 Classes	
Floating Rate	2-A-F
Inverse Floating Rate	2-A-S
Interest Only	2-A-S
Available Funds	2-A-F and 2-A-S
No Payment Residual	R and RL

<u>Interest Type*</u>	<u>Classes</u>
Group 3 Class	
Weighted Average Coupon	3-A
Available Funds	3-A

* See “—Class Definitions and Abbreviations” below.

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

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

<u>Classes</u>	<u>Interest Accrual Period</u>
The Fixed Rate Class and the 1-A-IO and 3-A Classes (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs
The 2-A-F and 2-A-S Classes	One-month period beginning on the 25th day of the month preceding the month in which the Distribution Date occurs

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

Notional Classes. The 1-A-IO and 2-A-S Classes will be Notional Classes. The Notional Classes will not have principal balances. 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 the Notional Class will not have a principal balance and will not be entitled to any principal payments, we will publish a class factor for the Notional Class. References in this prospectus to the principal balances of the Certificates generally shall refer also to the notional principal balance of the Notional Classes.

The 1-A-IO Class. On each Distribution Date, we will pay interest on the 1-A-IO Class at its annual rate equal to the *product* of:

- the Net WAC of the Group 1 Non-Discount Loans for the related Distribution Date *minus* 7.5%

multiplied by

- a fraction, the numerator of which is the aggregate Stated Principal Balance of the Group 1 Non-Discount Loans and the denominator of which is the aggregate Stated Principal Balance of all of the Group 1 Loans, in each case as of the first day of the month immediately preceding the month in which that Distribution Date occurs.

The “Net WAC” of the Group 1 Non-Discount Loans for any Distribution Date means the weighted average of the Net Mortgage Rates of the Group 1 Non-Discount Loans in effect on, and weighted on the basis of the Stated Principal Balances of the Group 1 Non-Discount Loans as of, the first day of the month immediately preceding the month in which that Distribution Date occurs.

The 2-A-F Class. On each Distribution Date, we will pay interest on the 2-A-F Class in an amount (the “2-A-F Class Current Interest Amount”) equal to one month’s interest at an annual rate equal to the *least* of

- (i) the *sum* of One-Month LIBOR (calculated as described below under “—Calculation of One-Month LIBOR”) *plus* 22 basis points,
- (ii) 9.50% (the “Class 2-A-F Maximum Rate”) and
- (iii) the Net WAC of the Group 2 Loans for the related Distribution Date.

The “Net WAC” of the Group 2 Loans for any Distribution Date means the weighted average of the Net Mortgage Rates of the Group 2 Loans in effect on, and weighted on the basis of the Stated Principal Balances of the Group 2 Loans as of, the first day of the month immediately preceding the month in which that Distribution Date occurs.

In addition, on each Distribution Date we will pay to the 2-A-F Class an amount up to the Net WAC Carryover Amount (defined below), if any, for that Distribution Date from proceeds received in respect of the Cap Contract described under “—The Cap Contract” in this prospectus.

The “Net WAC Carryover Amount” means, with respect to the 2-A-F Class and any Distribution Date, the *sum* of

- the *excess* of the amount of interest that the 2-A-F Class would have been entitled to receive had the interest rate for the 2-A-F Class not been calculated based on the Net WAC of the Group 2 Loans for that Distribution Date (but in no event at a rate greater than the Class 2-A-F Maximum Rate) *over* the 2-A-F Class Current Interest Amount for that Distribution Date

plus

- the unpaid portion of any such excess from prior Distribution Dates (and interest thereon at the then current interest rate for the 2-A-F Class, without giving effect to the Net WAC of the Group 2 Loans for that Distribution Date but not in excess of the Class 2-A-F Maximum Rate).

The 2-A-S Class. On each Distribution Date, we will pay interest on the 2-A-S Class at an annual rate equal to the *excess*, if any, of:

- the Net WAC of the Group 2 Loans for that Distribution Date,

over

- the *least* of

- (i) the *sum* of One-Month LIBOR (calculated as described below under “—Calculation of One-Month LIBOR”) *plus* 22 basis points,
- (ii) 9.50% and
- (iii) the Net WAC of the Group 2 Loans for that Distribution Date.

Changes in One-Month LIBOR will affect the yields with respect to the related Classes. These changes will not correspond to the mortgage interest rates of the Group 2 Loans, which are fixed.

The 3-A Class. On each Distribution Date, we will pay interest on the 3-A Class at an annual rate equal to the weighted average of the Net Mortgage Rates of the Group 3 Loans (in effect on, and weighted on the basis of their respective Stated Principal Balances as of, the first day of the month immediately preceding the month in which that Distribution Date occurs).

Uncovered Prepayment Interest Shortfalls. Uncovered Prepayment Interest Shortfalls with respect to the Group 1 Loans will reduce the amount of interest payable on the 1-A and 1-A-IO Classes

in proportion to the amounts of interest that otherwise would have been payable on those Classes without giving effect to such reduction.

Uncovered Prepayment Interest Shortfalls with respect to the Group 2 Loans will reduce the amount of interest that otherwise would have been payable on the 2-A-F and 2-A-S Classes in proportion to the amounts of interest that otherwise would have been payable on those Classes without giving effect to such reduction.

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

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

Calculation of One-Month LIBOR

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

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

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

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

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

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

The “Reserve Interest Rate” means the annual rate that we determine as the arithmetic mean (rounded upwards, if necessary, to the nearest $\frac{1}{32}$ of 1%) of the one-month U.S. dollar lending rates that New York City banks (which we select) are then quoting to the principal London offices of at

least two of the Reference Banks. If we cannot establish the arithmetic mean, then the Reserve Interest Rate is the lowest one-month U.S. dollar lending rate that New York City banks (which we select) are then quoting to leading European banks. The term “Reference Bank” means a leading bank (that we do not control either solely or with a third party) which engages in Eurodollar deposit transactions in the international Eurocurrency market.

If we are unable to calculate One-Month LIBOR on the initial Index Determination Date, One-Month LIBOR for the following Interest Accrual Period will be equal to 3.55%.

Principal Payments on the Certificates

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

<u>Principal Type*</u>	<u>Classes</u>
Group 1 Classes	
Pass-Through	1-A and 1-A-PO
Notional	1-A-IO
Group 2 Classes	
Pass-Through	2-A-F
Notional	2-A-S
No Payment Residual	R and RL
Group 3 Class	
Pass-Through	3-A

* See “—Class Definitions and Abbreviations.”

General. The outstanding principal balance of any Certificate as of any date of determination is equal to the initial outstanding principal balance of that Certificate, reduced by all amounts previously paid as principal on that Certificate.

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

Principal Distribution Amount

Group 1 Principal Distribution Amount

Group 1 Non-PO Principal Distribution Amount

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

Group 1 PO Principal Distribution Amount

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

Group 2 Principal Distribution Amount

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

Group 3 Principal Distribution Amount

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

Certain Definitions Relating to Payments on the Certificates

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

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

Group 1 Discount Loans. Group 1 Loans having Net Mortgage Rates less than 7.5%.

Group 1 Non-Discount Loans. Group 1 Loans having Net Mortgage Rates equal to or greater than 7.5%.

Group 1 Non-PO Percentage. For any Group 1 Discount Loan, the related Net Mortgage Rate divided by 7.5%, expressed as a percentage. For any Group 1 Non-Discount Loan, 100%.

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

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

Group 1 PO Percentage. For any Group 1 Discount Loan, (7.5% *minus* the related Net Mortgage Rate) divided by 7.5%, expressed as a percentage. For any Group 1 Non-Discount Loan, 0%.

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

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

Group 2 Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Group 2 Loans, without duplication:

- the monthly payment of principal due on each Group 2 Loan during the related Due Period, *plus*
- the Stated Principal Balance of each Group 2 Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Stated Principal Balance of each Group 2 Loan reported as having become a Liquidated Loan during the related Due Period, *plus*

- any partial or full principal repayment reported as having been received during the related Due Period from borrowers on any Group 2 Loan.

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

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

Liquidated Loan. A defaulted Mortgage Loan with respect to which the Servicer has concluded that the full amount finally recoverable on account of that loan has been received, whether or not this amount is equal to the principal balance of that loan.

Net Mortgage Rate. For any Mortgage Loan, the Mortgage Interest Rate of that loan minus the sum of (i) the Servicing Fee Rate and (ii) the rate at which the Guaranty Fee is calculated with respect to that loan.

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

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

Servicing Fee Rate. The percentage identified on the Mortgage Loan Schedule plus, with respect to any Group 1 or Group 2 Loans that have been subject to a Mortgage Interest Rate modification that results in an increase in the Mortgage Interest Rate, such increase.

Stated Principal Balance. The unpaid principal balance of a Mortgage Loan (or the scheduled unpaid principal balance thereof, in the case of Mortgage Loans that are delinquent) as of the Issue Date reduced by all amounts representing principal received or advanced by the Servicer and previously paid to Certificateholders with respect to that loan.

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

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

Class Definitions and Abbreviations

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

<u>Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
INTEREST TYPES		
FIX	Fixed Rate	Has an interest rate that is fixed throughout the life of the class.
FLT	Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies directly with changes in the index.
INV	Inverse Floating Rate	Has an interest rate that resets periodically based upon a designated index and that varies inversely with changes in the index.
IO	Interest Only	Receives some or all of the interest payments made on the related mortgage loans or other assets of the trust but little or no principal. Interest Only Classes have either a notional or a nominal principal balance. A notional principal balance is the amount used as a reference to calculate amount of interest due on an Interest Only Class. A nominal principal balance represents actual principal that will be paid on the Class. It is referred to as nominal since it is extremely small compared to other classes.
NPR	No Payment Residual	Receives no payments of interest.
PO	Principal Only	Does not bear interest and is entitled to receive only payments of principal.
WAC	Weighted Average Coupon	Has an interest rate that represents an effective weighted average interest rate that may change from period to period.
PRINCIPAL TYPES		
NPR	No Payment Residual	Receives no payments of principal.
NTL	Notional	Has no principal balance and bears interest on its notional principal balance. The notional principal balance is used to determine interest payments on an Interest Only Class that is not entitled to principal.
PT	Pass-Through	Is designed to receive principal payments in direct relation to actual or scheduled payments on some or all of the related mortgage loans.

The Cap Contract

General

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. (the “Cap Contract Counterparty”). As of the date of this prospectus, the Cap Contract Counterparty is rated “AAA” by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., and “Aaa” by Moody’s Investors Service, Inc. The interest rate cap transaction is evidenced by a Confirmation between the Seller and the Cap Contract Counterparty (the “Cap Contract”). Pursuant to the Cap Contract, the terms of an

ISDA Master Agreement were incorporated into the Confirmations of the Cap Contract as if the ISDA Master Agreement had been executed by the Seller and the Cap Contract Counterparty on the date the 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 Cap Contract. The Cap Contract will not be an asset of any REMIC created under the Trust Agreement.

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

On or prior to the Distribution Date in March 2023 (the “Cap Contract Termination Date”), proceeds (if any) received by the Trustee under the Cap Contract will be applied as payments to the 2-A-F Class as described above under “—Interest Payments—The Group 2 Classes—*The 2-A-F Class.*” On any Distribution Date, after such application of any proceeds received under the Cap Contract, any remaining proceeds will be released from the Trust and will not thereafter be available for payment to any Certificateholder, unless such proceeds are received in connection with an early termination of the Cap Contract, in which case such proceeds will be held by the Trustee until the Cap Contract Termination Date for distribution as described in this prospectus.

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

- the *excess* (if any) of
 - (x) the lesser of (i) one-month LIBOR (as determined by the Cap Contract Counterparty) and (ii) 9.28%

over

- (y) 6.101%

multiplied by

- the *lesser* of (i) the Cap Contract Notional Balance for that Distribution Date and (ii) the principal balance of the 2-A-F Class immediately prior to that Distribution Date

multiplied by

- a fraction, the numerator of which is 30 and the denominator of which is 360.

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

Month of Distribution Date	Cap Contract Notional Balances (\$)	Month of Distribution Date	Cap Contract Notional Balances (\$)
September 2005 . . .	398,185,996.00	May 2006	339,699,206.56
October 2005	390,368,892.90	June 2006	333,006,966.31
November 2005 . . .	382,701,995.39	July 2006	326,443,599.83
December 2005	375,182,457.44	August 2006	320,006,661.05
January 2006	367,807,485.59	September 2006 . . .	313,693,749.91
February 2006	360,574,338.87	October 2006	307,502,511.44
March 2006	353,480,327.83	November 2006 . . .	301,430,634.99
April 2006	346,522,813.50	December 2006	295,475,853.36

Month of Distribution Date	Cap Contract Notional Balances (\$)
January 2007	289,635,941.99
February 2007	283,908,718.16
March 2007	278,292,040.25
April 2007	272,783,806.90
May 2007	267,381,956.32
June 2007	262,084,465.53
July 2007	256,889,349.62
August 2007	251,794,661.04
September 2007 ...	246,798,488.94
October 2007	241,898,958.43
November 2007 ...	237,094,229.93
December 2007	232,382,498.54
January 2008	227,761,993.33
February 2008	223,230,976.75
March 2008	218,787,744.01
April 2008	214,430,622.42
May 2008	210,157,970.84
June 2008	205,968,179.05
July 2008	201,859,667.22
August 2008	197,830,885.28
September 2008 ...	193,880,312.42
October 2008	190,006,456.49
November 2008 ...	186,207,853.51
December 2008	182,483,067.11
January 2009	178,830,688.05
February 2009	175,249,333.65
March 2009	171,737,647.35
April 2009	168,294,298.21
May 2009	164,917,980.39
June 2009	161,607,412.75
July 2009	158,361,338.32
August 2009	155,178,523.88
September 2009 ...	152,057,759.51
October 2009	148,997,858.15
November 2009 ...	145,997,655.18
December 2009	143,056,007.99
January 2010	140,171,795.58
February 2010	137,343,918.13
March 2010	134,571,296.62
April 2010	131,852,872.45
May 2010	129,187,607.04
June 2010	126,574,481.46
July 2010	124,012,496.06
August 2010	121,500,670.10
September 2010 ...	119,038,041.42
October 2010	116,623,666.08
November 2010 ...	114,256,617.98
December 2010	111,935,988.61
January 2011	109,660,886.62
February 2011	107,430,437.57

Month of Distribution Date	Cap Contract Notional Balances (\$)
March 2011	105,243,783.59
April 2011	103,100,083.07
May 2011	100,998,510.34
June 2011	98,938,255.40
July 2011	96,918,523.58
August 2011	94,938,535.31
September 2011 ...	92,997,525.79
October 2011	91,094,744.75
November 2011 ...	89,229,456.13
December 2011	87,400,937.85
January 2012	85,608,481.53
February 2012	83,851,392.27
March 2012	82,128,988.31
April 2012	80,440,600.89
May 2012	78,785,573.93
June 2012	77,163,263.81
July 2012	75,573,039.16
August 2012	74,014,280.58
September 2012 ...	72,486,380.48
October 2012	70,988,742.80
November 2012 ...	69,520,782.82
December 2012	68,081,926.95
January 2013	66,671,612.50
February 2013	65,289,287.49
March 2013	63,934,410.46
April 2013	62,606,450.24
May 2013	61,304,885.79
June 2013	60,029,205.97
July 2013	58,778,909.39
August 2013	57,553,504.23
September 2013 ...	56,352,508.00
October 2013	55,175,447.45
November 2013 ...	54,021,858.33
December 2013	52,891,285.23
January 2014	51,783,281.46
February 2014	50,697,408.82
March 2014	49,633,237.49
April 2014	48,590,345.83
May 2014	47,568,320.29
June 2014	46,566,755.17
July 2014	45,585,252.55
August 2014	44,623,422.09
September 2014 ...	43,680,880.93
October 2014	42,757,253.50
November 2014 ...	41,852,171.43
December 2014	40,965,273.38
January 2015	40,096,204.93
February 2015	39,244,618.43
March 2015	38,410,172.89
April 2015	37,592,533.84

Month of Distribution Date	Cap Contract Notional Balances (\$)	Month of Distribution Date	Cap Contract Notional Balances (\$)
May 2015.....	36,791,373.22	May 2019.....	12,610,618.18
June 2015	36,006,369.23	June 2019	12,320,709.39
July 2015	35,237,206.26	July 2019	12,036,882.27
August 2015	34,483,574.73	August 2019	11,759,015.27
September 2015 ...	33,745,171.00	September 2019 ...	11,486,989.16
October 2015	33,021,697.23	October 2019	11,220,687.05
November 2015 ...	32,312,861.31	November 2019 ...	10,959,994.34
December 2015....	31,618,376.73	December 2019....	10,704,798.63
January 2016	30,937,962.47	January 2020	10,454,989.71
February 2016	30,271,342.89	February 2020	10,210,459.54
March 2016.....	29,618,247.66	March 2020.....	9,971,102.15
April 2016	28,978,411.63	April 2020	9,736,813.67
May 2016.....	28,351,574.73	May 2020.....	9,507,492.22
June 2016	27,737,481.89	June 2020	9,283,037.93
July 2016	27,135,882.96	July 2020	9,063,352.87
August 2016	26,546,532.57	August 2020	8,848,341.01
September 2016 ...	25,969,190.07	September 2020 ...	8,637,908.22
October 2016	25,403,619.45	October 2020	8,431,962.18
November 2016 ...	24,849,589.23	November 2020 ...	8,230,412.39
December 2016....	24,306,872.38	December 2020....	8,033,170.11
January 2017	23,775,246.24	January 2021	7,840,148.34
February 2017	23,254,492.44	February 2021	7,651,261.78
March 2017.....	22,744,396.80	March 2021.....	7,466,426.79
April 2017	22,244,749.28	April 2021	7,285,561.38
May 2017.....	21,755,343.88	May 2021.....	7,108,585.15
June 2017	21,275,978.57	June 2021	6,935,419.29
July 2017	20,806,455.21	July 2021	6,765,986.54
August 2017	20,346,579.48	August 2021	6,600,211.12
September 2017 ...	19,896,160.81	September 2021 ...	6,438,018.77
October 2017	19,455,012.31	October 2021	6,279,336.67
November 2017 ...	19,022,950.68	November 2021 ...	6,124,093.44
December 2017....	18,599,796.18	December 2021....	5,972,219.09
January 2018	18,185,372.52	January 2022	5,823,645.02
February 2018	17,779,506.84	February 2022	5,678,303.95
March 2018.....	17,382,029.58	March 2022.....	5,536,129.95
April 2018	16,992,774.49	April 2022	5,397,058.38
May 2018.....	16,611,578.53	May 2022.....	5,261,025.86
June 2018	16,238,281.79	June 2022	5,127,970.28
July 2018	15,872,727.48	July 2022	4,997,830.73
August 2018	15,514,761.83	August 2022	4,870,547.52
September 2018 ...	15,164,234.05	September 2022 ...	4,746,062.11
October 2018	14,820,996.27	October 2022	4,624,317.14
November 2018 ...	14,484,903.46	November 2022 ...	4,505,256.38
December 2018....	14,155,813.45	December 2022....	4,388,824.69
January 2019	13,833,586.78	January 2023	4,274,968.04
February 2019	13,518,086.71	February 2023	4,163,633.45
March 2019.....	13,209,179.15	March 2023.....	4,054,769.00
April 2019	12,906,732.62		

If the Cap Contract is terminated early, the Cap Contract Counterparty may owe a termination payment to the Trustee, payable in a lump sum to be held by the Trustee until the Cap Contract

Termination Date to pay any Net WAC Carryover Amount as described in this prospectus. However, if such termination occurs, there can be no assurance that any such termination payment will be owing to the Trustee or that the termination payment will be sufficient to cover any Net WAC Carryover Amount. In addition, Fannie Mae does not intend to obtain a replacement cap contract if the Cap Contract is terminated early.

Any amounts received on the Cap Contract on a Distribution Date that are not used to pay any Net WAC Carryover Amount on the 2-A-F Class on such Distribution Date will be returned to the Cap Contract Counterparty and will not be available for payments to any class of Certificates on future Distribution Dates.

The 2-A-F Class Certificates do not represent an obligation of the Cap Contract Counterparty. The Holders of the 2-A-F Class Certificates are not parties to the Cap Contract and will not have any right to proceed directly against the Cap Contract Counterparty in respect of its obligations under the Cap Contract. **The Fannie Mae guaranty will not cover any failure of the Trust to receive payments under the Cap Contract.**

Special Characteristics of the R and RL Classes

The R and RL Classes will not have principal balances and will not bear interest. If any assets of the Upper Tier REMIC remain after the principal balances of all Classes are reduced to zero, we will pay the Holder of the R Class the proceeds of those assets. If any assets of the Lower Tier REMIC remain after the principal balances of the Lower Tier Regular Interests are reduced to zero, we will pay the proceeds of those assets to the Holder of the RL Class. 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 the R or RL Certificate is transferred will be required to execute an affidavit, acceptable to us, stating that:

- the transferee is a “U.S. Person” (as defined below) or a foreign person subject to United States income taxation on a net basis on income derived from that Certificate;
- if the transferee is a partnership for U.S. federal income tax purposes, each person or entity that holds an interest (directly, or indirectly through a pass-through entity) in the partnership is a U.S. Person or a foreign person subject to United States income taxation on a net basis on income derived from that Certificate;
- the transferee is not a disqualified organization,
- it is not acquiring the R or RL Certificate for the account of a disqualified organization,
- it consents to any amendment of the Trust Agreement that we deem necessary (upon the advice of our counsel) to ensure that the R or RL Certificate will not be owned directly or indirectly by a disqualified organization,
- it is not acquiring the R or RL Certificate to avoid or impede the assessment or collection of tax,
- it understands that it may incur tax liabilities in excess of any cash that it will receive on the R or RL Certificate,

- it intends to pay taxes on the R or RL Certificate as they become due,
- it will not cause income from the R or RL Certificate to be attributed to a foreign permanent establishment or fixed base of the transferee or another taxpayer, and
- it will not transfer the R or RL Certificate unless it has received from the new transferee an affidavit containing these same ten representations and it does not have actual knowledge that this other affidavit is false.

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

No R or RL 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 certificate without our written consent. The term “U.S. Person” means

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

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

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

A transfer satisfies the asset test if (i) the transferee’s gross assets exceed \$100 million and its net assets exceed \$10 million (in each case, at the time of the transfer and at the close of each of the transferee’s two fiscal years preceding the year of transfer), (ii) the transferee is an “eligible corporation” as defined in section 860L(a)(2) of the Code and it agrees in writing that any subsequent transfer of the residual interest will be to an eligible corporation and will comply with the

safe harbor and satisfy the asset test, and (iii) the facts and circumstances known to the transferor do not reasonably indicate that the taxes associated with the residual interest will not be paid. A transfer satisfies the formula test if the present value of the anticipated tax liabilities associated with holding the R or RL Class Certificate is less than or equal to the present value of the sum of (i) any consideration given to the transferee to acquire the Certificate, (ii) expected future distributions on that Certificate, and (iii) anticipated tax savings associated with holding that Certificate as the related REMIC trust generates losses. The regulations contain additional details regarding their application and you should consult your own tax advisor regarding the application of the Regulations to an actual transfer of the R or RL Class Certificate.

The Holder of the R Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Upper Tier REMIC, and the Holder of the RL Class will be considered to be the holder of the “residual interest” in the REMIC constituted by the Lower Tier REMIC. See “Certain Federal Income Tax Consequences—REMIC Elections and Special Tax Attributes.” Pursuant to the Trust Agreement we will be obligated to provide to the Holder or Holders of the R and RL Classes (i) information that they need to prepare their federal income tax returns and (ii) any reports regarding the R 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 on the basis of (i) the assumed characteristics of the Mortgage Loans set forth herein on Exhibit A and (ii) the following assumptions (collectively, the “Pricing Assumptions”):

- payments on all Mortgage Loans are due and received on the first day of each month;
- each year consists of twelve 30-day months;
- the Mortgage Loans prepay at the CPR levels specified in the related table;
- there are no Uncovered Prepayment Interest Shortfalls;
- there are no Net WAC Carryover Amounts;
- there are no defaults, losses, additional delinquencies or liquidations with respect to the Mortgage Loans;
- there are no substitutions of the Mortgage Loans after the Issue Date;
- 1 year CMT is equal to 3.890%;
- one-month LIBOR is equal to 3.550%.
- the Servicer does not exercise its optional clean-up call;
- the settlement date for the sale of the Certificates occurs on August 30, 2005; and
- each Distribution Date for the Certificates occurs on the 25th day of the month, beginning in September 2005.

Prepayment Assumptions. Prepayments of mortgage loans commonly are measured relative to a prepayment standard or model. The model used in this prospectus is the “Constant Prepayment Rate” or “CPR” model. The CPR model represents an assumed *constant* rate of prepayment each month, expressed as a per annum percentage of the then outstanding principal balance of the pool of mortgage loans. *This model does not purport to be an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Mortgage Loans. It is highly unlikely that the Mortgage Loans will prepay at any constant percentage of the Prepayment Assumption or at any other constant rate.*

Yield Tables

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

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

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

We cannot assure you that

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

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

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

***The 1-A-IO Class.* The yield to investors in the 1-A-IO Class will be very sensitive to the rate of principal payments (including prepayments) of the Group 1 Non-Discount Loans. The Mortgage Loans can be prepaid at any time without penalty. As illustrated in the tables below, it is possible that investors in the 1-A-IO Class would lose money on their initial investments under certain prepayment scenarios.**

We cannot assure you that:

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

The information shown in the following yield tables has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase price of the 1-A-IO Class (expressed as a percentage of the original notional principal balance) is as follows:

<u>Class</u>	<u>Price*</u>
1-A-IO	1.25%

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

Sensitivity of the 1-A-IO Class to Prepayments to Maturity*

	CPR Prepayment Assumption						
	10%	15%	20%	25%	30%	35%	40%
Pre-Tax Yields	28.2%	21.9%	15.5%	8.8%	2.0%	(5.2)%	(12.6)%

* Applies only to Group 1 Non-Discount Loans.

Sensitivity of the 1-A-IO Class to Prepayments to Call*

	CPR Prepayment Assumption						
	10%	15%	20%	25%	30%	35%	40%
Pre-Tax Yields	28.2%	21.9%	15.5%	8.7%	1.7%	(5.8)%	(13.8)%

* Applies only to Group 1 Non-Discount Loans.

The 2-A-S Class. The yield on the 2-A-S Class will be sensitive in varying degrees to the rate of principal payments, including prepayments, of the Group 2 Loans, and to the level of the Index. The Group 2 Loans generally can be prepaid at any time without penalty. In addition, the rate of principal payments (including prepayments) of the Group 2 Loans is likely to vary, and may vary considerably. As illustrated in the tables below, it is possible that investors in the 2-A-S Class would lose money on their initial investments under certain Index and prepayment scenarios.

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

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

- the interest rate for the 2-A-S Class for the initial Interest Accrual Period is 2.55105% and for each following Interest Accrual Period will be based on the specified level of the Index, and
- the aggregate purchase price of the 2-A-S Class (expressed as a percentage of the original notional principal balance) is as follows:

Class	Price*
2-A-S	4.5000%

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

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

LIBOR	CPR Prepayment Assumption						
	10%	15%	20%	25%	30%	35%	40%
1.55%	103.0%	95.0%	86.7%	78.2%	69.3%	60.1%	50.6%
3.55%	48.7%	41.9%	35.0%	27.8%	20.4%	12.7%	4.7%
5.55%	(1.4)%	(7.0)%	(12.7)%	(18.5)%	(24.6)%	(30.9)%	(37.5)%
6.11%	*	*	*	*	*	*	*

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

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

<u>LIBOR</u>	<u>CPR Prepayment Assumption</u>						
	<u>10%</u>	<u>15%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>	<u>40%</u>
1.55%	103.0%	95.0%	86.7%	78.2%	69.3%	60.1%	50.6%
3.55%	48.7%	41.9%	35.0%	27.8%	20.3%	12.5%	4.3%
5.55%	(1.4)%	(7.1)%	(13.4)%	(20.2)%	(27.6)%	(35.7)%	(44.2)%
6.11%	*	*	*	*	*	*	*

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

The 1-A-PO Class. **The 1-A-PO Class will not bear interest. As indicated in the table below, a low rate of principal payments (including prepayments) on the Group 1 Discount Loans will have a negative effect on the yield to investors in the 1-A-PO Class.**

The information shown in the following yield table has been prepared on the basis of the Pricing Assumptions and the assumption that the aggregate purchase price of the 1-A-PO Class (expressed as a percentage of its original principal balance) is as follows:

<u>Class</u>	<u>Price</u>
1-A-PO	82.125%

Sensitivity of the 1-A-PO Class to Prepayments to Maturity*

	<u>CPR Prepayment Assumption</u>						
	<u>10%</u>	<u>15%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>	<u>40%</u>
Pre-Tax Yields	3.0%	4.1%	5.3%	6.7%	8.2%	9.8%	11.6%

* Applies only to Group 1 Discount Loans.

Sensitivity of the 1-A-PO Class to Prepayments to Call*

	<u>CPR Prepayment Assumption</u>						
	<u>10%</u>	<u>15%</u>	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>35%</u>	<u>40%</u>
Pre-Tax Yields	3.0%	4.1%	5.4%	6.7%	8.3%	9.9%	11.7%

* Applies only to Group 1 Discount Loans.

Weighted Average Lives of the Certificates

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

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

The weighted average lives of the Certificates will be influenced by, among other factors, the rate at which principal payments are made on the related Mortgage Loans. For the purpose of the preceding sentence, principal payments include scheduled payments, principal prepayments, liquida-

tions due to default, casualty and condemnation and payments made pursuant to either our guaranty of payment or our option to repurchase. The interaction of the above factors may result in differing principal prepayment speeds on the Classes of Certificates. Accordingly, we cannot give any assurance as to the weighted average lives of the Certificates.

Decrement Tables

The following tables indicate the percentages of original principal balances of the specified Classes that would be outstanding after each of the dates shown at various constant percentages of CPR and the corresponding weighted average lives of such Classes. The tables have been prepared on the basis of the Pricing Assumptions.

It is *unlikely* that all the Mortgage Loans:

- will have the interest rates or remaining terms to maturity assumed or
- will prepay at any constant percentage of the related CPR.

In addition, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal payments than indicated in the tables at the specified constant percentages of CPR. This would be the case even if the weighted average maturities of the Mortgage Loans are identical to the weighted average maturities specified in the Pricing Assumptions.

Percent of Original Principal Balances Outstanding

Date	1-A Class							1-A-PO Class							1-A-IO† Class						
	CPR Prepayment Assumption							CPR Prepayment Assumption							CPR Prepayment Assumption						
	10%	15%	20%	25%	30%	35%	40%	10%	15%	20%	25%	30%	35%	40%	10%	15%	20%	25%	30%	35%	40%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
August 2006	89	84	79	74	69	64	59	89	84	79	74	69	64	59	89	84	79	74	69	64	59
August 2007	78	70	62	54	47	41	35	79	70	62	55	47	41	35	78	70	62	54	47	41	35
August 2008	69	58	48	40	32	26	20	69	58	49	40	33	26	21	69	58	48	40	32	26	20
August 2009	61	48	38	29	22	17	12	61	49	38	30	22	17	12	61	48	38	29	22	17	12
August 2010	53	40	30	21	15	10	7	54	41	30	22	15	11	7	53	40	30	21	15	10	7
August 2011	47	33	23	16	10	7	4	47	34	23	16	10	7	4	47	33	23	16	10	7	4
August 2012	41	27	18	11	7	4	2	42	28	18	12	7	4	2	41	27	18	11	7	4	2
August 2013	35	22	14	8	5	3	1	36	23	14	8	5	3	1	35	22	14	8	5	3	1
August 2014	30	18	11	6	3	2	1	32	19	11	6	3	2	1	30	18	11	6	3	2	1
August 2015	26	15	8	4	2	1	*	28	16	8	4	2	1	*	26	15	8	4	2	1	*
August 2016	22	12	6	3	1	1	*	24	13	7	3	2	1	*	22	12	6	3	1	1	*
August 2017	19	10	5	2	1	*	*	21	10	5	2	1	*	*	19	10	5	2	1	*	*
August 2018	16	8	3	1	1	*	*	18	8	4	2	1	*	*	16	8	3	1	1	*	*
August 2019	13	6	3	1	*	*	*	15	7	3	1	*	*	*	13	6	3	1	*	*	*
August 2020	11	5	2	1	*	*	*	13	5	2	1	*	*	*	11	5	2	1	*	*	*
August 2021	9	3	1	*	*	*	*	11	4	2	1	*	*	*	9	3	1	*	*	*	*
August 2022	7	3	1	*	*	*	*	9	3	1	*	*	*	*	7	3	1	*	*	*	*
August 2023	5	2	1	*	*	*	*	7	3	1	*	*	*	*	5	2	1	*	*	*	*
August 2024	4	1	*	*	*	*	*	6	2	1	*	*	*	*	4	1	*	*	*	*	*
August 2025	2	1	*	*	*	*	*	4	1	*	*	*	*	*	2	1	*	*	*	*	*
August 2026	1	*	*	*	*	*	*	3	1	*	*	*	*	*	1	*	*	*	*	*	*
August 2027	*	*	*	*	*	*	*	2	1	*	*	*	*	*	*	*	*	*	*	*	*
August 2028	*	*	*	*	*	*	*	1	*	*	*	*	*	*	*	*	*	*	*	*	*
August 2029	*	*	*	*	*	*	*	1	*	*	*	*	*	*	*	*	*	*	*	*	*
August 2030	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
August 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
August 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
August 2033	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	6.9	5.2	4.0	3.2	2.7	2.2	1.9	7.2	5.3	4.1	3.3	2.7	2.3	1.9	6.9	5.2	4.0	3.2	2.7	2.2	1.9

Date	2-A-F and 2-A-S† Classes							3-A Class						
	CPR Prepayment Assumption							CPR Prepayment Assumption						
	10%	15%	20%	25%	30%	35%	40%	10%	15%	20%	25%	30%	35%	40%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100
August 2006	89	84	79	74	69	64	59	88	83	79	74	69	64	59
August 2007	78	70	62	54	47	41	35	78	70	62	54	47	41	35
August 2008	69	58	49	40	33	26	21	69	58	48	40	32	26	20
August 2009	61	49	38	29	22	17	12	61	48	38	29	22	17	12
August 2010	54	40	30	22	15	11	7	53	40	30	21	15	11	7
August 2011	47	34	23	16	10	7	4	47	33	23	16	10	7	4
August 2012	42	28	18	12	7	4	2	41	28	18	11	7	4	2
August 2013	36	23	14	8	5	3	1	36	23	14	8	5	3	1
August 2014	32	19	11	6	3	2	1	31	19	11	6	3	2	1
August 2015	28	16	8	4	2	1	*	27	15	8	4	2	1	*
August 2016	24	13	7	3	2	1	*	24	13	6	3	1	1	*
August 2017	21	10	5	2	1	*	*	20	10	5	2	1	*	*
August 2018	18	8	4	2	1	*	*	17	8	4	2	1	*	*
August 2019	15	7	3	1	*	*	*	15	7	3	1	*	*	*
August 2020	13	5	2	1	*	*	*	12	5	2	1	*	*	*
August 2021	11	4	2	1	*	*	*	10	4	2	1	*	*	*
August 2022	9	3	1	*	*	*	*	9	3	1	*	*	*	*
August 2023	7	3	1	*	*	*	*	7	3	1	*	*	*	*
August 2024	6	2	1	*	*	*	*	6	2	1	*	*	*	*
August 2025	5	1	*	*	*	*	*	4	1	*	*	*	*	*
August 2026	3	1	*	*	*	*	*	3	1	*	*	*	*	*
August 2027	2	1	*	*	*	*	*	2	1	*	*	*	*	*
August 2028	2	*	*	*	*	*	*	2	*	*	*	*	*	*
August 2029	1	*	*	*	*	*	*	1	*	*	*	*	*	*
August 2030	*	*	*	*	*	*	*	*	*	*	*	*	*	*
August 2031	0	0	0	0	0	0	0	0	0	0	0	0	0	0
August 2032	0	0	0	0	0	0	0	0	0	0	0	0	0	0
August 2033	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	7.2	5.3	4.1	3.3	2.7	2.3	1.9	7.2	5.3	4.1	3.3	2.7	2.2	1.9

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

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

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

THE TRUST AGREEMENT

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

Transfer of Mortgage Loans to the Trust

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

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

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

Servicing Through Lenders

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

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

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

Distributions on Mortgage Loans; Deposits in the Certificate Account

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

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

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

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

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

Reports to Certificateholders

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

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 an agent that we engage will make all the necessary numerical calculations.

Servicing Compensation and Payment of Certain Expenses by Fannie Mae

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

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

Collection and Other Servicing Procedures

We are responsible for servicing the Mortgage Loans and may, as set forth above, conduct such servicing through Lenders or through other Fannie Mae approved mortgage servicers. In connection with our servicing activities, we have full power and authority to do or cause to be done any and all things we may deem necessary or appropriate, including the foreclosure or comparable conversion of a defaulted Mortgage Loan.

With respect to each Mortgage Loan, the Lender makes certain warranties to Fannie Mae concerning the following matters:

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

In the event of a material breach of any warranty or a material defect in the Mortgage Loan documentation, we may withdraw the Mortgage Loan from the Trust at a price equal to its Stated Principal Balance together with interest thereon at the Net Mortgage Rate.

Subject to the limitations discussed below, we may:

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

We may waive any assumption fee, or late payment charge, or may exercise or refrain from exercising any “call option rider.” If we decide to take or refrain from taking any of the actions discussed above, our decision must be consistent with the then-current policies or practices that we follow for comparable mortgage loans held in our own portfolio. In making our decisions, we may not take into account the ownership status of the related Mortgage Loan.

Each Mortgage Loan will contain a “due-on-sale” clause, which provides that the Mortgage Loan will be assumable upon the sale of the related Mortgaged Property, subject generally to the purchaser’s compliance with credit and underwriting guidelines.

Certain Matters Regarding Fannie Mae

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

We are not liable under the Trust Agreement to the Trust or to Certificateholders for our errors in judgment or for anything we do, or do not do, in good faith. This also applies to our directors, officers, employees and agents. Nevertheless, neither we nor they will be protected from liability if it results from willful misfeasance, bad faith or gross negligence or as a result of a willful disregard of duties.

The Trust Agreement also provides that we are free to refuse involvement in any legal action that we think will expose us to expense or liability unless the action is related to our duties under the Trust Agreement. On the other hand, we may decide to participate in legal actions if we think our participation would be in the interests of the Certificateholders. In this case, we will pay our legal expenses and costs.

If we merge or consolidate with another corporation, the successor corporation will be our successor under the Trust Agreement.

Repurchase of Mortgage Loans

If the Mortgage Interest Rates on the Group 1 or Group 2 Loans are reduced, the Servicer will be obligated to repurchase such Mortgage Loans from the Trust. Any such repurchase of a Group 1 or Group 2 Loan from the Trust by the Servicer will occur at a price equal to its outstanding Stated Principal Balance plus one month's interest at the applicable Net Mortgage Rate.

Events of Default

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

- if we fail to pay Certificateholders of any Class any required amount and our failure continues uncorrected for 15 days after Certificateholders owning at least 5% of that Class of Certificates have given us written notice;
- if we fail in a material way to fulfill any of our obligations under the Trust Agreement and our failure continues uncorrected for 60 days after Certificateholders owning at least 25% of any Class of Certificates have given us written notice; or
- if we become insolvent or unable to pay our debts or if other events of insolvency occur.

Rights Upon Event of Default

If one of the Events of Default under the Trust Agreement has occurred and continues uncorrected, Certificateholders who own at least 25% of any Class of Certificates have the right to terminate, in writing, all of our obligations under the Trust Agreement. These obligations include our duties as trustee as well as in our corporate capacity. However, our guaranty obligations will continue in effect. The same proportion of Certificateholders also may appoint, in writing, a successor to assume all of our terminated obligations. This successor will take legal title to the Mortgage Loans and other assets of the Trust.

Voting Rights

Certain actions specified in the Trust Agreement that may be taken by holders of Certificates evidencing a specified percentage of all undivided interests in the Trust may be taken by holders of Certificates entitled in the aggregate to such percentage of voting rights. The percentage of the voting rights allocated among holders of the Notional Classes in the aggregate will be 1.5%; the percentage of the voting rights allocated among holders of all other Classes in the aggregate will be 98.5%. The voting rights allocated to each Class of Certificates will be allocated among all holders of each such Class in proportion to the outstanding principal balances or notional principal balances of such Certificates.

Amendment

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

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

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.

Termination

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

The Servicer may not exercise its optional clean-up call unless the aggregate principal balance of the remaining Mortgage Loans in a Loan Group is less than 1% of the aggregate principal balance of all the Mortgage Loans in that Loan Group as of the Issue Date.

If the Servicer exercises its optional clean-up call, we will retire all the Certificates related to the applicable Loan Group. In no event, however, will the Trust continue beyond the expiration of 21 years from the death of the last survivor of the persons named in the Trust Agreement. We will notify each affected Certificateholder in writing of the termination of the Trust Agreement, and will make the final payment to each person entitled to it.

U.S. TREASURY CIRCULAR 230 NOTICE

The discussion contained in this prospectus under the headings "Certain Federal Income Tax Consequences" and "ERISA Considerations" was not intended or written to be used, and cannot be used, for the purpose of avoiding United States federal tax penalties. This discussion was written to support the promotion or marketing of the transactions or matters addressed in this prospectus. You should seek advice based on your particular circumstances from an independent tax advisor.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

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

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

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

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

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

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

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

Taxation of the Portion of the Trust with Respect to the Group 1 and Group 3 Classes

Dewey Ballantine LLP, special tax counsel to Fannie Mae, will deliver its opinion that, assuming compliance with the Trust Agreement, the portion of the Trust with respect to the Group 1 and Group 3 Classes will be classified as a grantor trust under subpart E, part I of subchapter J of the Code and not as an association taxable as a corporation.

Taxation of Beneficial Owners of Certificates of the Group 1 and Group 3 Classes

The 1-A-IO and 1-A-PO Classes

A beneficial owner of a Certificate of the 1-A-IO or 1-A-PO Class will be treated as owning, pursuant to section 1286 of the Code, “stripped bonds” to the extent of its share of principal payments

and “stripped coupons” to the extent of its share of interest payments, as applicable. Fannie Mae intends to treat each Certificate of the 1-A-IO and 1-A-PO Classes as a single debt instrument representing rights to future cashflows from the Group 1 Loans for purposes of information reporting. You should consult your own tax advisor as to the proper treatment of a Certificate of the 1-A-IO or 1-A-PO Class in this regard.

Under section 1286 of the Code, a beneficial owner of a Certificate of the 1-A-IO or 1-A-PO Class must treat the Certificate as a debt instrument originally issued on the date the owner acquires it and as having “original issue discount” (“OID”) equal to the *excess*, if any, of its “stated redemption price at maturity” *over* the price paid by the owner to acquire it. For information reporting purposes, we intend to treat all amounts to be distributed on each Certificate of the 1-A-IO or 1-A-PO Class as included in the stated redemption price at maturity and, as a result, each Certificate of the 1-A-IO or 1-A-PO Class will be treated as if issued with OID.

The beneficial owner of a Certificate of the 1-A-IO or 1-A-PO Class must include in its ordinary income for federal income tax purposes, generally in advance of receipt of the cash attributable to that income, the sum of the “daily portions” of OID on its Certificate for each day during its taxable year on which it held that Certificate. The daily portions of OID are determined as follows:

- first, the portion of OID that accrued during each “accrual period” is calculated;
- then, the OID accruing during an accrual period is allocated ratably to each day during the period to determine the daily portion of OID.

The OID Regulations provide that a holder of a debt instrument may use an accrual period of any length, up to one year, as long as each distribution of principal or interest occurs on either the final day or the first day of an accrual period. We intend to report OID based on accrual periods of one month. Each of these accrual periods will begin on a Distribution Date and end on the day before the next Distribution Date.

Although the matter is not entirely clear, a beneficial owner of a Certificate of the 1-A-IO or 1-A-PO Class should determine the amount of OID accruing during any accrual period with respect to that Certificate using the method described in section 1272(a)(6) of the Code. Under section 1272(a)(6), the portion of OID treated as accruing with respect to a Certificate of the 1-A-IO or 1-A-PO Class for any accrual period equals the *excess*, if any, of

- the sum of (A) the present values of all the distributions remaining to be made on that Certificate, if any, as of the end of the accrual period; and (B) the distributions made on that Certificate during the accrual period of amounts included in the stated redemption price at maturity;

over

- the sum of the present values of all the distributions remaining to be made on that Certificate as of the beginning of the accrual period.

The present values of the remaining distributions with respect to a Certificate of the 1-A-IO or 1-A-PO Class are calculated based on the following:

- an assumption that the related category of the Group 1 Loans prepay at a specified rate,
- the yield to maturity of the Certificate giving effect to the prepayment assumption, and
- events (including actual prepayments) that have occurred prior to the end of the accrual period.

Each beneficial owner of a Certificate of the 1-A-IO or 1-A-PO Class determines its yield to maturity based on its purchase price. For a particular beneficial owner of a Certificate of the 1-A-IO or 1-A-PO Class, it is not clear whether the prepayment assumption used for calculating OID would be one determined at the time that Certificate is acquired or would be the original prepayment

assumption for that Certificate. For information reporting purposes, we will use the original yield to maturity of that Certificate, calculated based on the original prepayment assumption. You should consult your own tax advisor regarding the proper method for accruing OID on a Certificate of the 1-A-IO or 1-A-PO Class.

The Code requires that the prepayment assumption be determined in the manner prescribed in Treasury regulations. To date, no such regulations have been promulgated. For information reporting purposes, we will assume a prepayment assumption equal to 25% CPR for the Group 1 Loans. We make no representation, however, that the related category of Group 1 Loans will prepay at that rate or any other rate. You must make your own decision as to the appropriate prepayment assumption to be used in deciding whether or not to purchase a Certificate of the 1-A-IO or 1-A-PO Class.

The 1-A and 3-A Classes

Interest paid on a Certificate of the 1-A or 3-A Class is taxable as ordinary interest income. A beneficial owner of a Certificate of the 1-A or 3-A Class must report this income when it accrues or is paid, consistent with the beneficial owner's method of accounting.

A beneficial owner that acquires a Certificate of the 1-A or 3-A Class for less than its principal amount generally has market discount in the amount of the difference between the principal amount and the beneficial owner's basis in that certificate. In general, three consequences arise if a beneficial owner acquires an interest in a Certificate of the 1-A or 3-A Class with market discount. First, the beneficial owner must treat any principal payment with respect to that certificate as ordinary income to the extent of the market discount that accrued while the beneficial owner held an interest in that Certificate. Second, the beneficial owner must treat gain on the disposition or retirement of that Certificate as ordinary income under the circumstances discussed below under “*Sales and Other Dispositions of Certificates of the Group 1 and Group 3 Classes*.” Third, if the beneficial owner incurs or continues indebtedness to acquire that Certificate the beneficial owner may be required to defer the deduction of all or a portion of the interest on the indebtedness until the corresponding amount of market discount is included in income. Alternatively, a beneficial owner may elect to include market discount in income on a current basis as it accrues, in which case the three consequences discussed above will not apply. If a beneficial owner makes this election, the beneficial owner must also apply the election to all debt instruments acquired by the beneficial owner on or after the beginning of the first taxable year to which the election applies. A beneficial owner may revoke the election only with the consent of the IRS.

A beneficial owner of a Certificate of the 1-A or 3-A Class must determine the amount of accrued market discount for a period using a straight line method, based on the maturity of that Certificate, unless the beneficial owner elects to determine accrued market discount using a constant yield method. The IRS has authority to provide regulations for determining the accrual of market discount in the case of debt instruments that provide for more than one principal payment, but has not yet issued such regulations. In addition, the legislative history of the Tax Reform Act of 1986 states that market discount on certain types of debt instruments may be treated as accruing in proportion to remaining accruals of OID, if any, or if none, in proportion to remaining distributions of interest. You should consult your own tax advisors regarding the method a beneficial owner should use to determine accrued market discount.

Notwithstanding the above rules, market discount on a Certificate of the 1-A or 3-A Class is considered to be zero if the discount is less than 0.25% of the principal balance of that Certificate multiplied by the number of complete years from the date the beneficial owner acquires that Certificate to the maturity of that Certificate (“*de minimis* market discount”). The IRS has authority to provide regulations to adjust the computation of *de minimis* market discount in the case of debt instruments that provide for more than one principal payment, but has not yet issued such regulations. The IRS could assert, nonetheless, that *de minimis* market discount should be calculated using the remaining weighted average life of that certificate rather than its final maturity. You should

consult your own tax advisors regarding the ability to compute *de minimis* market discount based on the final maturity of the 1-A and 3-A Classes.

If a beneficial owner acquires a Certificate of the 1-A or 3-A Class for more than its principal amount, the beneficial owner generally will have premium with respect to that Certificate in the amount of the excess. In that event, the beneficial owner may elect to treat such premium as “amortizable bond premium.” If the election is made, a beneficial owner must also apply the election to all debt instruments the interest on which is not excludible from gross income (“fully taxable bonds”) held by the beneficial owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by the beneficial owner. A beneficial owner may revoke the election only with the consent of the IRS.

If a beneficial owner makes this election, the beneficial owner reduces the amount of any interest payment that must be included in the beneficial owner’s income by the portion of the premium allocable to the period based on the yield to maturity of that Certificate. Correspondingly, a beneficial owner must reduce its basis in that Certificate by the amount of premium applied to reduce any interest income. The amount of premium to be allocated among the interest payments on a Certificate of the 1-A or 3-A Class is determined by reference to an equivalent fixed rate debt instrument constructed as of the date the beneficial owner acquires an interest in that Certificate. If a beneficial owner does not elect to amortize premium, (i) the beneficial owner must include the full amount of each interest payment in income, and (ii) the premium must be allocated to the principal distributions on that Certificate and, when each principal distribution is received, a loss equal to the premium allocated to that distribution will be recognized. Any tax benefit from premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of that Certificate. See “—*Sales and Other Dispositions of Certificates of the Group 1 and Group 3 Classes.*”

A beneficial owner may elect to include in income its entire return on a Certificate of the 1-A or 3-A Class (i.e., the *excess* of all remaining payments to be received on the Certificate *over* the amount of the beneficial owner’s basis in that Certificate) based on the compounding of interest at a constant yield. Such an election for a Certificate of the 1-A or 3-A Class with amortizable bond premium (or market discount) will result in a deemed election to amortize premium for all the beneficial owner’s debt instruments with amortizable bond premium (or to accrue market discount currently for all the beneficial owner’s debt instruments with market discount) as discussed above.

Expenses of the Trust

Each beneficial owner of a Certificate of the Group 1 or Group 3 Class will be required to include in income its allocable share of the expenses paid by the Trust, with respect to the Group 1 or Group 3 Loans, as applicable. Each beneficial owner of a Certificate of the Group 1 or Group 3 Class can deduct its allocable share of such expenses as provided in section 162 or section 212 of the Code, consistent with its method of accounting. Fannie Mae intends to allocate expenses to beneficial owners in each monthly period in proportion to the respective amounts of income (including any OID) accrued for each Group 1 or Group 3 Class of Certificates. A beneficial owner’s ability to deduct its share of these expenses is limited under section 67 of the Code in the case of (i) estates and trusts, and (ii) individuals owning an interest in a Certificate of the Group 1 or Group 3 Classes directly or through an investment in a “pass-through entity” (other than in connection with such individual’s trade or business). Pass-through entities include partnerships, S corporations, grantor trusts, certain limited liability companies and non-publicly offered regulated investment companies, but do not include estates, non-grantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies. Generally, such a beneficial owner can deduct its share of these costs only to the extent that these costs, when aggregated with certain of the beneficial owner’s other miscellaneous itemized deductions, exceed 2% of the beneficial owner’s adjusted gross income. For this purpose, an estate or nongrantor trust computes adjusted gross income in the same manner as in the case of an individual, except that deductions for administrative expenses of the estate or trust that

would not have been incurred if the property were not held in the trust or estate are treated as allowable in arriving at adjusted gross income. In addition, section 68 of the Code may provide for certain limitations on certain itemized deductions otherwise allowable for a beneficial owner who is an individual. Further, a beneficial owner may not be able to deduct any portion of these costs in computing its alternative minimum tax liability.

Sales and Other Dispositions of Certificates of the Group 1 and Group 3 Classes

Upon the sale, exchange or other disposition of a Certificate of the Group 1 or Group 3 Class, a beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner's adjusted basis in that Certificate. The adjusted basis of a Certificate of the Group 1 or Group 3 Class generally will equal the cost of that Certificate to the beneficial owner, increased by any amounts of OID and market discount included in the beneficial owner's gross income with respect to that Certificate, and reduced by distributions on that Certificate previously received by the beneficial owner as principal (or as amounts constituting stated redemption price at maturity in the case of a Certificate of the 1-A-IO or 1-A-PO Class) and by any premium that has reduced the beneficial owner's interest income with respect to that Certificate. Any such gain or loss generally will be capital gain or loss, except (i) as provided in section 582(c) of the Code (which generally applies to banks) or (ii) to the extent any gain represents OID or accrued market discount not previously included in income (to which extent such gain would be treated as ordinary income). Any capital gain (or loss) recognized upon the sale, exchange or other disposition of a Certificate of the Group 1 or Group 3 Class will be long-term capital gain (or loss) if at the time of disposition the beneficial owner held that Certificate for more than one year. The ability to deduct capital losses is subject to limitations.

Special Tax Attributes of Certificates of the Group 1 and Group 3 Classes

A Certificate of the Group 1 and Group 3 Classes may not constitute:

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

In addition, distributions of interest may not constitute income described in section 856(c)(3)(B) of the Code with respect to a real estate investment trust. As a result, Certificates of the Group 1 and Group 3 Classes may not be a suitable investment for real estate investment trusts and generally will not be a suitable investment for REMICs.

Modifications of FHA/VA Loans

FHA/VA Loans that are in default (or FHA/VA Loans for which a default is reasonably foreseeable) may be modified. If a modification is a "significant modification" under section 1001 of the Code, the Trust will be deemed to have exchanged the old unmodified FHA/VA Loan for the new modified FHA/VA Loan. Gain or loss may be recognized by beneficial owners of the Certificates of the Group 1 and Group 3 Classes, as applicable, upon such exchange. Information will be made available to assist Holders in determining their share of any gain or loss due to a significant modification of an FHA/VA Loan or to enable Holders to make such information available to beneficial owners or other financial intermediaries for which Holders hold Certificates as nominees.

***Information Reporting and Backup Withholding for Certificates of
the Group 1 and Group 3 Classes***

Within a reasonable time after the end of each calendar year, we will furnish or make available to each Holder of a Certificate of the Group 1 and Group 3 Classes that received a distribution on that Certificate during that year a statement setting forth such information as is required by the Code or Treasury Regulations and such other information as we deem necessary or desirable to assist Holders in preparing their federal income tax returns, or to enable Holders to make such information available to beneficial owners or other financial intermediaries for which the Holders hold Certificates as nominees.

Payments of interest and principal, as well as payments of proceeds from the sale of Certificates of the Group 1 and Group 3 Classes, may be subject to the “backup withholding tax” under section 3406 of the Code if recipients of the payments fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from this tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the recipient’s federal income tax. The IRS may impose certain penalties on a recipient of payments required to supply information who does not do so in the proper manner.

Foreign Investors in Certificates of the Group 1 and Group 3 Classes

Additional rules apply to a beneficial owner of a Certificate of the Group 1 and Group 3 Classes that is not a U.S. Person (a “Non-U.S. Person”). The term “U.S. Person” means:

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

Payments on a Certificate of the Group 1 and Group 3 Classes to, or on behalf of, a beneficial owner that is a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, provided the following conditions are satisfied:

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

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

REMIC Elections and Special Tax Attributes for the Group 2 Classes

We will elect to treat the Upper Tier REMIC and the Lower Tier REMIC as REMICs under the Code. Qualification as a REMIC requires ongoing compliance with certain conditions. Dewey Ballantine LLP, special tax counsel to Fannie Mae, will deliver its opinion to Fannie Mae that, assuming compliance with the Trust Agreement, the Upper Tier REMIC and the Lower Tier REMIC will be treated as REMICs for federal income tax purposes. The REMIC Certificates (other than the R and RL Classes and the rights of the holder of the Class 2-A-F certificate to receive Net WAC Carryover Amounts) will be designated as the “regular interests” in the Upper Tier REMIC (each a “Regular Certificate” and, together, the “Regular Certificates”) and the R Class will be designated as the “residual interest” in the Upper Tier REMIC. The Lower Tier Regular Interests will be designated as the “regular interests” in the Lower Tier REMIC and the RL Class will be designated as the “residual interest” in the Lower Tier REMIC (together with the R Class the “Residual Certificates”). For federal income tax purposes, the Combined Residual Certificate will represent the beneficial ownership of the R and RL Classes.

The Upper Tier REMIC will be taxed as if it had issued two regular interests, one corresponding to each of the 2-A-F and 2-A-S Classes. Each of these regular interests will be entitled to receive interest and principal payments at the times and in the amounts equal to those made to the Class to which it corresponds, except that the interest rate on the 2-A-F Class will be determined without regard to the Net WAC Carryover Amount. A beneficial owner of a 2-A-F 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 a 2-A-F 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 Net WAC Carryover Amounts*” below.

Because the Upper Tier REMIC and the Lower Tier REMIC will qualify as REMICs, the Regular and Residual Certificates will be “regular or residual interests in a REMIC” within the meaning of section 7701(a)(19)(C)(xi) of the Code and “real estate assets” within the meaning of section 856(c)(5)(B) of the Code. If at any time during a calendar year less than 95% of the assets of the Lower Tier REMIC consist of “real estate assets,” then the portion of the Regular and Residual Certificates that are qualifying assets under section 856(c)(5)(B) of the Code during the calendar year may be limited to the portion of the assets of the Lower Tier REMIC that are “real estate assets.” Similarly, income on the Regular and Residual Certificates will be treated as “interest on obligations secured by mortgages on real property” within the meaning of section 856(c)(3)(B) of the Code, subject to the same limitation as set forth in the preceding sentence. In general, a Group 2 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 Group 2 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.

Except as provided below, a beneficial owner of a 2-A-F Class Certificate will be treated

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

Consequently, each beneficial owner of a 2-A-F Class Certificate will be required to report its pro rata share of income accruing with respect to the corresponding REMIC regular interest, as discussed under “—*Taxation of Beneficial Owners of Regular Certificates*” below. In addition, each beneficial owner of a 2-A-F 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 Net WAC Carryover Amounts*” below. You should consult your own tax advisor regarding the consequences to you in light of your particular circumstances of taxing separately the two components comprising each 2-A-F Class Certificate (that is, the corresponding REMIC regular interest and the notional principal contract).

Allocations

A beneficial owner of a 2-A-F Class Certificate must allocate its cost to acquire that Certificate between the corresponding REMIC regular interest and the notional principal contract based on their relative fair market values. When a beneficial owner of a 2-A-F 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 the 2-A-F Class Certificates as if the notional principal contract corresponding to the Certificate had only a nominal value, relative to the value of the corresponding REMIC regular interest, as of the Settlement Date. See “—*Taxation of the Net WAC Carryover Amounts*” below. The notional principal contract is difficult to value, and the Internal Revenue Service (IRS) could assert that the value of the notional principal contract as of the Settlement Date is greater (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 Class had a higher value as of the Settlement Date, a greater portion of the purchase price for the Class would be allocated to the notional principal contract and a lesser portion would be allocated to the corresponding REMIC regular interest, which could result in differences in the beneficial owner’s timing and character of income, gains, deductions and losses with respect to that Class. See “—*Taxation of Beneficial Owners of Regular Certificates*” and “—*Taxation of the Net WAC Carryover Amounts*” below. You therefore should consider the tax consequences to you if the IRS were to assert a different value for the notional principal contract corresponding to the 2-A-F Class.

Tax Attributes

Although the 2-A-F 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 for the Group 2 Classes*” above), the interest in the corresponding notional principal contract represented by a 2-A-F 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.

Treatment of Original Issue Discount

The 2-A-S Class will be, and the regular interest corresponding to the 2-A-F Class may be, issued with OID within the meaning of section 1273(a) of the Code. A Regular Owner must include in gross income the sum of the “daily portions” of OID on its Regular Certificate for each day during its taxable year on which it held the Certificate, generally in advance of receipt of the cash attributable to that income. We will supply to Holders, brokers and middlemen information with respect to the original issue discount accruing on the Regular Certificates. We will supply this information at the time and in the manner required by the Internal Revenue Service (the “IRS”).

Definition of Original Issue Discount

In general, a Regular Certificate will be considered to be issued with OID equal to the excess, if any, of its “stated redemption price at maturity” over its “issue price.” The issue price of a Regular Certificate is the initial price at which a substantial amount of the Regular Certificates was sold. The issue price also includes any accrued interest attributable to the period before the Settlement Date. The stated redemption price at maturity of a Regular Certificate generally is its stated principal amount, plus an amount equal to the excess (if any) of the interest payable on the first Distribution Date over the interest that accrues for the period from the Settlement Date to the first Distribution Date. The stated redemption price at maturity of the 2-A-S Class, however, is equal to the sum of all distributions to be made under that Regular Certificate.

Notwithstanding the general definition, OID on a Regular Certificate will be treated as zero if the discount is less than 0.25% of the stated redemption price at maturity of the Certificate multiplied by its weighted average life. The weighted average life of a Regular Certificate is apparently computed for this purpose as the sum, for all distributions included in the stated redemption price at maturity of the Certificate, of the amounts determined by multiplying (i) the number of complete years (rounding down for partial years) from the Settlement Date until the date on which each such distribution is expected to be made under the assumption that the mortgage loans backing the related underlying securities prepay at a specified rate by (ii) a fraction, the numerator of which is the amount of such distribution and the denominator of which is the Regular Certificate’s stated redemption price at maturity. If OID is treated as zero under this rule, the actual amount of OID must be allocated to the principal distributions on the Regular Certificate and, when each principal distribution is received, gain equal to the discount allocated to that distribution will be recognized. The prepayment assumption that will be used in determining the rate of accrual of OID with respect to the Group 2 Classes is 25% CPR. See “Description of the Certificates—Structuring Assumptions—*Prepayment Assumptions*” in this prospectus.

Daily Portions of Original Issue Discount

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

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

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

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

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

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

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

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

Subsequent Holders’ Treatment of Original Issue Discount

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

Regular Certificates Purchased at a Premium

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

If a Regular Owner makes this election, the amount of any interest payment that must be included in the Regular Owner’s income for each period ending on a Distribution Date will be reduced by the portion of the premium allocable to the period based on the Premium Certificate’s yield to maturity.

In addition, the legislative history of the Tax Reform Act of 1986 states that premium should be amortized under principles analogous to those governing the accrual of market discount (as discussed below under “—Regular Certificates Purchased with Market Discount”). The election will also apply to all bonds (as well as all REMIC regular interests) the interest on which is not excludible from gross income (“fully taxable bonds”) held by the Regular Owner at the beginning of the first taxable year to which the election applies and to all fully taxable bonds thereafter acquired by it. A Regular Owner may revoke the election only with the consent of the IRS.

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

Regular Certificates Purchased with Market Discount

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

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

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

Special Election

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

Sales and Other Dispositions of Regular Certificates

Upon the sale, exchange, retirement or other disposition of a Regular Certificate, the beneficial owner generally will recognize gain or loss equal to the difference between the amount realized upon the disposition and the beneficial owner’s adjusted basis in the Certificate. In addition, the Code requires the recognition of gain upon the “constructive sale of an appreciated financial position.” In general, a constructive sale of an appreciated financial position occurs if a taxpayer enters into certain transactions or series of transactions with respect to a financial instrument that have the effect of substantially eliminating the taxpayer’s risk of loss and opportunity for gain with respect to the financial instrument. These provisions only apply to Certificates of the 2-A-S Class.

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

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

Termination

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

Taxation of the Net WAC Carryover Amounts

Each beneficial owner of a 2-A-F Class Certificate will be treated as having entered into a “notional principal contract” within the meaning of Regulations promulgated under section 446 of the Code (the “NPC Regulations”) with respect to its acquisition of the right to receive the payments on the Cap Contract. Pursuant to this notional principal contract, a beneficial owner of a 2-A-F Class Certificate will be treated as agreeing to pay a premium for such right. A beneficial owner of a

2-A-F Class Certificate will be treated as having entered into the related notional principal contract on the date the beneficial owner acquires the Certificate.

Treatment of Payments under the Cap Contract

Under the NPC Regulations, the premium that is deemed to have been paid for the Cap Contract must be amortized over the life of the 2-A-F Class, taking into account the declining balance of that Class. For information reporting purposes, we intend to amortize the premium under a constant yield method, similar to that used to amortize OID. You should consult your tax advisor regarding the method for amortizing this premium.

Any payment received by the 2-A-F Class pursuant to the Cap Contract will be treated as a periodic payment under the NPC Regulations. To the extent that the periodic payments for any year exceed the amount of the premium amortized in that year, such excess shall represent net income for that year. Conversely, to the extent that the amount of the premium amortized in any year exceeds the periodic payments for that year, such excess shall represent a net deduction for that year. Although not clear, net income or a net deduction should be treated as ordinary income or as an ordinary deduction.

A beneficial owner's ability to recognize a net deduction with respect to the Cap Contract is limited under section 67 of the code in the case of (i) estates and trusts, and (ii) individuals owning an interest in a 2-A-F 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 Cap Contract in computing the beneficial owner's alternative minimum tax liability.

Disposition of the Cap Contract

Any amount that is considered to be allocated to the Cap Contract in connection with the sale or other disposition of a 2-A-F Class Certificate as described under "*—Allocations*" above will be considered a "termination payment" under the NPC Regulations. Under the NPC Regulations, a beneficial owner of a 2-A-F Class Certificate will have gain or loss from the disposition of the Cap Contract equal to (i) the sum of the unamortized portion of any premium received or deemed to have been received by the beneficial owner upon entering into the Cap Contract and any termination payment it receives or is deemed to have received, less (ii) the sum of the unamortized portion of any premium paid or deemed to have been paid by the beneficial owner upon entering into the Cap Contract and any termination payment it makes or is deemed to have made. The gain or loss should be capital gain or loss, provided the Cap Contract is a capital asset to the beneficial owner. The ability to deduct capital losses is subject to limitations.

Taxation of Beneficial Owners of a Residual Certificate

Amounts Paid to a Transferee of a Residual Certificate

The Treasury Department recently issued Regulations providing that, to clearly reflect income, an inducement fee paid to a transferee of a noneconomic residual interest in a REMIC must be included in income over a period that is reasonably related to the period during which the applicable REMIC is expected to generate taxable income or net loss allocable to the transferee. The Regulations set forth two safe harbor methods under which a taxpayer's accounting for the inducement fee will be considered to clearly reflect income for these purposes. In addition, under the Regulations an inducement fee shall be treated as income from sources within the United States. The Regulations, which are effective for taxable years ending on or after May 11, 2004, contain additional details regarding their application. You should consult your own tax advisor regarding the application of the Regulations to the transfer of a Residual Certificate.

Daily Portions

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

Taxable Income or Net Loss of the REMICs

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

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

- For the Upper Tier REMIC, a deduction will be allowed for accruals of interest (including any OID, but without regard to the investment interest limitation in section 163(d) of the Code) on the Regular Certificates (but not the R Certificate).
- Market discount equal to any excess of the total Stated Principal Balances of the qualified mortgages over the related REMIC's basis in these mortgages generally will be included in income by the related REMIC as it accrues under a constant yield method, taking into account the prepayment assumption described above.
- If the related REMIC is treated as having acquired qualified mortgages at a premium, the premium also will be amortized using a constant yield method.
- No item of income, gain, loss or deduction allocable to a prohibited transaction (see "*Taxes on the REMICs—Prohibited Transactions*" below) will be taken into account.

- The REMICs generally may not deduct any item that would not be allowed in calculating the taxable income of a partnership by virtue of section 703(a)(2) of the Code.
- The limitation on miscellaneous itemized deductions imposed on individuals by section 67 of the Code will not be applied at the REMIC level to any administrative fees, such as servicing and guaranty fees. (See, however, “—Pass-Through of Servicing and Guaranty Fees to Individuals” below.)
- No deduction is allowed for any expenses incurred in connection with the formation of the REMICs and the issuance of the Regular and Residual Certificates.
- Any gain or loss to the related REMIC from the disposition of any asset, including a qualified mortgage or “permitted investment” as defined in section 860G(a)(5) of the Code, will be treated as ordinary gain or loss.

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

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

Basis Rules and Distributions

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

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

Treatment of Excess Inclusions

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

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

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

Pass-Through of Servicing and Guaranty Fees to Individuals

A Residual Owner who is an individual will be required to include in income a share of the administrative fees of the related REMIC, including the servicing and guaranty fees imposed at the level of the Group 2 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 a Residual Certificate through an investment in a “pass-through entity.” Pass-through entities include partnerships, S corporations, grantor trusts and non-publicly offered regulated investment companies, but do not include estates, trusts other than grantor trusts, cooperatives, real estate investment trusts and publicly offered regulated investment companies.

Sales and Other Dispositions of a Residual Certificate

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

If a Residual Owner sells or otherwise disposes of a Residual Certificate at a loss, the loss will not be recognized if, within six months before or after the sale or other disposition of the Residual Certificate, the Residual Owner purchases another residual interest in any REMIC or any interest in a taxable mortgage pool (as defined in section 7701(i) of the Code) comparable to a residual interest in

a REMIC. The disallowed loss would be allowed upon the sale or other disposition of the other residual interest (or comparable interest) if the rule referred to in the preceding sentence does not apply to that sale or other disposition. While this rule may be modified by Treasury regulations, no such regulations have yet been published.

Residual Certificate Transferred to or Held by Disqualified Organizations

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

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

Other Transfers of a Residual Certificate

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

Termination

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

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

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

Taxes on the REMICs

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

Prohibited Transactions

The Code imposes a tax on a REMIC equal to 100% of the net income derived from "prohibited transactions." In general, the term "prohibited transaction" means the disposition of a qualified mortgage other than pursuant to certain specified exceptions, the receipt of investment income from a source other than a qualified mortgage or certain other permitted investments, the receipt of compensation for services, or the disposition of a "cash flow investment" as defined in section 860G(a)(6) of the Code.

Contributions to a REMIC after the Startup Day

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

Net Income from Foreclosure Property

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

Reporting and Other Administrative Matters for REMIC Investors

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

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

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

Backup Withholding for REMIC Investors

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

Foreign Investors in REMICs

Regular Certificates

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

Residual Certificates

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

LEGAL INVESTMENT CONSIDERATIONS

If you are an institution whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities, you may be subject to restrictions on investment in certain classes of the Certificates. If you are a financial institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the Treasury or other federal or state agencies with

similar authority, you should review the rules, guidelines and regulations that apply to you prior to purchasing or pledging the Certificates. In addition, if you are a financial institution, you should consult your regulators concerning the risk-based capital treatment of any Certificate. **Investors should consult their own legal advisors in determining whether and to what extent the Certificates constitute legal investments or are subject to restrictions on investment and whether and to what extent the Certificates can be used as collateral for various types of borrowings.**

LEGAL OPINION

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

ERISA CONSIDERATIONS

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. Before a Plan invests in Certificates, the Plan fiduciary must consider whether the governing instruments for the Plan would permit the investment, whether the Certificates would be a prudent and appropriate investment for the Plan under its investment policy and whether such an investment might result in a prohibited transaction under ERISA or the Code for which no exemption is available.

The U.S. Department of Labor issued a final regulation covering the acquisition by a Plan of a “guaranteed governmental mortgage pool certificate,” defined to include certificates which are “backed by, or evidencing an interest in specified mortgages or participation interests therein” and are guaranteed by Fannie Mae as to the payment of interest and principal. Under the regulation, investment by a Plan in a “guaranteed governmental mortgage pool certificate” does not cause the assets of the Plan to include the mortgages underlying the certificate or cause the sponsor, trustee and other servicers of the mortgage pool to be subject to the fiduciary responsibility provisions of ERISA or section 4975 of the Code in providing services with respect to the mortgages in the pool. At the time the regulation was originally issued, certificates similar to the Certificates did not exist. However, we have been advised by our counsel, Sidley Austin Brown & Wood LLP, that the Certificates (other than the 2-A-F Class) qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of Certificates (other than the 2-A-F Class) by Plans will not cause the underlying mortgage loans or the assets of Fannie Mae to be subject to the fiduciary requirements of ERISA or to the prohibited transaction requirements of ERISA and the Code.

Additional Considerations Relating to the 2-A-F Class. Because the right to interest payable under the Cap Contract to Holders of the 2-A-F Class are not guaranteed by Fannie Mae, the “guaranteed governmental mortgage pool exemption” may or may not be applicable to the acquisition and holding of those rights. Therefore, any Plan fiduciary considering an investment in the 2-A-F Class should consider the identity of the Cap Contract Counterparty in determining whether an investment in the 2-A-F 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 2-A-F Class and rights under the Cap Contract—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 2-A-F 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 2-A-F Class and rights under the Cap Contract do not give rise to a nonexempt prohibited transaction under section 406 of ERISA or section 4975 of the Code.

PLAN OF DISTRIBUTION

We will acquire the Mortgage Loans from the Seller in exchange for the Certificates pursuant to the Sale and Servicing Agreement. Countrywide Securities Corporation (the “Dealer”), which has been retained by the Seller, proposes to offer the Certificates directly to the public from time to time in negotiated transactions at varying prices to be determined at the time of sale. The Dealer may effect such transactions to or through other dealers. The Dealer is an affiliate of the Seller.

LEGAL MATTERS

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

INDEX OF DEFINED TERMS

1 Year CMT	24	Interest Adjustment Date	24
2-A-F Class Current Interest Amount	33	Interest Rate Margin	24
90+ Delinquent Group 1 Loan	18	IRS	62
90+ Delinquent Group 3 Loan	25	Issue Date	14
BBA	34	Lender	50
Board	5	Liquidated Loan	37
Cap Contract	38	Loan Group 1	16
Cap Contract Counterparty	38	Loan Group 2	16
Cap Contract Notional Balance	39	Loan Group 3	16
Cap Contract Termination Rate	39	Loan Group Tier Regular Interests	15
Certificate Account	51	Lower Tier REMIC	15
Certificateholder	15	Mortgage Interest Rate	17
Certificates	14	Mortgage Interest Rate Life Cap	24
Code	15	Mortgage Interest Rate Life Floor	24
Combined Residual Certificate	15	Mortgage Interest Rate Periodic Cap	24
Constant Prepayment Rate	44	Mortgage Loans	14
Countrywide	16	Mortgage Loan Schedule	50
Countrywide Servicing	16	Mortgage Note	17
CPR	44	Mortgaged Property	17
Dealer	75	Net Mortgage Rate	37
Delay Classes	32	Net WAC	32, 33
Deloitte	5	Net WAC Carryover Amount	33
Disclosure Documents	4	Non-U.S. Person	60, 71
Distribution Date	16	NPC Regulations	66
DTC	15	OID	56
DTC Certificates	15	OID Regulations	63
DTC Participant	31	OFHEO	6
Due Date	36	Plans	74
Due Period	36	Premium Certificate	64
ERISA	74	Prepayment Interest Shortfall	37
Event of Default	53	Pricing Assumptions	44
Fannie Mae	14	PTCE	74
FAS 91	5	Reference Bank	35
FAS 133	5	Regular Certificates	61
FAS 149	5	Regular Owner	63
FHA	14	Regulations	43
Form 10-K	4	REMIC	15
GAAP	5	REMIC Certificates	55
Ginnie Mae	17	Reserve Interest Rate	34
Group 1 Discount Loans	36	Residual Certificates	15
Group 1 Loans	14	Residual Owner	68
Group 1 Non-Discount Loans	36	RHS	14
Group 1 Non-PO Percentage	36	Sale and Servicing Agreement	16
Group 1 Non-PO Principal Distribution Amount	36	SEC	4
Group 1 PO Percentage	36	Seller	16
Group 1 PO Principal Distribution Amount	36	Servicer	16
Group 2 Loans	14	Servicing Fee Rate	37
Group 2 Principal Distribution Amount	36	Settlement Date	62
Group 3 Loans	14	Stated Principal Balance	37
Group 3 Principal Distribution Amount	37	Statement	5
Guaranty Fee	50	Trust	14
Holder	15	Trust Agreement	14
Index Determination Date	34	Trustee	14
Interest Accrual Period	32		

Uncovered Prepayment Interest Shortfalls	37
Upper Tier REMIC	15
US Bank	15
U.S. Person	43, 60
VA	14

Certain Assumed Characteristics of the Mortgage Loans
(As of August 1, 2005)

Loan Group 1—Fixed Rate

Group 1 Non-Discount Loans

Issue Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Remaining Term to Maturity (in Months) ("WARM")	Weighted Average Loan Age (in Months) ("WALA")
\$71,555,725.66	8.1389175305%	8.5758792499%	257	96

Group 1 Discount Loans

Issue Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Remaining Term to Maturity (in Months) ("WARM")	Weighted Average Loan Age (in Months) ("WALA")
\$18,700,976.89	6.8534318949%	7.2959901762%	298	56

Loan Group 2—Fixed Rate

Issue Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Remaining Term to Maturity (in Months) ("WARM")	Weighted Average Loan Age (in Months) ("WALA")
\$398,185,996.86	6.3210522014%	6.7992566486%	305	45

Loan Group 3—ARMs (1 Year CMT)

Issue Date Unpaid Principal Balance	Weighted Average Net Mortgage Rate	Weighted Average Mortgage Rate	Weighted Average Remaining Term to Maturity (in Months) ("WARM")	Weighted Average Loan Age (in Months) ("WALA")	Weighted Average Periodic Rate Cap	Weighted Average Lifetime Rate Cap	Weighted Average Lifetime Rate Floor	Weighted Average Months to Rate Change	Rate Reset Frequency (in Months)
\$21,403,265.80	4.1843995877%	4.6747205804%	306	54	1.00%	10.4810352149%	2.5090320147%	2	12
22,812,355.59	4.4162682856	4.9226327416	304	56	1.00	10.3173276806	2.4704367035	5	12
19,529,507.73	4.6551811744	5.1658920620	306	54	1.00	10.2880408036	2.4816468520	8	12
24,335,336.06	5.0275012482	5.5150554954	310	50	1.00	10.3240443005	2.5320513388	11	12

For any date of determination in any calendar month: the "Weighted Average Mortgage Rate" is the weighted average of the Mortgage Interest Rates of the related Mortgage Loans during that calendar month; the "Weighted Average Net Mortgage Rate" is the weighted average of the Net Mortgage Rates of the related Mortgage Loans during that calendar month; the "Weighted Average Remaining Term to Maturity" is the weighted average remaining amortization term of the related Mortgage Loans during that calendar month; the "Weighted Average Loan Age" is the weighted average loan age of the related Mortgage Loans during that calendar month; the "Weighted Average Margin" is the weighted average margin of the Group 3 Loans during that calendar month; the "Weighted Average Periodic Rate Cap" is the weighted average periodic rate cap of the Group 3 Loans during that calendar month; the "Weighted Average Lifetime Rate Cap" is the weighted average Mortgage Interest Lifetime Rate Cap of the Group 3 Loans during that calendar month; the "Weighted Average Lifetime Rate Floor" is the weighted average of the Mortgage Interest Rate Life Floors of the Group 3 Loans during that calendar month; and the "Weighted Average Months to Rate Change" is the weighted average number of months to rate change of the Group 3 Loans during that calendar month. For each of the above definitions, the "weighted average" is calculated on the basis of the Stated Principal Balances of the related Mortgage Loans at the beginning of the related calendar month.

No one is authorized to give information or to make representations in connection with this offering other than those contained in this Prospectus and the other Disclosure Documents. You must not rely on any unauthorized information or representation. This Prospectus and the other Disclosure Documents do not constitute an offer or solicitation with regard to the Certificates if it is illegal to make such an offer or solicitation to you under state law. By delivering this Prospectus and the other Disclosure Documents at any time, no one implies that the information contained in these documents is correct after their dates.

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

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	2
Available Information	4
Incorporation By Reference.....	4
Reference Sheet	8
Risk Factors	11
General	14
The Mortgage Loans	16
Fannie Mae Mortgage Purchase Program ..	29
Description of the Certificates	31
The Trust Agreement.....	50
U.S. Treasury Circular 230 Notice	54
Certain Federal Income Tax Consequences	54
Legal Investment Considerations	73
Legal Opinion	74
ERISA Considerations.....	74
Plan of Distribution	75
Legal Matters	75
Index of Defined Terms.....	76
Exhibit A.....	A-1

\$576,523,163
(Approximate)



**Guaranteed
Pass-Through Certificates
Fannie Mae Trust 2005-W3**

PROSPECTUS

Countrywide Securities Corporation

August 3, 2005