

**Second Supplement
(To Prospectus dated February 13, 2007)**

\$388,775,140



**Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 2007-W2**

This is a supplement to the prospectus dated February 13, 2007, as supplemented by the supplement dated February 26, 2007 (collectively, the "Prospectus"). If we use a capitalized term in this supplement without defining it, you will find the definition of that term in the Prospectus.

Notwithstanding anything set forth on page 22 of the Prospectus, calculation of the Applicable Fraction will be as follows:

Applicable Fraction:

With respect to Subgroup PO
and each Category A Loan:

$$\frac{6.30\% - \text{Net Mortgage Rate of the Category A Loans}}{6.30\%}$$

With respect to Subgroup 1 and
each Category A Loan:

$$\frac{\text{Net Mortgage Rate of the Category A Loans}}{6.30\%}$$

With respect to Subgroup 1 and
each Category B Loan:

$$\frac{7.00\% - \text{Net Mortgage Rate of the Category B Loans}}{0.70\%}$$

With respect to Subgroup 2 and
each Category B Loan:

$$1 - \frac{(7.00\% - \text{Net Mortgage Rate of the Category B Loans})}{0.70\%}$$

With respect to Subgroup 2 and
each Category C Loan:

$$\frac{7.50\% - \text{Net Mortgage Rate of the Category C Loans}}{0.50\%}$$

With respect to Subgroup 3 and
each Category C Loan:

$$1 - \frac{(7.50\% - \text{Net Mortgage Rate of the Category C Loans})}{0.50\%}$$

With respect to Subgroup 3 and each Category D Loan: 100%

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

The certificates, together with any 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.

Lehman Brothers

The date of this Supplement is March 1, 2007

Supplement
(To Prospectus dated February 13, 2007)

\$388,775,140



Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 2007-W2

This is a supplement to the prospectus dated February 13, 2007 (the "Prospectus"). If we use a capitalized term in this supplement without defining it, you will find the definition of that term in the Prospectus.

Notwithstanding anything set forth on the cover of the Prospectus, the original class balances of the Classes (other than the R and RL Classes) are as follows:

PO	\$ 8,506,772
IO	2,204,048*
OP	15,612,620
1-A-1	218,576,674
1-A-2	218,576,674*
2-A-1	82,595,281
2-A-2	82,595,281*
3-A-1	63,483,793
3-A-2	63,483,793*

* Notional balances. These classes are interest only classes. See page 8 of the Prospectus for a description of how their notional balances are calculated.

In addition, the information set forth on page 2 of this supplement replaces the information with respect to the Original Principal or Notional Principal Balances for the Recombinations appearing on page A-2 of the Prospectus.

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

The certificates, together with any 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.

Lehman Brothers

The date of this Supplement is February 26, 2007

Available Recombinations (1) (2)

REMIC Certificates		RCR Certificates	
<u>Classes</u>	<u>Original Principal or Notional Principal Balances</u>	<u>RCR Classes</u>	<u>Original Principal or Notional Principal Balances</u>
Recombination 1			
1-A-1	\$218,576,674	1-A-3	\$218,576,674
1-A-2	218,576,674 (3)		
Recombination 2			
2-A-1	82,595,281	2-A-3	82,595,281
2-A-2	82,595,281 (3)		
Recombination 3			
3-A-1	63,483,793	3-A-3	63,483,793
3-A-2	63,483,793 (3)		
Recombination 4			
PO	8,506,772	KO	24,119,392
OP	15,612,620		

- (1) In any exchange under Recombination 1, 2 or 3, the relative proportions of the REMIC Certificates to be delivered (or if applicable, received) in such exchange will equal the proportions reflected by the outstanding principal balances of the related REMIC Classes at the time of exchange. The REMIC Certificates and RCR Certificates in Recombination 4 may be exchanged only in the proportions shown in this Schedule 1.
- (2) If, as a result of a proposed exchange, a Certificateholder would hold a REMIC Certificate or RCR Certificate of a Class in an amount less than the applicable minimum denomination for that Class, the Certificateholder will be unable to effect the proposed exchange. See “Description of the Certificates—General—*Authorized Denominations*” in this prospectus.
- (3) Notional balances. These classes are interest only classes. See page 8 for a description of how their notional balances are calculated.

Prospectus

\$388,775,219 (Approximate)



Guaranteed REMIC Pass-Through Certificates Fannie Mae REMIC Trust 2007-W2

Carefully consider the risk factors beginning on page 10 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.

We will pay principal at rates that may vary from time to time.

The Fannie Mae Guaranty

We will guarantee that the payments of monthly interest and principal described above are available for distribution 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 will own certain first lien, one- to four-family, fixed-rate mortgage loans having the characteristics described in this prospectus.

Class	Original Class Balance (1)	Principal Type (2)	Interest Rate	Interest Type (2)	CUSIP Number	Final Distribution Date
PO (3)	\$ 8,506,773	PT	(4)	PO	31396VAA6	March 2037
IO	2,204,050 (5)	NTL	6.00%	FIX/IO	31396VAB4	March 2037
OP (3)	15,612,621	PT	(4)	PO	31396VAC2	March 2037
1-A-1 (3)	218,576,702	PT	(6)	FLT	31396VAD0	March 2037
1-A-2 (3)	218,576,702 (5)	NTL	(6)	INV/IO	31396VAE8	March 2037
2-A-1 (3)	82,595,300	PT	(6)	FLT	31396VAF5	March 2037
2-A-2 (3)	82,595,300 (5)	NTL	(6)	INV/IO	31396VAG3	March 2037
3-A-1 (3)	63,483,823	PT	(6)	FLT	31396VAH1	March 2037
3-A-2 (3)	63,483,823 (5)	NTL	(6)	INV/IO	31396VAJ7	March 2037
R	0	NPR	0	NPR	31396VAK4	March 2037
RL	0	NPR	0	NPR	31396VAL2	March 2037

(1) Approximate. May vary by plus or minus 5%.

(2) See "Description of the Certificates—Class Definitions and Abbreviations."

(3) Exchangeable classes.

(4) Principal only classes.

(5) Notional balances. These classes are interest only classes. See page 8 for a description of how their notional balances are calculated.

(6) Based on LIBOR.

If you own certificates of certain classes, you can exchange them for the corresponding RCR certificates issued at the time of the exchange. The 1-A-3, 2-A-3, 3-A-3 and KO Classes are the RCR classes, as further described in this prospectus.

The dealer will offer the certificates from time to time in negotiated transactions at varying prices. We expect the settlement date to be February 28, 2007.

Lehman Brothers

February 13, 2007

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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:

Lehman Brothers Inc.
c/o ADP Financial Services
Prospectus Department
1155 Long Island Avenue
Edgewood, New York 11717
(telephone 631-254-7106).

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, 2004 (“2004 10-K”), which includes consolidated financial statements for 2004 and a restatement of previously issued financial information for 2002, 2003, and the first two quarters of 2004;
- 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. 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

Our safety and soundness regulator, the Office of Federal Housing Enterprise Oversight ("OFHEO"), announced in July 2003 that it was conducting a special examination of our accounting policies and practices, and in September 2004 issued a preliminary report of its findings to date. OFHEO subsequently identified additional accounting and internal control issues in February 2005, and issued its Report of the Special Examination of Fannie Mae (the "OFHEO Report") on May 23, 2006.

On December 22, 2004, we reported that the Audit Committee of our Board of Directors (the "Board") had determined that our previously filed interim and audited financial statements and the independent auditor's reports thereon for the period from January 2001 through the second quarter of 2004 should no longer be relied upon because such financial statements were prepared using accounting principles that did not comply with U.S. generally accepted accounting principles ("GAAP"). We subsequently initiated an extensive restatement and re-audit of our financial statements with our new independent auditor, Deloitte & Touche LLP.

On December 6, 2006, we filed our 2004 10-K, which includes consolidated financial statements for 2004 and a restatement of previously issued financial information for 2002, 2003, and the first two quarters of 2004. Restatement adjustments relating to periods prior to January 1, 2002 are presented in our 2004 10-K as adjustments to retained earnings as of December 31, 2001.

Our Board and management initiated numerous internal and external reviews of our accounting processes and controls, our financial reporting processes, and our application of GAAP, including an external investigation conducted by the law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP ("Paul Weiss"), under the direction of former U.S. Senator Warren Rudman. On February 23, 2006, the Paul Weiss report to the Special Committee of the Board was publicly released, and included numerous findings about Fannie Mae's accounting policies, practices and systems, compensation practices, corporate governance, and internal controls. On February 24, 2006, we filed a Form 8-K with the U.S. Securities and Exchange Commission (the "SEC") that includes the Paul Weiss report.

The OFHEO Report presents OFHEO's findings about Fannie Mae's corporate culture, executive compensation programs, accounting policies and internal controls, internal and external auditors, senior management, and the Board. In conjunction with the release of the OFHEO Report, Fannie Mae entered into settlement agreements with both OFHEO and the SEC on May 23, 2006. The settlement agreements require Fannie Mae to pay civil penalties totaling \$400 million. In addition, the settlement agreement with OFHEO requires Fannie Mae to undertake certain remedial actions within a specified time frame to address the recommendations contained in the OFHEO Report, including an undertaking by Fannie Mae not to increase its "mortgage portfolio" assets except as permitted by a plan to be submitted by Fannie Mae for approval by OFHEO. The settlement agreements constitute comprehensive settlements between Fannie Mae and both OFHEO and the SEC relating to the activities of Fannie Mae during the time period in question. Please refer to our Form 8-K filed with the SEC on May 30, 2006 for further information about the OFHEO Report and the settlement agreements. A complete copy of the OFHEO Report is available on OFHEO's website at www.ofheo.gov.

On July 20, 2006, the Federal Reserve Board implemented revisions to its payment systems risk policy requiring all government sponsored enterprises, including Fannie Mae, to fully fund their accounts with the Federal Reserve Banks before making payments to debt and mortgage-backed securities investors. Fannie Mae complied with this policy by entering into various funding agreements with market participants. In connection with this policy change, Fannie Mae also entered into a new fiscal agency agreement with the Federal Reserve Bank of New York. In addition, Fannie Mae, as trustee for its mortgage-backed securities, invests collections on mortgage loans underlying our mortgage-backed securities in highly rated financial instruments, which may include Fannie Mae's senior debt securities or other debt securities if certain rating requirements are satisfied.

On August 24, 2006, we announced that we had been advised by the United States Attorney's Office for the District of Columbia that it was discontinuing its investigation of Fannie Mae's accounting policies and practices, and did not plan to file charges against Fannie Mae. Please refer to our Form 8-K filed with the SEC on August 24, 2006 for further information.

We filed our 2004 10-K with the SEC on December 6, 2006. We have not filed Quarterly Reports on Form 10-Q for the first, second and third quarters of 2005 or the first, second and third quarters of 2006, nor have we filed our Annual Report on Form 10-K for the year ended December 31, 2005. Subject to the foregoing, see "Risk Factors—Fannie Mae Guaranty Considerations—*There is a lack of financial information about us available in the market*" in this prospectus.

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 supplement. 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 supplement 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 Trust

- The certificates will represent beneficial ownership interests in Fannie Mae REMIC Trust 2007-W2.
- The assets of the trust will consist of first lien, one- to four-family, fixed-rate, mortgage loans having the characteristics described in this prospectus.
- The mortgage loans in the trust are divided into four categories as described in this prospectus under “The Mortgage Loans—Loan Categories.”
- The four categories of loans in turn are allocated among four subgroups as described in this prospectus under “The Mortgage Loans—Loan Subgroups.”

Certain Characteristics of the Mortgage Loans

- Approximately 38.18% of the mortgage loans provide for interest only periods that may range from five to ten years following origination. The remaining mortgage loans are fully amortizing.
- Approximately 93.83% of the mortgage loans provide for the payment of prepayment premiums as described in this prospectus. However, in no event will certificateholders be entitled to receive any of these prepayment premiums.

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

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 11th day of each month.

Settlement Date

We expect to issue the certificates on February 28, 2007.

Distribution Dates

We will make payments on the certificates on the 25th day of each calendar month, or the next business day if the 25th day is not a business day, beginning in March 2007.

Book-Entry Certificates

We will issue the book-entry certificates through the U.S. Federal Reserve Bank, 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:

Fed 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 classes will bear interest at the applicable annual interest rates listed on the cover of this prospectus or on Schedule 1.

During the initial interest accrual period, the floating rate and inverse floating rate classes will bear interest at the initial interest rates listed below. During subsequent interest accrual periods, the floating rate and inverse floating rate classes will bear interest based on the formulas indicated below, but always subject to the specified maximum and minimum interest rates:

<u>Class</u>	<u>Initial Interest Rate</u>	<u>Maximum Interest Rate</u>	<u>Minimum Interest Rate</u>	<u>Formula for Calculation of Interest Rate (1)</u>
1-A-1	5.64%	6.75%	0.32%	LIBOR + 32 basis points
1-A-2	1.11%	6.43%	0.00%	6.43% – LIBOR
2-A-1	5.57%	7.00%	0.25%	LIBOR + 25 basis points
2-A-2	1.43%	6.75%	0.00%	6.75% – LIBOR
3-A-1	5.54%	7.50%	0.22%	LIBOR + 22 basis points
3-A-2	1.96%	7.28%	0.00%	7.28% – LIBOR

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

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

Notional Classes

A notional class will not receive principal. The notional principal balance of a notional class is the balance used to calculate accrued interest. The notional principal balances of the notional classes will equal the percentages of the principal balances specified below immediately before the related distribution date:

Class

IO	the <i>sum</i> of, for each Category D Loan, the <i>product</i> of
	<ul style="list-style-type: none"> a fraction, the numerator of which is the excess of the net mortgage rate of that Category D Loan over 7.50% and the denominator of which is 6.00%
	<i>multiplied by</i>
	<ul style="list-style-type: none"> the principal balance of that Category D Loan
1-A-2	100% of the 1-A-1 Class
2-A-2	100% of the 2-A-1 Class
3-A-2	100% of the 3-A-1 Class

Payments of Principal

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

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

On each distribution date, we will pay the Subgroup 2 Principal Distribution Amount as principal of the 2-A-1 Class to zero.

On each distribution date, we will pay the Subgroup 3 Principal Distribution Amount as principal of the 3-A-1 Class to zero.

For a description of the Subgroup PO Principal Distribution Amount, the Subgroup 1 Principal Distribution Amount, the Subgroup 2 Principal Distribution Amount and the Subgroup 3 Principal Distribution Amount, see “Description of the Certificates—Certain Definitions Relating to Payments on the Certificates” in this prospectus.

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

Guaranty Payments

We guarantee that the following amounts will be available for distribution to the holders of certificates: (i) all required installments of principal and interest on the certificates on time and (ii) the remaining principal balance of each class of certificates no later than the distribution date in March 2037.

Weighted Average Lives (years) *

<u>Class</u>	<u>PPC Prepayment Assumption</u>					
	<u>0%</u>	<u>50%</u>	<u>100%</u>	<u>125%</u>	<u>150%</u>	<u>200%</u>
PO	20.3	7.1	3.8	3.0	2.5	1.8
IO	20.9	7.1	3.7	3.0	2.4	1.7
OP, 1-A-1, 1-A-2 and 1-A-3	20.4	7.1	3.8	3.0	2.5	1.8
2-A-1, 2-A-2 and 2-A-3	20.7	7.2	3.8	3.0	2.5	1.8
3-A-1, 3-A-2 and 3-A-3	21.0	7.2	3.8	3.0	2.4	1.8
KO	20.4	7.1	3.8	3.0	2.5	1.8

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

RISK FACTORS

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

Suitability

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

- You should have sufficient knowledge and experience to evaluate the merits and risks of the certificates and the information contained in this prospectus and the other disclosure documents 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:

- monthly changes in the one-month LIBOR index and the effect of the fixed

interest rates of the related mortgage loans;

- the price you paid for the certificates;
- how quickly or slowly borrowers prepay the mortgage loans;
- if and when any mortgage loans are liquidated due to borrower defaults, casualties or condemnations affecting the properties securing those loans;
- if and when any mortgage loans are repurchased; and
- the actual characteristics of the 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 principal only classes) at a discount and principal payments on the related mortgage loans are slower than you expect.

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 2037. If you assume the actual final payment would occur on the distribution date occurring in March 2037, your yield may be lower than you expect.

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

Prepayment Considerations

The rate of principal payments on the certificates depends on numerous 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, as well as because borrowers of approximately 6.17% of the mortgage loans (by principal balance as of the issue date) generally may prepay the mortgage loans at any time without penalty.

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.

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 rate of prepayment of mortgage loans with prepayment premiums may be lower than that of mortgage loans without prepayment premiums. Approximately 93.83% of the mortgage loans (by principal balance as of the issue date) provide for the payment of prepayment premiums by the borrowers in the event of full prepayments or certain partial prepayments of principal during specified periods. The prepayment premiums may reduce the likelihood or the amount of prepayments of the mortgage loans during these periods. However, we cannot estimate the prepayment experience of these mortgage loans or how that experience might compare to that of mortgage loans without prepayment premiums. In addition, we do not attempt to determine whether the imposition of prepayment premiums are enforceable or collectible under the laws of any state or territory. Further, we are unaware of any conclusive data on the prepayment rate of mortgage loans with prepayment premiums. Any prepayment premi-

ums that we receive will not be paid to certificateholders.

Many of the mortgage loans provide for interest only payments for various periods. As further described in this prospectus under “The Mortgage Loans,” the scheduled monthly payments of approximately 38.18% of the mortgage loans underlying the Certificates (by principal balance as of the issue date) represent accrued interest only for the first five to ten years after origination. As a result, borrowers may be more likely to refinance these mortgage loans on or before the date on which the scheduled monthly payments increase. In addition, absent a refinancing some borrowers may find it increasingly difficult to remain current in their scheduled monthly payments following the increase in monthly payment amounts.

We could withdraw some mortgage loans due to a breach of representations and warranties, accelerating the rate at which you receive your return of principal. The seller made representations and warranties about the seller and the loans. If these representations and warranties were not true when they were made, we can require the seller to repurchase the affected loans at any time. The affected loans could be all of the loans in the pool or only a portion of the pool. When a loan is repurchased, its stated principal balance is passed through to certificateholders on the distribution date in the month following the month of repurchase. Thus, a breach of a representation and warranty may accelerate the rate of repayment of principal of your certificates.

Exercise of the optional clean-up call will have the same effect on the certificates as borrower prepayments of the mortgage loans. Lehman Brothers Holdings Inc. has the option to purchase all of the mortgage loans on or after the first distribution date when the aggregate stated principal balance of all of the mortgage loans has been reduced to 1% or less of their aggregate stated principal balance as of the issue date. Purchase of the mortgage loans will have the same effect on the certificates as borrower prepayments of the loans in full.

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 are California (24.14%), Florida (17.84%), New York (9.59%) and Texas (6.68%).

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.

Purchases due to delinquency will have the same effect as borrower prepayments. Because Fannie Mae guarantees the payment of principal on the certificates, a default by a borrower does not reduce the amount of principal that will be paid to certificateholders. If a mortgage loan becomes delinquent by four or more consecutive monthly payments, however, Fannie Mae has the option to purchase the loan out of the trust. Fannie Mae will pass through the stated principal balance of the repurchased loan to certificateholders following the repurchase. Thus, a loan that is delinquent by four or more consecutive monthly payments can have essentially the same effect on the timing of certificate principal repayment as a borrower prepayment. Factors affecting the likelihood of a borrower default include:

- the general economic conditions;
- local, regional and national employment conditions;
- borrower creditworthiness;
- significant changes in the size of required loan payments;
- borrower death or a borrower’s change in family status;
- uninsured natural disasters; and
- borrower bankruptcy or other insolvency.

Existence of “due-on-sale” clauses may affect prepayment rates. The mortgage loans contain “due-on-sale” clauses, which generally provide that a lender can require repayment in full if the borrower sells the property securing the mortgage loan. In this way, property sales by borrowers can affect the rate of prepayments of the mortgage loans. However, the enforceability of such “due-on-sale” clauses may be limited by applicable law.

Hurricanes in the Gulf Coast region may present risk of increased mortgage loan prepayments. In August and September 2005, Hurricane Katrina and Hurricane Rita resulted in catastrophic damage to the Gulf Coast of the United States, including portions of coastal and inland Alabama, Florida, Louisiana, Mississippi and Texas. Hundreds of thousands of people were displaced and interruptions in the regional economy remain significant. A prolonged economic downturn in the Gulf Coast region could lead to increased borrower defaults on mortgage loans in the affected areas, in turn resulting in early payments of principal of the certificates backed by those mortgage loans. Additionally, casualty losses on mortgage properties with hurricane or flood damage may result in early payments of principal of the related certificates.

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

There is a lack of financial information about us available in the market. We have announced that previously filed interim and audited financial statements for the periods from January 2001 through the second quarter of 2004 should no longer be relied upon because

they were prepared applying accounting practices that did not comply with GAAP. On December 6, 2006, we filed our 2004 10-K, which includes consolidated financial statements for 2004 and a restatement of previously issued financial information for 2002, 2003 and the first two quarters of 2004.

At this time, it is not known when we will be releasing additional audited financial information for subsequent periods. You should be aware that because current financial information about us may not be available to the public for a substantial period of time, you will be unable to ascertain the accurate financial status of Fannie Mae for the foreseeable future.

There are numerous potential legislative and regulatory developments and proposals that may significantly affect us. The U.S. Congress is currently considering various bills in the House of Representatives and Senate that address our business and regulatory environment. These draft bills address various issues, including our

regulatory structure, capital standards, potential receivership, scope of business activities, affordable housing goals, portfolio composition, and expanded oversight of our officers and directors. We cannot predict whether any legislation will be approved by Congress and signed into law by the President and, if so, the final form and effective date of such legislation. We also cannot predict the effect, if any, that any potential legislation or regulatory developments would have on our credit ratings or on our business.

If we were unable to perform our guaranty obligations, you could be directly affected by delinquencies and defaults on the related mortgage loans. If we were unable to perform our guaranty obligations, certificateholders would receive only borrower payments and other recoveries on the mortgage loans. If that happened, delinquencies and defaults on the related 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 REMIC Trust specified on the cover of this prospectus (the “Trust”) pursuant to a trust agreement dated as of February 1, 2007 (the “Issue Date”). We will issue the Guaranteed REMIC Pass-Through Certificates (the “REMIC Certificates”) pursuant to that trust agreement. We will issue the Combinable and Recombinable REMIC Certificates (the “RCR Certificates” and, together with the REMIC Certificates, the “Certificates”) pursuant to a separate trust agreement dated as of the Issue Date (together with the trust agreement relating to the REMIC Certificates, the “Trust Agreement”). We will execute the Trust Agreement in our corporate capacity and as trustee (the “Trustee”). In general, the term “Classes” includes the Classes of REMIC Certificates and RCR Certificates.

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 REMIC Certificates (except the R and RL Classes) will be “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.

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 Mortgage Loans.

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

<u>Classes</u>	<u>Denominations</u>
The Interest Only, Inverse Floating Rate 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. We will issue the Certificates (except the R and RL Classes) in book-entry form on the book-entry system of the U.S. Federal Reserve Banks. Entities whose names appear on the book-entry records of a Federal Reserve Bank as having had Certificates deposited in their accounts are “Holders” or “Certificateholders.” 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 “Description of the Certificates—Special Characteristics of the R and RL Classes” in this prospectus.

Fannie Mae Guaranty. We guarantee that the following amounts will be available for distribution 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 2037.

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 during the month following the month in which we issue the Certificates.

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

Class Factors. On or shortly after the 11th 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 Lehman Brothers Holdings Inc. Lehman Brothers Holdings Inc. 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.”

COMBINATION AND RECOMBINATION

General. You are permitted to exchange all or a portion of the Classes (other than the IO Class) of REMIC Certificates for a proportionate interest in the related RCR Certificates in the combinations shown on Schedule 1. You also may exchange all or a portion of the RCR Certificates for the related REMIC Certificates in the same manner. This process may occur repeatedly.

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

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

Procedures. If a Certificateholder wishes to exchange Certificates, the Certificateholder must notify our Structured Transactions Department through one of our “REMIC Dealer Group” dealers in writing or by telefax no later than two business days before the proposed exchange date. The exchange date can be any business day other than the first or last business day of the month subject to our approval. The notice must include the outstanding principal balance of both the Certificates to be exchanged and the Certificates to be received, and the proposed exchange date. After receiving the Holder’s notice, we will telephone the dealer with delivery and wire payment instructions. Notice becomes irrevocable on the second business day before the proposed exchange date.

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

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

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

- At the time of the proposed exchange, a Certificateholder must own Certificates of the related Class or Classes in the proportions necessary to make the desired exchange.

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

THE MORTGAGE LOANS

General

We expect that the Trust will consist of approximately 1,936 Mortgage Loans having an aggregate principal balance of approximately \$388,775,222 as of the Issue Date. This aggregate amount may vary by plus or minus 5%.

Fannie Mae, as purchaser, Lehman Brothers Holdings Inc., as seller (the “Seller”) and as a servicer (in such capacity, a “Servicer”) and IndyMac Bank, F.S.B. (“IndyMac”), as a servicer (in such capacity, a “Servicer”), will enter into a sale and servicing agreement dated as of the Issue Date (the “Sale and Servicing Agreement”).

The Mortgage Loans will be first lien, one- to four-family, fixed-rate loans.

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 original principal balance of each Mortgage Loan will not exceed the current conforming loan balance limitations established by our Charter. For a description of the conforming loan limits, see “Fannie Mae Mortgage Purchase Program” in this prospectus.

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 or acquired by the Seller.

The scheduled monthly payments on approximately 38.18% of the Mortgage Loans (by principal balance at the Issue Date) represent accrued interest for a period of five to ten years following origination (such Mortgage Loans, the “Interest Only Loans”). With respect to each Interest Only Loan, beginning with the first monthly payment following the expiration of the applicable interest

only period, the scheduled monthly payments will increase to an amount sufficient to pay accrued interest and to fully amortize such Interest Only Loan by its scheduled maturity date.

In addition, approximately 93.83% of the Mortgage Loans are subject to prepayment premiums.

Most of the Mortgage Loans provide that if the borrower makes a full prepayment or a partial prepayment of principal during the prepayment premium period of:

- 4, 5, 6, 7 or 12 months from the date of the mortgage note (as specified in each mortgage note), then the holder can charge a premium equal to six months interest on the portion of all prepayments made during the 4-, 5-, 6-, 7- or 12-month period, as applicable, that exceeds 20% of the original principal amount of the mortgage note; or
- 24 or 36 months from the date of the mortgage note (as specified in each mortgage note), then the holder can charge a premium equal to six months interest on the portion of all prepayments made during any 12-month period (within the prepayment period) that exceeds 20% of the original principal amount of the mortgage note.

When the prepayment premium applies during the prepayment premium period of 24 or 36 months from the date of the mortgage note, the mortgage notes provide that the prepayment premium will not be enforced if, under conditions specified in the mortgage note, the prepayment was made in connection with the sale of the property after the first twelve months of the term of the mortgage note. In addition, the prepayment premium provision will not be enforced in the case of borrower hardship where the borrower must sell the property to cure a default or when the law prohibits the enforcement of the prepayment premium provision.

After the expiration of the applicable prepayment premium period, however, borrowers may prepay the mortgage loans at any time without paying a premium.

In no event will Certificateholders be entitled to any portion of any prepayment premiums paid by borrowers.

Loan Categories

The Mortgage Loans will be distributed among four categories as follows:

- *Category A Loans:* Mortgage Loans with Net Mortgage Rates less than 6.30%.
- *Category B Loans:* Mortgage Loans with Net Mortgage Rates equal to or greater than 6.30% and less than 7.00%.
- *Category C Loans:* Mortgage Loans with Net Mortgage Rates equal to or greater than 7.00% and less than 7.50%.
- *Category D Loans:* Mortgage Loans with Net Mortgage Rates equal to or greater than 7.50%.

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

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

Category A — Issue Date Principal Balances (1)

Range of Issue Date Principal Balances (\$)	Number of Mortgage Loans	Issue Date Principal Balance of Category A Loans	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
25,000.01 – 50,000.00	1	\$ 31,822.58	0.02%	6.750%	359	1
50,000.01 – 75,000.00	4	289,264.49	0.17	6.248	358	2
75,000.01 – 100,000.00	10	890,796.40	0.52	6.571	359	1
100,000.01 – 125,000.00	23	2,658,097.71	1.56	6.455	359	1
125,000.01 – 150,000.00	48	6,658,802.55	3.90	6.472	358	2
150,000.01 – 175,000.00	50	8,139,921.48	4.77	6.574	359	1
175,000.01 – 200,000.00	85	16,139,946.52	9.46	6.540	359	1
200,000.01 – 225,000.00	72	15,371,683.86	9.01	6.552	359	1
225,000.01 – 250,000.00	67	15,926,218.99	9.34	6.555	359	1
250,000.01 – 275,000.00	48	12,688,807.00	7.44	6.563	359	1
275,000.01 – 300,000.00	47	13,641,012.45	8.00	6.553	359	1
300,000.01 – 325,000.00	43	13,478,737.77	7.90	6.556	359	1
325,000.01 – 350,000.00	37	12,438,884.89	7.29	6.539	359	1
350,000.01 – 375,000.00	40	14,520,878.93	8.51	6.532	359	1
375,000.01 – 400,000.00	49	19,107,839.22	11.20	6.514	359	1
400,000.01 – 425,000.00	29	11,917,177.95	6.99	6.513	359	1
425,000.01 – 450,000.00	1	439,529.61	0.26	5.625	359	1
450,000.01 – 475,000.00	2	925,588.86	0.54	6.687	359	1
475,000.01 – 500,000.00	5	2,467,397.41	1.45	6.450	358	2
500,000.01 – 525,000.00	2	1,037,750.00	0.61	6.625	359	1
550,000.01 – 575,000.00	1	560,000.00	0.33	6.625	360	0
575,000.01 – 600,000.00	1	592,000.00	0.35	6.750	358	2
625,000.01 – 650,000.00	1	633,750.00	0.37	6.375	359	1
Total	<u>666</u>	<u>\$170,555,908.67</u>	<u>100.00%</u>			

(1) As of the Issue Date, the average principal balance of the Mortgage Loans in Category A is approximately \$256,089.

Category B — Issue Date Principal Balances (1)

Range of Issue Date Principal Balances (\$)	Number of Mortgage Loans	Issue Date Principal Balance of Category B Loans	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
25,000.01 – 50,000.00	1	\$ 42,363.49	0.04%	6.750%	359	1
50,000.01 – 75,000.00	17	1,136,755.48	0.96	6.999	359	1
75,000.01 – 100,000.00	44	3,983,530.17	3.38	7.040	359	1
100,000.01 – 125,000.00	86	9,816,472.55	8.33	7.053	359	1
125,000.01 – 150,000.00	86	11,854,383.79	10.06	7.016	359	1
150,000.01 – 175,000.00	63	10,260,376.53	8.71	7.061	359	1
175,000.01 – 200,000.00	66	12,400,017.37	10.52	7.126	359	1
200,000.01 – 225,000.00	54	11,538,611.39	9.79	7.030	359	1
225,000.01 – 250,000.00	39	9,306,534.87	7.90	7.069	359	1
250,000.01 – 275,000.00	30	7,824,613.56	6.64	7.049	359	1
275,000.01 – 300,000.00	28	8,062,199.24	6.84	7.065	358	2
300,000.01 – 325,000.00	26	8,156,130.35	6.92	7.089	358	2
325,000.01 – 350,000.00	19	6,397,509.77	5.43	7.074	358	2
350,000.01 – 375,000.00	15	5,462,130.84	4.63	7.067	358	2
375,000.01 – 400,000.00	6	2,373,934.75	2.01	7.065	358	2
400,000.01 – 425,000.00	8	3,299,748.39	2.80	7.183	358	2
425,000.01 – 450,000.00	1	436,000.00	0.37	6.875	359	1
450,000.01 – 475,000.00	1	474,600.94	0.40	6.875	359	1
475,000.01 – 500,000.00	5	2,467,217.55	2.09	7.149	359	1
500,000.01 – 525,000.00	5	2,558,759.51	2.17	7.023	359	1
Total	<u>600</u>	<u>\$117,851,890.54</u>	<u>100.00%</u>			

(1) As of the Issue Date, the average principal balance of the Mortgage Loans in Category B is approximately \$196,419.

Category C — Issue Date Principal Balances (1)

Range of Issue Date Principal Balances (\$)	Number of Mortgage Loans	Issue Date Principal Balance of Category C Loans	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
25,000.01 – 50,000.00	3	\$ 119,905.68	0.21%	7.700%	359	1
50,000.01 – 75,000.00	30	1,986,440.20	3.53	7.522	359	1
75,000.01 – 100,000.00	39	3,492,934.14	6.21	7.655	358	2
100,000.01 – 125,000.00	49	5,467,399.41	9.73	7.729	358	2
125,000.01 – 150,000.00	35	4,808,204.95	8.55	7.661	358	2
150,000.01 – 175,000.00	26	4,292,028.11	7.63	7.640	358	2
175,000.01 – 200,000.00	34	6,432,470.01	11.44	7.799	359	1
200,000.01 – 225,000.00	29	6,125,144.27	10.89	7.598	358	2
225,000.01 – 250,000.00	26	6,201,136.16	11.03	7.568	358	2
250,000.01 – 275,000.00	16	4,192,651.69	7.46	7.650	358	2
275,000.01 – 300,000.00	9	2,530,155.90	4.50	7.792	357	3
300,000.01 – 325,000.00	6	1,891,750.00	3.36	7.606	359	1
325,000.01 – 350,000.00	8	2,698,154.77	4.80	7.830	358	2
350,000.01 – 375,000.00	6	2,156,373.75	3.84	7.812	359	1
375,000.01 – 400,000.00	3	1,149,920.00	2.05	7.793	359	1
400,000.01 – 425,000.00	4	1,647,342.80	2.93	7.812	357	3
475,000.01 – 500,000.00	1	500,000.00	0.89	7.500	358	2
525,000.01 – 550,000.00	1	528,000.00	0.94	7.875	356	4
Total	<u>325</u>	<u>\$56,220,011.84</u>	<u>100.00%</u>			

(1) As of the Issue Date, the average principal balance of the Mortgage Loans in Category C is approximately \$172,984.

Category D — Issue Date Principal Balances (1)

Range of Issue Date Principal Balances (\$)	Number of Mortgage Loans	Issue Date Principal Balance of Category D Loans	Percentage by Issue Date Principal Balance	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
25,000.01 – 50,000.00	16	\$ 645,167.79	1.46%	8.258%	358	2
50,000.01 – 75,000.00	75	4,657,587.76	10.55	8.195	357	3
75,000.01 – 100,000.00	66	5,917,658.45	13.40	8.331	357	3
100,000.01 – 125,000.00	54	6,028,801.29	13.66	8.245	357	3
125,000.01 – 150,000.00	38	5,260,317.25	11.92	8.240	356	4
150,000.01 – 175,000.00	30	4,939,164.89	11.19	8.266	357	3
175,000.01 – 200,000.00	19	3,572,696.17	8.09	8.213	356	4
200,000.01 – 225,000.00	9	1,876,112.43	4.25	8.396	357	3
225,000.01 – 250,000.00	13	3,039,203.22	6.88	8.422	357	3
250,000.01 – 275,000.00	7	1,870,906.68	4.24	8.396	357	3
275,000.01 – 300,000.00	3	850,400.00	1.93	8.378	357	3
300,000.01 – 325,000.00	3	945,356.94	2.14	8.543	357	3
325,000.01 – 350,000.00	6	2,019,872.70	4.58	9.155	358	2
350,000.01 – 375,000.00	1	351,571.99	0.80	8.500	358	2
375,000.01 – 400,000.00	2	751,593.49	1.70	8.362	358	2
400,000.01 – 425,000.00	1	417,000.00	0.94	8.750	358	2
425,000.01 – 450,000.00	1	444,000.00	1.01	8.125	356	4
550,000.01 – 575,000.00	1	560,000.00	1.27	8.500	356	4
Total	<u>345</u>	<u>\$44,147,411.05</u>	<u>100.00%</u>			

(1) As of the Issue Date, the average principal balance of the Mortgage Loans in Category D is approximately \$127,963.

Loan Subgroups

In turn, the Category A, Category B, Category C and Category D Loans will be allocated (in whole or in part) to four subgroups (“Subgroup PO,” “Subgroup 1,” “Subgroup 2” and “Subgroup 3” and each a “Subgroup”) as follows:

- *Subgroup PO:* Category A Loans that have been ratio stripped to a Designated Rate of 0.0%.
- *Subgroup 1:* Category A and Category B Loans that have been ratio stripped to a Designated Rate of 6.30%.
- *Subgroup 2:* Category B and Category C Loans that have been ratio stripped to a Designated Rate of 7.00%.
- *Subgroup 3:* Category C and Category D Loans that have been ratio stripped to a Designated Rate of 7.50%.

The Stated Principal Balance of each Mortgage Loan will be allocated, based on its Net Mortgage Rate in effect as of the Issue Date, either to one Subgroup or between two Subgroups based on the Applicable Fraction set forth below.

As a result, Subgroup PO, Subgroup 1, Subgroup 2 and Subgroup 3 each represents an aggregate principal amount of Mortgage Loans (or portions thereof) consisting of different percentages of interest on, and principal of, particular Category A, Category B, Category C and Category D Loans, as the case may be. These different percentages are calculated so that the principal and interest due on each Mortgage Loan is treated as if that Mortgage Loan were two different Mortgage Loans bearing interest at two different rates (each, a “Designated Rate”), one higher and one lower than the actual Net Mortgage Rate on the actual Mortgage Loan. The specified portions of Principal Distribution Amounts with respect to each Category A, Category B, Category C and Category D Loan that are allocable to and distributable on the related Certificates were calculated for the purpose of ratio stripping each such Mortgage Loan. In other words, Mortgage Loans or portions of the Mortgage

Loans will be allocated to the applicable Subgroups in such a way as to ensure that interest collections on such Mortgage Loans will be sufficient to support the interest rates on the Certificates related to such Subgroups.

Applicable Fraction:

With respect to Subgroup PO
and each Category A Loan:

$$\frac{6.30\% - \text{Net Mortgage Rate of the Category A Loans}}{6.30\%}$$

With respect to Subgroup 1 and
each Category A Loan:

$$\frac{\text{Net Mortgage Rate of the Category A Loans}}{6.30\%}$$

With respect to Subgroup 1 and
each Category B Loan:

$$1 - \frac{7.00\% - \text{Net Mortgage Rate of the Category B Loans}}{0.70\%}$$

With respect to Subgroup 2 and
each Category B Loan:

$$\frac{(7.00\% - \text{Net Mortgage Rate of the Category B Loans})}{0.70\%}$$

With respect to Subgroup 2 and
each Category C Loan:

$$\frac{7.50\% - \text{Net Mortgage Rate of the Category C Loans}}{0.50\%}$$

With respect to Subgroup 3 and
each Category C Loan:

$$1 - \frac{(7.50\% - \text{Net Mortgage Rate of the Category C Loans})}{0.50\%}$$

With respect to Subgroup 3 and each Category D Loan: 100%

The following tables set forth certain information as to the Mortgage Loans in each Subgroup as of the Issue Date. References to “Principal Balance Outstanding,” “Weighted Average Mortgage Interest Rate,” “Weighted Average Term to Maturity,” and “Weighted Average Mortgage Loan Age” are based upon the Applicable Fraction of the Mortgage Loans contributing to such Subgroup. “Number of Mortgage Loans” and average principal balance data are based upon the aggregate number and Stated Principal Balance of the Mortgage Loans in each Subgroup as of the Issue Date, regardless of whether a Mortgage Loan contributes to more than one Subgroup. The sum of the percentage columns may not equal 100% due to rounding.

Subgroup PO

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 Subgroup PO Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
25,000.01- 50,000.00	1	\$ 2,778.16	0.03%	6.750%	359.0	1.0
50,000.01- 75,000.00	4	13,879.80	0.16	6.117	358.1	1.9
75,000.01-100,000.00	10	21,197.25	0.25	6.544	358.5	1.5
100,000.01-150,000.00	71	335,594.93	3.95	6.289	358.6	1.4
150,000.01-200,000.00	135	1,225,048.81	14.40	6.433	358.7	1.3
200,000.01-250,000.00	139	1,685,681.74	19.82	6.395	358.9	1.1
250,000.01-300,000.00	95	1,289,389.33	15.16	6.436	358.8	1.2
300,000.01-350,000.00	80	1,297,229.20	15.25	6.353	358.6	1.4
350,000.01-400,000.00	89	1,765,616.56	20.76	6.334	358.8	1.2
400,000.01-450,000.00	30	624,948.91	7.35	6.248	358.6	1.4
450,000.01-500,000.00	7	153,575.92	1.81	6.430	358.5	1.5
500,000.01 or greater	5	91,833.33	1.08	6.515	359.1	0.9
Total:	<u>666</u>	<u>\$8,506,773.94</u>	<u>100.00%</u>			

(1) As of the Issue Date, the average principal balance for the Subgroup PO Loans is expected to be approximately \$261,045.

Mortgage Interest Rates (1)

Mortgage Interest Rates (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup PO Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
5.50001 - 6.00000	41	\$1,480,458.34	17.40%	5.871%	358.7	1.3
6.00001 - 6.50000	309	4,918,444.27	57.82	6.348	358.8	1.2
6.50001 - 7.00000	291	1,868,050.27	21.96	6.731	358.8	1.2
7.00001 - 7.50000	24	227,440.10	2.67	7.202	359.0	1.0
7.50001 - 8.00000	1	12,380.95	0.15	8.000	359.0	1.0
Total:	<u>666</u>	<u>\$8,506,773.94</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average mortgage interest rate of the Subgroup PO Loans is expected to be approximately 6.375%.

Net Mortgage Rates (1)

Net Mortgage Rates (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup PO Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
5.001 - 5.500	36	\$1,447,681.77	17.02%	5.883%	358.7	1.3
5.501 - 6.000	342	5,769,366.45	67.82	6.426	358.8	1.2
6.001 - 6.500	<u>288</u>	<u>1,289,725.71</u>	<u>15.16</u>	<u>6.694</u>	<u>358.7</u>	<u>1.3</u>
Total:	<u>666</u>	<u>\$8,506,773.94</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average net mortgage interest rate of the Subgroup PO Loans is expected to be approximately 5.814%.

Original Terms to Stated Maturity (1)

Original Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup PO Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
360	666	\$8,506,773.94	100.00%	6.375%	358.8	1.2
Total	666	\$8,506,773.94	100.00%			

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

Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup PO Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
301 - 360	666	\$8,506,773.94	100.00%	6.375%	358.8	1.2
Total	666	\$8,506,773.94	100.00%			

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Subgroup PO Loans is expected to be approximately 359 months.

Remaining Term to Expiration of Interest Only Period (1)

Remaining Terms to to Expiration of Interest Only Period (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup PO Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
0 - 11	433	\$5,674,760.60	66.71%	6.362%	358.7	1.3
48 - 59	43	442,359.10	5.20	6.647	358.9	1.1
60 - 71	33	329,658.03	3.88	6.675	360.0	0.0
108 - 119	149	2,011,278.91	23.64	6.296	358.5	1.5
120 - 131	8	48,717.29	0.57	6.547	360.0	0.0
Total	666	\$8,506,773.94	100.00%			

(1) As of the Issue Date, the weighted average remaining term to the expiration of the interest only period of the Subgroup PO Loans is expected to be approximately 34 months.

Mortgage Loan Ages (1)

Mortgage Loan Ages (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup PO Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
0- 14	666	\$8,506,773.94	100.00%	6.375%	358.8	1.2
Total	666	\$8,506,773.94	100.00%			

(1) As of the Issue Date, the weighted average mortgage loan age of the Subgroup PO Loans is expected to be approximately 1.2 months.

Original Loan-to-Value Ratios (1) (2)

Original Loan-to-Value Ratios (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup PO Loss	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
15.01 – 20.00	1	\$ 894.50	0.01%	6.750%	357.0	3.0
20.01 – 25.00	4	42,698.09	0.50	6.029	358.4	1.6
25.01 – 30.00	5	94,684.01	1.11	6.301	358.8	1.2
30.01 – 35.00	14	160,856.42	1.89	6.133	358.4	1.6
35.01 – 40.00	12	158,196.46	1.86	6.236	358.9	1.1
40.01 – 45.00	17	279,261.95	3.28	6.179	359.2	0.8
45.01 – 50.00	28	347,582.62	4.09	6.338	358.9	1.1
50.01 – 55.00	33	477,379.67	5.61	6.271	358.9	1.1
55.01 – 60.00	40	522,352.08	6.14	6.288	358.8	1.2
60.01 – 65.00	48	842,787.52	9.91	6.180	358.8	1.2
65.01 – 70.00	50	662,720.21	7.79	6.306	358.7	1.3
70.01 – 75.00	47	592,064.64	6.96	6.285	358.6	1.4
75.01 – 80.00	282	3,253,922.79	38.25	6.357	358.7	1.3
80.01 – 85.00	8	68,405.21	0.80	6.618	358.0	2.0
85.01 – 90.00	9	113,474.39	1.33	6.711	359.1	0.9
90.01 – 95.00	11	167,995.95	1.97	6.881	358.7	1.3
95.01 – 100.00	57	721,497.42	8.48	6.960	358.9	1.1
Total	666	\$8,506,773.94	100.00%			

(1) The loan-to-value ratio of a Mortgage Loan is equal to its principal balance at origination divided by the *lesser* of the appraised value of the related Mortgaged Property at origination and, if applicable, the sales price at origination.

(2) As of the Issue Date, the weighted average original loan-to-value ratio of the Subgroup PO Loans is expected to be approximately 70.96%.

Documentation Program

Type of Program	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup PO Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
Stated	281	\$3,550,316.21	41.74%	6.374%	358.7	1.3
No Documentation	152	2,149,707.03	25.27	6.225	358.9	1.1
Full	176	2,087,694.48	24.54	6.501	358.6	1.4
No Ratio	54	710,791.73	8.36	6.455	358.9	1.1
Stated/Stated	3	8,264.48	0.10	6.697	358.7	1.3
Total	666	\$8,506,773.94	100.00%			

Types of Mortgaged Properties

Property Type	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup PO Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
Single Family	455	\$5,630,648.89	66.19%	6.392%	358.7	1.3
2-4 Family	63	1,212,981.33	14.26	6.206	358.8	1.2
Planned Unit Development	105	1,127,201.11	13.25	6.505	359.0	1.0
Condominium	38	435,703.93	5.12	6.329	358.6	1.4
Townhouse	5	100,238.67	1.18	6.179	358.6	1.4
Total	666	\$8,506,773.94	100.00%			

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 Subgroup PO Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
California	220	\$3,535,682.12	41.56%	6.267%	358.6	1.4
New York	71	1,197,594.48	14.08	6.340	358.9	1.1
Florida	107	1,144,041.23	13.45	6.452	359.0	1.0
Utah	19	237,290.75	2.79	6.440	359.2	0.8
Virginia	18	232,679.48	2.74	6.621	359.1	0.9
Maryland	21	230,055.87	2.70	6.450	358.7	1.3
New Jersey	13	228,301.11	2.68	6.214	359.3	0.7
Washington	24	218,704.05	2.57	6.578	358.8	1.2
Nevada	20	194,749.34	2.29	6.662	358.7	1.3
Texas	20	139,541.27	1.64	6.487	358.3	1.7
Other	133	1,148,134.23	13.50	6.517	358.7	1.3
Total	<u>666</u>	<u>\$8,506,773.94</u>	<u>100.00%</u>			

Loan Purpose

<u>Loan Purpose</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup PO Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Cash Out Refinance	341	\$4,448,748.22	52.30%	6.342%	358.8	1.2
Purchase	191	2,194,209.36	25.79	6.461	358.7	1.3
Rate/Term Refinance	134	1,863,816.35	21.91	6.351	358.7	1.3
Total	<u>666</u>	<u>\$8,506,773.94</u>	<u>100.00%</u>			

Occupancy Types (1)

<u>Occupancy Type</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup PO Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Primary Home	590	\$7,683,541.39	90.32%	6.381%	358.8	1.2
Investment	58	653,802.17	7.69	6.286	358.8	1.2
Second Home	18	169,430.37	1.99	6.428	358.2	1.8
Total	<u>666</u>	<u>\$8,506,773.94</u>	<u>100.00%</u>			

(1) Based upon representations of the related borrowers at the time of origination.

Credit Score (1)

<u>Credit Score</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup PO Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
601 - 620	2	\$ 44,753.81	0.53%	6.154%	358.9	1.1
621 - 640	41	425,304.71	5.00	6.391	358.9	1.1
641 - 660	73	883,770.09	10.39	6.403	358.8	1.2
661 - 680	99	1,221,130.32	14.35	6.344	358.8	1.2
681 - 700	111	1,247,809.32	14.67	6.389	358.7	1.3
701 - 720	87	1,103,615.17	12.97	6.458	358.8	1.2
721 - 740	84	1,277,675.05	15.02	6.313	358.7	1.3
741 - 760	71	901,583.11	10.60	6.402	358.6	1.4
761 - 780	55	789,250.97	9.28	6.334	358.9	1.1
781 - 800	31	400,502.09	4.71	6.387	358.5	1.5
801 - 820	12	211,379.31	2.48	6.306	358.6	1.4
Total	<u>666</u>	<u>\$8,506,773.94</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average credit score of the Subgroup PO Loans is expected to be approximately 710.

Amortization Type

<u>Amortization Type</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup PO Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Fully Amortizing	433	\$5,674,760.60	66.71%	6.362%	358.7	1.3
Interest Only	233	2,832,013.33	33.29	6.399	358.8	1.2
Total	<u>666</u>	<u>\$8,506,773.94</u>	<u>100.00%</u>			

Prepayment Premium Period

<u>Prepayment Premium Period (months)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup PO Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
0	58	\$ 267,191.93	3.14%	6.650%	358.8	1.2
4	2	25,540.85	0.30	6.500	357.7	2.3
6	17	130,538.39	1.53	6.491	358.8	1.2
7	1	26,005.83	0.31	6.000	359.0	1.0
12	150	1,808,952.53	21.26	6.407	358.5	1.5
24	20	455,285.46	5.35	6.191	358.6	1.4
36	418	5,793,258.95	68.10	6.365	358.8	1.2
Total	<u>666</u>	<u>\$8,506,773.94</u>	<u>100.00%</u>			

Subgroup 1

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 Subgroup 1 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
25,000.01 – 50,000.00	2	\$ 59,304.05	0.03%	6.750%	359.0	1.0
50,000.01 – 75,000.00	21	825,864.07	0.35	6.694	358.5	1.5
75,000.01 – 100,000.00	54	3,104,597.00	1.33	6.845	358.8	1.2
100,000.01 – 150,000.00	243	21,693,496.88	9.26	6.764	358.6	1.4
150,000.01 – 200,000.00	264	35,377,099.44	15.11	6.721	358.7	1.3
200,000.01 – 250,000.00	232	42,190,783.23	18.02	6.692	358.8	1.2
250,000.01 – 300,000.00	153	35,512,457.23	15.16	6.693	358.7	1.3
300,000.01 – 350,000.00	125	34,606,050.95	14.78	6.684	358.6	1.4
350,000.01 – 400,000.00	110	37,183,719.36	15.88	6.600	358.7	1.3
400,000.01 – 450,000.00	39	14,258,921.74	6.09	6.598	358.5	1.5
450,000.01 – 500,000.00	13	4,900,738.89	2.09	6.671	358.5	1.5
500,000.01 or greater	10	4,476,290.97	1.91	6.731	358.7	1.3
Total	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

(1) As of the Issue Date, the average principal balance for the Subgroup 1 Loans is expected to be approximately \$236,379.

Mortgage Interest Rates (1)

Mortgage Interest Rates (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 1 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
5.50001 – 6.00000	41	\$ 8,825,890.21	3.77%	5.891%	358.7	1.3
6.00001 – 6.50000	309	73,231,490.59	31.27	6.389	358.8	1.2
6.50001 – 7.00000	674	127,055,779.95	54.25	6.781	358.6	1.4
7.00001 – 7.50000	190	20,973,859.35	8.96	7.251	358.6	1.4
7.50001 – 8.00000	47	3,967,939.08	1.69	7.739	358.5	1.5
8.00001 – 8.50000	5	134,364.62	0.06	8.228	358.9	1.1
Total	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average mortgage interest rate of the Subgroup 1 Loans is expected to be approximately 6.684%.

Net Mortgage Rates (1)

Net Mortgage Rates (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 1 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
5.001 – 5.500	36	\$ 8,360,408.14	3.57%	5.900%	358.7	1.3
5.501 – 6.000	342	82,214,791.02	35.11	6.463	358.8	1.2
6.001 – 6.500	570	120,459,042.03	51.44	6.804	358.6	1.4
6.501 – 7.000	318	23,155,082.63	9.89	7.126	358.5	1.5
Total	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average net mortgage interest rate of the Subgroup 1 Loans is expected to be approximately 6.150%.

Original Terms to Stated Maturity (1)

Original Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 1 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
360	1,266	\$234,189,323.82	100.00%	6.684%	358.7	1.3
Total	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

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

Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 1 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
301 - 360	1,266	\$234,189,323.82	100.00%	6.684%	358.7	1.3
Total:	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Subgroup 1 Loans is expected to be approximately 359 months.

Remaining Term to Expiration of Interest Only Period (1)

Remaining Terms to Expiration of Interest Only Period (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 1 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
0 - 11	813	\$141,643,984.91	60.48%	6.658%	358.7	1.3
48 - 59	93	16,159,988.67	6.90	6.916	358.8	1.2
60 - 71	58	11,306,801.83	4.83	6.760	360.0	0.0
108 - 119	291	62,905,639.44	26.86	6.667	358.4	1.6
120 - 131	11	2,172,908.97	0.93	6.691	360.0	0.0
Total:	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average remaining term to expiration of the interest only period of the Subgroup 1 Loans is expected to be approximately 40 months.

Mortgage Loan Ages (1)

Mortgage Loan Ages (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 1 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
0 - 14	1,266	\$234,189,323.82	100.00%	6.684%	358.7	1.3
Total	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average mortgage loan age of the Subgroup 1 Loans is expected to be approximately 1.3 months.

Original Loan-to-Value Ratios (1) (2)

Original Loan-to-Value Ratios (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 1 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
10.01 – 15.00	1	\$ 73,019.45	0.03%	6.625%	357.0	3.0
15.01 – 20.00	4	303,464.86	0.13	6.765	358.1	1.9
20.01 – 25.00	6	680,169.87	0.29	6.364	357.5	2.5
25.01 – 30.00	7	1,534,073.66	0.66	6.434	358.5	1.5
30.01 – 35.00	17	2,245,609.92	0.96	6.340	358.5	1.5
35.01 – 40.00	16	2,654,251.90	1.13	6.455	359.0	1.0
40.01 – 45.00	29	4,217,806.56	1.80	6.413	359.1	0.9
45.01 – 50.00	34	6,890,053.00	2.94	6.493	358.7	1.3
50.01 – 55.00	52	9,507,122.58	4.06	6.529	358.8	1.2
55.01 – 60.00	57	11,091,734.17	4.74	6.527	358.8	1.2
60.01 – 65.00	81	16,772,987.90	7.16	6.531	358.6	1.4
65.01 – 70.00	79	15,180,956.99	6.48	6.565	358.6	1.4
70.01 – 75.00	88	16,647,676.83	7.11	6.615	358.6	1.4
75.01 – 80.00	588	115,009,617.03	49.11	6.676	358.7	1.3
80.01 – 85.00	16	2,216,231.76	0.95	6.868	358.2	1.8
85.01 – 90.00	25	4,326,277.45	1.85	6.955	358.9	1.1
90.01 – 95.00	22	4,157,373.24	1.78	7.109	358.6	1.4
95.01 – 100.00	144	20,680,896.64	8.83	7.202	358.7	1.3
Total	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

(1) The loan-to-value ratio of a Mortgage Loan is equal to its principal balance at origination divided by the *lesser* of the appraised value of the related Mortgaged Property at origination and, if applicable, the sales price at origination.

(2) As of the Issue Date, the weighted average original loan-to-value ratio of the Subgroup 1 Loans is expected to be approximately 74.35%.

Documentation Program

Type of Program	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 1 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
Stated	525	\$102,915,868.50	43.95%	6.678%	358.7	1.3
Full	335	53,921,710.57	23.02	6.779	358.6	1.4
No Documentation	266	49,357,618.26	21.08	6.570	358.7	1.3
No Ratio	126	26,036,643.49	11.12	6.704	358.6	1.4
Stated/Stated	14	1,957,482.99	0.84	7.013	358.1	1.9
Total	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

Types of Mortgaged Properties

Property Type	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 1 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
Single Family	845	\$153,954,387.51	65.74%	6.682%	358.6	1.4
Planned Unit Development	207	37,308,297.67	15.93	6.763	358.8	1.2
2-4 Family	109	27,331,423.67	11.67	6.605	358.8	1.2
Condominium	96	14,036,479.61	5.99	6.676	358.7	1.3
Townhouse	9	1,558,735.35	0.67	6.448	358.5	1.5
Total	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

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 Subgroup 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
California	311	\$ 75,655,892.64	32.31%	6.560%	358.5	1.5
Florida	237	35,874,329.85	15.32	6.743	358.9	1.1
New York	109	30,284,602.68	12.93	6.612	358.8	1.2
Washington	44	8,065,627.22	3.44	6.791	358.6	1.4
Nevada	34	6,512,327.36	2.78	6.776	358.6	1.4
Virginia	36	6,435,867.37	2.75	6.832	358.8	1.2
Utah	41	6,424,148.27	2.74	6.740	359.0	1.0
Maryland	28	6,362,259.32	2.72	6.618	359.0	1.0
Texas	50	5,996,964.34	2.56	6.795	358.6	1.4
Colorado	38	5,894,049.14	2.52	6.861	358.7	1.3
Other	338	46,683,255.63	19.93	6.798	358.7	1.3
Total	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

Loan Purpose

<u>Loan Purpose</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Cash Out Refinance	597	\$113,247,784.39	48.36%	6.624%	358.7	1.3
Purchase	445	77,107,454.54	32.93	6.802	358.7	1.3
Rate/Term Refinance	224	43,834,084.89	18.72	6.630	358.7	1.3
Total	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

Occupancy Types (1)

<u>Occupancy Type</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Primary Home	1,103	\$207,686,808.82	88.68%	6.684%	358.7	1.3
Investment Property	127	20,330,174.04	8.68	6.659	358.6	1.4
Second Home	36	6,172,340.96	2.64	6.769	358.9	1.1
Total	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

(1) Based upon representations of the related borrowers at the time of origination.

Credit Score (1)

<u>Credit Score</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
601 – 620	2	\$ 441,763.24	0.19%	6.227%	358.8	1.2
621 – 640	85	14,759,508.98	6.30	6.689	358.8	1.2
641 – 660	139	25,444,897.99	10.87	6.653	358.6	1.4
661 – 680	207	35,442,118.56	15.13	6.685	358.7	1.3
681 – 700	213	40,267,891.96	17.19	6.718	358.7	1.3
701 – 720	168	32,610,197.58	13.92	6.707	358.8	1.2
721 – 740	143	27,966,476.92	11.94	6.630	358.5	1.5
741 – 760	126	24,527,741.06	10.47	6.711	358.7	1.3
761 – 780	103	19,468,247.96	8.31	6.670	358.8	1.2
781 – 800	57	9,306,970.97	3.97	6.692	358.5	1.5
801 – 820	23	3,953,508.59	1.69	6.627	358.4	1.6
Total	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average credit score of the Subgroup 1 Loans is expected to be approximately 705.

Amortization Type

<u>Amortization Type</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Fully Amortizing	813	\$141,643,984.91	60.48%	6.658%	358.7	1.3
Interest Only	<u>453</u>	<u>92,545,338.90</u>	<u>39.52</u>	<u>6.723</u>	<u>358.7</u>	<u>1.3</u>
Total	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

Prepayment Premium Period

<u>Prepayment Premium Period (Months)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup 1 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
0	105	\$ 21,845,309.50	9.33%	6.766%	358.6	1.4
4	7	952,943.66	0.41	6.752	358.0	2.0
6	31	5,739,469.33	2.45	6.722	358.6	1.4
7	2	268,000.79	0.11	6.291	359.0	1.0
12	246	56,970,798.52	24.33	6.656	358.4	1.6
24	36	7,062,990.69	3.02	6.456	358.6	1.4
36	<u>839</u>	<u>141,349,811.33</u>	<u>60.36</u>	<u>6.692</u>	<u>358.8</u>	<u>1.2</u>
Total	<u>1,266</u>	<u>\$234,189,323.82</u>	<u>100.00%</u>			

Subgroup 2

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 Subgroup 2 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
25,000.01 – 50,000.00	4	\$ 62,080.27	0.08%	7.563%	359.3	0.7
50,000.01 – 75,000.00	47	1,860,033.34	2.25	7.347	359.1	0.9
75,000.01 – 100,000.00	83	3,942,816.77	4.77	7.380	358.6	1.4
100,000.01 – 150,000.00	256	15,211,795.82	18.42	7.341	358.5	1.5
150,000.01 – 200,000.00	189	17,618,214.36	21.33	7.384	358.5	1.5
200,000.01 – 250,000.00	148	17,782,815.63	21.53	7.332	358.4	1.6
250,000.01 – 300,000.00	83	9,680,313.59	11.72	7.366	358.2	1.8
300,000.01 – 350,000.00	59	7,592,931.60	9.19	7.419	358.5	1.5
350,000.01 – 400,000.00	30	4,185,305.64	5.07	7.422	358.1	1.9
400,000.01 – 450,000.00	13	1,932,368.22	2.34	7.461	357.8	2.2
450,000.01 – 500,000.00	7	1,780,489.95	2.16	7.343	358.7	1.3
500,000.01 or greater	6	946,135.20	1.15	7.295	358.7	1.3
Total	<u>925</u>	<u>\$82,595,300.40</u>	<u>100.00%</u>			

(1) As of the Issue Date, the average principal balance for the Subgroup 2 Loans is expected to be approximately \$181,456.

Mortgage Interest Rates (1)

Mortgage Interest Rates (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 2 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
6.50001 – 7.00000	383	\$20,112,988.61	24.35%	6.898%	358.6	1.4
7.00001 – 7.50000	323	41,643,575.66	50.42	7.335	358.5	1.5
7.50001 – 8.00000	178	17,217,993.48	20.85	7.772	358.1	1.9
8.00001 – 8.50000	30	2,934,425.72	3.55	8.215	358.6	1.4
8.50001 – 9.00000	7	365,065.05	0.44	8.808	358.2	1.8
9.00001 – 9.50000	3	175,001.89	0.21	9.180	358.7	1.3
10.50001 – 11.00000	1	146,250.00	0.18	10.600	358.0	2.0
Total	<u>925</u>	<u>\$82,595,300.40</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average mortgage interest rate of the Subgroup 2 Loans is expected to be approximately 7.367%.

Net Mortgage Rates (1)

Net Mortgage Rates (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 2 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
6.001 – 6.500	282	\$ 9,769,277.75	11.83%	6.949%	358.6	1.4
6.501 – 7.000	418	54,738,534.92	66.27	7.316	358.5	1.5
7.001 – 7.500	<u>225</u>	<u>18,087,487.74</u>	<u>21.90</u>	<u>7.746</u>	<u>358.1</u>	<u>1.9</u>
Total	<u>925</u>	<u>\$82,595,300.40</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average net mortgage interest rate of the Subgroup 2 Loans is expected to be approximately 6.873%.

Original Terms to Stated Maturity (1)

Original Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 2 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
360	925	\$82,595,300.40	100.00%	7.367%	358.5	1.5
Total.....	925	\$82,595,300.40	100.00%			

(1) As of the Issue Date, the weighted average original term to stated maturity of the Subgroup 2 Loans is expected to be approximately 360 months.

Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 2 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
301 - 360	925	\$82,595,300.40	100.00%	7.367%	358.5	1.5
Total.....	925	\$82,595,300.40	100.00%			

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Subgroup 2 Loans is expected to be approximately 358 months.

Remaining Term to Expiration of Interest Only Period

Remaining Terms to Expiration of the Interest Only Period (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 2 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
0 - 11	607	\$51,476,849.16	62.32%	7.364%	358.4	1.6
48 - 59	72	7,541,457.11	9.13	7.523	358.7	1.3
60 - 71	37	3,201,001.14	3.88	7.180	360.0	0.0
108 - 119	205	19,804,698.34	23.98	7.350	358.1	1.9
120 - 131	4	571,294.64	0.69	7.203	360.0	0.0
Total.....	925	\$82,595,300.40	100.00%			

(1) As of the Issue Date, the weighted average remaining term to expiration of the interest only period of the Subgroup 2 Loans is expected to be approximately 37 months.

Mortgage Loan Ages (1)

Mortgage Loan Ages (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 2 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
0 - 14	925	\$82,595,300.40	100.00%	7.367%	358.5	1.5
Total.....	925	\$82,595,300.40	100.00%			

(1) As of the Issue Date, the weighted average mortgage loan age of the Subgroup 2 Loans is expected to be approximately 1.5 months.

Original Loan-to-Value Ratios (1) (2)

Original Loan-to-Value Ratios (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 2 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
10.01 – 15.00	1	\$ 8,762.33	0.01%	6.625%	357.0	3.0
15.01 – 20.00	3	94,161.15	0.11	6.793	358.7	1.3
20.01 – 25.00	3	166,979.71	0.20	6.977	357.5	2.5
25.01 – 30.00	3	236,168.15	0.29	7.415	358.9	1.1
30.01 – 35.00	5	170,899.64	0.21	7.145	356.6	3.4
35.01 – 40.00	8	900,111.13	1.09	7.375	357.5	2.5
40.01 – 45.00	16	690,868.61	0.84	7.106	358.0	2.0
45.01 – 50.00	14	1,620,630.30	1.96	7.287	358.5	1.5
50.01 – 55.00	22	1,830,276.75	2.22	7.090	358.8	1.2
55.01 – 60.00	24	2,168,820.94	2.63	7.176	358.9	1.1
60.01 – 65.00	40	3,792,188.33	4.59	7.172	358.3	1.7
65.01 – 70.00	42	3,399,770.07	4.12	7.210	358.1	1.9
70.01 – 75.00	67	6,077,086.53	7.36	7.252	358.5	1.5
75.01 – 80.00	487	44,892,429.42	54.35	7.271	358.5	1.5
80.01 – 85.00	13	1,125,897.19	1.36	7.630	358.4	1.6
85.01 – 90.00	24	2,072,978.03	2.51	7.633	358.5	1.5
90.01 – 95.00	17	1,718,260.50	2.08	7.823	357.6	2.4
95.01 – 100.00	136	11,629,011.62	14.08	7.886	358.5	1.5
Total	925	\$82,595,300.40	100.00%			

(1) The loan-to-value ratio of a Mortgage Loan is equal to its principal balance at origination divided by the *lesser* of the appraised value of the related Mortgaged Property at origination and, if applicable, the sales price at origination.

(2) As of the Issue Date, the weighted average original loan-to-value ratio of the Subgroup 2 Loans is expected to be approximately 78.53%.

Documentation Program

Type of Program	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 2 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
Stated	376	\$36,493,833.20	44.18%	7.379%	358.5	1.5
Full	222	16,632,504.43	20.14	7.353	358.4	1.6
No Documentation	179	15,531,998.06	18.80	7.287	358.5	1.5
No Ratio	118	11,142,182.52	13.49	7.396	358.2	1.8
Stated/Stated	30	2,794,782.19	3.38	7.626	358.7	1.3
Total	925	\$82,595,300.40	100.00%			

Types of Mortgaged Properties

Property Type	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 2 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
Single Family	591	\$50,266,668.26	60.86%	7.382%	358.4	1.6
Planned Unit Development	159	15,182,155.52	18.38	7.380	358.3	1.7
2-4 Family	79	10,130,869.67	12.27	7.354	358.7	1.3
Condominium	90	6,605,587.20	8.00	7.261	358.5	1.5
Townhouse	6	410,019.76	0.50	7.111	358.7	1.3
Total	925	\$82,595,300.40	100.00%			

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 Subgroup 2 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Florida	201	\$19,260,250.01	23.32%	7.371%	358.5	1.5
California	115	10,770,969.78	13.04	7.256	358.0	2.0
Texas	85	5,823,031.81	7.05	7.492	359.0	1.0
New York	44	4,689,248.42	5.68	7.240	358.5	1.5
Arizona	32	3,155,308.92	3.82	7.224	358.4	1.6
Utah	32	2,941,946.71	3.56	7.432	358.8	1.2
Washington	30	2,821,101.58	3.42	7.408	358.1	1.9
Ohio	35	2,707,221.77	3.28	7.415	358.0	2.0
Virginia	31	2,604,476.92	3.15	7.344	358.6	1.4
Colorado	27	2,293,084.43	2.78	7.250	358.9	1.1
Other	293	25,528,660.07	30.91	7.419	358.4	1.6
Total	<u>925</u>	<u>\$82,595,300.40</u>	<u>100.00%</u>			

Loan Purpose

<u>Loan Purpose</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup 2 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Purchase	428	\$37,156,455.23	44.99%	7.452%	358.3	1.7
Cash Out Refinance	364	33,009,563.30	39.97	7.304	358.5	1.5
Rate/Term Refinance	133	12,429,281.87	15.05	7.279	358.6	1.4
Total	<u>925</u>	<u>\$82,595,300.40</u>	<u>100.00%</u>			

Occupancy Types (1)

<u>Occupancy Type</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup 2 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Primary Home	730	\$63,158,505.74	76.47%	7.348%	358.4	1.6
Investment	158	15,410,656.39	18.66	7.383	358.7	1.3
Second Home	37	4,026,138.28	4.87	7.600	358.7	1.3
Total	<u>925</u>	<u>\$82,595,300.40</u>	<u>100.00%</u>			

(1) Based upon representations of the related borrowers at the time of origination.

Credit Score (1)

<u>Credit Score</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup 2 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
601 – 620	1	\$ 64,000.00	0.08%	7.250%	360.0	0.0
621 – 640	80	8,231,010.48	9.97	7.324	358.3	1.7
641 – 660	114	10,839,047.64	13.12	7.348	358.5	1.5
661 – 680	142	12,326,343.04	14.92	7.306	358.4	1.6
681 – 700	155	15,131,613.13	18.32	7.400	358.5	1.5
701 – 720	132	11,050,058.28	13.38	7.394	358.5	1.5
721 – 740	83	6,051,714.63	7.33	7.336	358.3	1.7
741 – 760	93	8,976,209.88	10.87	7.432	358.6	1.4
761 – 780	67	5,307,222.27	6.43	7.400	358.3	1.7
781 – 800	44	3,396,923.89	4.11	7.376	358.6	1.4
801 – 820	14	1,221,157.16	1.48	7.311	358.1	1.9
Total	<u>925</u>	<u>\$82,595,300.40</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average credit score of the Subgroup 2 Loans is expected to be approximately 699.

Amortization Type

<u>Amortization Type</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup 2 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Fully Amortizing	607	\$51,476,849.16	62.32%	7.364%	358.4	1.6
Interest Only	<u>318</u>	<u>31,118,451.24</u>	<u>37.68</u>	7.372	358.5	1.5
Total	<u>925</u>	<u>\$82,595,300.40</u>	<u>100.00%</u>			

Prepayment Premium Period

<u>Prepayment Premium Period (months)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup 2 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
0	48	\$ 1,881,137.26	2.28%	7.032%	358.3	1.7
4	5	519,655.19	0.63	7.253	358.0	2.0
5	2	257,964.21	0.31	7.625	359.0	1.0
6	17	998,895.60	1.21	7.398	358.6	1.4
7	1	10,705.28	0.01	6.875	359.0	1.0
12	123	12,690,474.57	15.36	7.325	358.2	1.8
24	25	2,365,024.09	2.86	7.213	357.7	2.3
36	<u>704</u>	<u>63,871,444.21</u>	<u>77.33</u>	7.390	358.5	1.5
Total	<u>925</u>	<u>\$82,595,300.40</u>	<u>100.00%</u>			

Subgroup 3

Issue Date Mortgage Loan Principal Balances (1)

<u>Issue Date Mortgage Loan Principal Balances (\$)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
25,000.01 – 50,000.00	19	\$ 715,097.05	1.13%	8.200%	358.2	1.8
50,000.01 – 75,000.00	96	5,370,270.72	8.46	8.118	357.6	2.4
75,000.01 – 100,000.00	95	7,216,308.15	11.37	8.238	357.4	2.6
100,000.01 – 150,000.00	159	15,311,591.87	24.12	8.117	357.0	3.0
150,000.01 – 200,000.00	94	11,956,258.47	18.83	8.136	357.1	2.9
200,000.01 – 250,000.00	47	7,725,364.60	12.17	8.196	357.4	2.6
250,000.01 – 300,000.00	25	5,178,586.37	8.16	8.135	356.9	3.1
300,000.01 – 350,000.00	16	4,530,185.45	7.14	8.609	357.4	2.6
350,000.01 – 400,000.00	11	2,739,601.40	4.32	8.072	358.4	1.6
400,000.01 – 450,000.00	6	1,784,559.87	2.81	8.134	356.4	3.6
500,000.01 or greater	2	956,000.00	1.51	8.241	356.0	4.0
Total	<u>570</u>	<u>\$63,483,823.95</u>	<u>100.00%</u>			

(1) As of the Issue Date, the average principal balance for the Subgroup 3 Loans is expected to be approximately \$138,762.

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 Subgroup 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
7.00001 – 7.50000	79	\$ 3,638,352.94	5.73%	7.451%	358.2	1.8
7.50001 – 8.00000	256	28,896,935.19	45.52	7.862	357.0	3.0
8.00001 – 8.50000	139	17,923,104.59	28.23	8.290	356.8	3.2
8.50001 – 9.00000	75	10,533,061.47	16.59	8.763	358.1	1.9
9.00001 – 9.50000	13	1,282,873.80	2.02	9.128	357.9	2.1
9.50001 – 10.00000	3	327,065.25	0.52	9.734	357.2	2.8
10.00001 – 10.50000	3	491,780.72	0.77	10.433	358.0	2.0
10.50001 – 11.00000	2	390,650.00	0.62	10.841	358.0	2.0
Total	<u>570</u>	<u>\$63,483,823.95</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average mortgage interest rate of the Subgroup 3 Loans is expected to be approximately 8.182%.

Net Mortgage Rates (1)

<u>Net Mortgage Rates (%)</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
7.001 – 7.500	269	\$25,734,192.98	40.54%	7.994%	357.7	2.3
7.501 – 8.000	249	31,383,965.14	49.44	8.225	356.7	3.3
8.001 – 8.500	42	5,697,714.42	8.98	8.655	358.0	2.0
8.501 – 9.000	7	445,844.70	0.70	9.104	356.4	3.6
9.001 – 9.500	1	26,976.87	0.04	10.350	358.0	2.0
9.501 – 10.000	2	195,129.84	0.31	9.875	356.0	4.0
Total	<u>570</u>	<u>\$63,483,823.95</u>	<u>100.00%</u>			

(1) As of the Issue Date, the weighted average net mortgage interest rate of the Subgroup 3 Loans is expected to be approximately 7.647%.

Original Terms to Stated Maturity (1)

Original Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 3 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
360	570	\$63,483,823.95	100.00%	8.182%	357.2	2.8
Total	570	\$63,483,823.95	100.00%			

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

Remaining Terms to Stated Maturity (1)

Remaining Terms to Stated Maturity (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 3 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
301 - 360	570	\$63,483,823.95	100.00%	8.182%	357.2	2.8
Total	570	\$63,483,823.95	100.00%			

(1) As of the Issue Date, the weighted average remaining term to stated maturity of the Subgroup 3 Loans is expected to be approximately 357 months.

Remaining Term to Expiration of Interest Only Term (1)

Remaining Terms to Expiration of Interest Only Term (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 3 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
0 - 11	422	\$41,539,067.70	65.43%	8.171	357.3	2.7
48 - 59	27	3,764,394.99	5.93	8.779	358.0	2.0
60 - 71	8	799,500.00	1.26	8.185	360.0	0.0
108 - 119	112	17,359,248.76	27.34	8.079	356.6	3.4
120 - 131	1	21,612.50	0.03	7.375	360.0	0.0
Total	570	\$63,483,823.95	100.00%			

(1) As of the Issue Date, the weighted average remaining term to expiration of the interest only period of the Subgroup 3 Loans is expected to be approximately 36 months.

Mortgage Loan Ages (1)

Mortgage Loan Ages (months)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 3 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
0 - 14	570	\$63,483,823.95	100.00%	8.182%	357.2	2.8
Total	570	\$63,483,823.95	100.00%			

(1) As of the Issue Date, the weighted average mortgage loan age of the Subgroup 3 Loans is expected to be approximately 28 months.

Original Loan-to-Value Ratios (1) (2)

Original Loan-to-Value Ratios (%)	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 3 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
10.01 – 15.00	1	\$ 52,889.30	0.08%	7.850%	357.0	3.0
30.01 – 35.00	1	74,612.72	0.12	7.625	353.0	7.0
35.01 – 40.00	1	207,500.00	0.33	7.750	359.0	1.0
40.01 – 45.00	3	156,427.78	0.25	7.500	356.8	3.2
45.01 – 50.00	4	146,736.44	0.23	7.579	357.6	2.4
55.01 – 60.00	10	754,659.48	1.19	8.132	357.0	3.0
60.01 – 65.00	5	280,138.41	0.44	7.634	357.2	2.8
65.01 – 70.00	34	2,829,311.47	4.46	7.953	356.6	3.4
70.01 – 75.00	53	4,604,788.12	7.25	8.046	357.6	2.4
75.01 – 80.00	332	40,796,060.55	64.26	8.047	357.0	3.0
80.01 – 85.00	3	198,800.23	0.31	7.990	357.0	3.0
85.01 – 90.00	26	2,633,838.82	4.15	8.385	357.1	2.9
90.01 – 95.00	14	1,511,810.90	2.38	8.458	356.8	3.2
95.01 – 100.00	83	9,236,249.75	14.55	8.877	358.1	1.9
Total	<u>570</u>	<u>\$63,483,823.95</u>	<u>100.00%</u>			

- (1) The loan-to-value ratio of a Mortgage Loan is equal to its principal balance at origination divided by the *lesser* of the appraised value of the related Mortgaged Property at origination and, if applicable, the sales price at origination.
- (2) As of the Issue Date, the weighted average original loan-to-value ratio of the Subgroup 3 Loans is expected to be approximately 81.96%.

Documentation Program

Type of Program	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 3 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
Stated	219	\$26,308,870.10	41.44%	8.251%	357.2	2.8
No Documentation	126	14,663,932.58	23.10	8.044	357.6	2.4
No Ratio	82	9,906,704.18	15.61	8.139	356.4	3.6
Full	101	8,069,503.40	12.71	8.073	357.1	2.9
Stated/Stated	42	4,534,813.69	7.14	8.518	358.1	1.9
Total:	<u>570</u>	<u>\$63,483,823.95</u>	<u>100.00%</u>			

Types of Mortgaged Properties

Property Type	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 3 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
Single Family	373	\$39,662,995.63	62.48%	8.209%	357.3	2.7
Planned Unit Development	96	12,400,490.10	19.53	8.238	357.4	2.6
2-4 Family	50	5,870,115.60	9.25	8.029	356.7	3.3
Condo	45	5,171,713.10	8.15	8.028	356.6	3.4
Townhouse	6	378,509.52	0.60	7.988	356.4	3.6
Total	<u>570</u>	<u>\$63,483,823.95</u>	<u>100.00%</u>			

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 Subgroup 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Texas	148	\$14,016,444.52	22.08%	8.335%	357.6	2.4
Florida	104	13,066,463.75	20.58	8.181	357.3	2.7
California	19	3,906,664.92	6.15	8.022	356.4	3.6
Arizona	22	3,610,374.85	5.69	8.170	355.6	4.4
Missouri	27	3,446,124.59	5.43	8.369	358.5	1.5
Virginia	20	2,589,995.12	4.08	8.191	358.0	2.0
Nevada	13	2,523,881.66	3.98	8.106	354.5	5.5
Ohio	25	1,911,263.33	3.01	8.029	356.6	3.4
Pennsylvania	19	1,649,849.03	2.60	7.907	358.1	1.9
Washington	11	1,335,852.21	2.10	8.160	357.8	2.2
Other	162	15,426,909.97	24.30	8.107	357.4	2.6
Total	<u>570</u>	<u>\$63,483,823.95</u>	<u>100.00%</u>			

Loan Purpose

<u>Loan Purpose</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Purchase	354	\$42,240,803.41	66.54%	8.273%	357.2	2.8
Cash Out Refinance	163	17,033,391.95	26.83	8.018	357.3	2.7
Rate/Term Refinance	53	4,209,628.59	6.63	7.931	356.9	3.1
Total	<u>570</u>	<u>\$63,483,823.95</u>	<u>100.00%</u>			

Occupancy Types (1)

<u>Occupancy Type</u>	<u>Number of Mortgage Loans</u>	<u>Principal Balance Outstanding</u>	<u>Percent of Principal Balance of Subgroup 3 Loans</u>	<u>Weighted Average Mortgage Interest Rate</u>	<u>Weighted Average Term to Maturity (months)</u>	<u>Weighted Average Mortgage Loan Age (months)</u>
Investment	276	\$30,210,704.01	47.59%	8.288%	357.2	2.8
Primary Home	262	29,037,882.32	45.74	7.990	357.2	2.8
Second Home	32	4,235,237.62	6.67	8.741	357.4	2.6
Total	<u>570</u>	<u>\$63,483,823.95</u>	<u>100.00%</u>			

(1) Based upon representations of the related borrowers at the time of origination.

Credit Score (1)

Credit Score	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 3 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
601 – 620	3	\$ 191,390.65	0.30%	8.162%	356.0	4.0
621 – 640	54	5,334,965.02	8.40	8.105	357.5	2.5
641 – 660	53	5,804,980.30	9.14	8.156	357.9	2.1
661 – 680	77	9,224,758.80	14.53	8.172	356.7	3.3
681 – 700	86	9,251,108.18	14.57	8.071	356.9	3.1
701 – 720	100	10,992,299.80	17.32	8.110	357.3	2.7
721 – 740	61	7,335,752.86	11.56	8.191	357.0	3.0
741 – 760	61	6,652,771.53	10.48	8.372	357.4	2.6
761 – 780	40	4,739,875.74	7.47	8.326	357.5	2.5
781 – 800	31	3,002,485.89	4.73	8.360	357.6	2.4
801 – 820	4	953,435.19	1.50	8.112	357.6	2.4
Total	570	\$63,483,823.95	100.00%			

(1) As of the Issue Date, the weighted average credit score of the Subgroup 3 Loans is expected to be approximately 706.

Amortization Type

Amortization Type	Number of Mortgage Loans	Principal Balance Outstanding	Percent of Principal Balance of Subgroup 3 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
Fully Amortizing	422	\$41,539,067.70	65.43%	8.171%	357.3	2.7
Interest Only	148	21,944,756.24	34.57	8.202	357.0	3.0
Total	570	\$63,483,823.95	100.00%			

Prepayment Premium Period

Prepayment Premium Period (months)	Number of Mortgage Loans	Aggregate Principal Balance Outstanding	Percent of Principal Balance of Subgroup 3 Loans	Weighted Average Mortgage Interest Rate	Weighted Average Term to Maturity (months)	Weighted Average Mortgage Loan Age (months)
5	3	\$ 198,472.78	0.31%	8.220%	358.4	1.6
6	5	684,321.22	1.08	8.254	358.4	1.6
12	20	2,916,599.36	4.59	8.133	357.4	2.6
24	24	2,522,079.76	3.97	8.118	357.0	3.0
36	518	57,162,350.84	90.04	8.186	357.2	2.8
Total	570	\$63,483,823.95	100.00%			

FANNIE MAE MORTGAGE PURCHASE PROGRAM

General

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

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

Selling and Servicing Guides

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

Mortgage Loan Eligibility Standards—Conventional Loans

Dollar Limitations. The Charter Act requires that we establish maximum original principal balance dollar limitations for the conventional loans that we purchase. These limitations, which we refer to as our conforming loan limits, typically are adjusted annually. As of January 1, 2007, our conforming loan limit for conventional loans secured by first liens on residences containing one dwelling unit is \$417,000, except for mortgage loans secured by property in Alaska, Guam, Hawaii or the Virgin Islands where it is \$625,500. Our conforming loan limit as of January 1, 2007 for conventional loans secured by first liens on residences containing two dwelling units is \$533,850, three dwelling units is \$645,300 and four dwelling units is \$801,950, except for mortgage loans secured by property in Alaska, Guam, Hawaii, or the Virgin Islands where for two dwelling units it is \$800,775, for three dwelling units it is \$967,950 and for four dwelling units it is \$1,202,925. In addition, the aggregate original principal balance of all the mortgage loans we own that are secured by the same residence cannot exceed the amount of our first lien conforming loan limit for single family (1-4 unit) residences. Aside from the limits imposed under the Charter Act, we may, from time to time, impose maximum dollar limitations on specific types of mortgage loans that we purchase.

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

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

Underwriting Guidelines

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

We review and change our underwriting guidelines, from time to time, including expanding our underwriting criteria in order to make home loans more accessible to borrowers who are members of

groups that have been underserved by mortgage lenders, including low and moderate income families, people with no prior credit history and those with less than perfect credit history, rural residents and people with special housing needs. In our discretion, we may grant waivers from our underwriting guidelines when we purchase any particular mortgage loan.

Seller and Servicer Eligibility

Before we approve a company to become a seller or servicer for us, we require that it demonstrate to our satisfaction, the following:

- that it has a proven ability to originate or service, as applicable, the type of mortgages for which our approval is being requested;
- that it employs a staff with adequate experience in that area;
- that it has as one of its principal business purposes the origination or servicing, as applicable, of residential mortgages;
- that it is properly licensed, or otherwise authorized, to originate, sell or service, as applicable, residential mortgages in each of the jurisdictions in which it does business;
- that its financial condition is acceptable to us;
- that it has quality control and management systems to evaluate and monitor the overall quality of its loan production and servicing activities; and
- that it is covered by a fidelity bond and errors and omissions insurance acceptable to us.

We enter into a written mortgage selling and servicing contract with each seller and servicer we approve, under which, among other things, it agrees to maintain the foregoing attributes to our satisfaction.

Seller Representations and Warranties

Our sellers make representations and warranties to us about the mortgage loans we purchase. In general, the representations and warranties relate to:

- compliance with our eligibility standards and with our underwriting guidelines;
- characteristics of the mortgage loans in each pool;
- compliance with applicable federal and state laws and regulations in the origination of the loans, including consumer protection laws;
- authority of the lender to do business in the jurisdiction where the property is located;
- right of the lender to sell the loan free of liens of lender's creditors;
- validity and enforceability of the loan documents; and
- the lien position of the mortgage.

We rely on these representations and warranties at the time of purchase to ensure that loans meet our eligibility standards. After purchase, we perform random quality control reviews of selected loans to monitor compliance with our guidelines, our eligibility standards and applicable laws and regulations. We can require a seller to repurchase a loan if we find that it has breached its warranties and representations. For a discussion of how these repurchases can affect the performance of the certificates, see “Risk Factors—*We could withdraw some mortgage loans from the pool due to a breach of representations and warranties, accelerating the rate at which you receive your return of principal.*”

DESCRIPTION OF THE CERTIFICATES

Book-Entry Procedures

General. The Fed Book-Entry Certificates will be issued and maintained only on the book-entry system of the Federal Reserve Banks. The Fed Book-Entry Certificates may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Beneficial owners ordinarily will hold Fed Book-Entry Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of a Fed Book-Entry Certificate, and each other financial intermediary in the chain to the beneficial owner, will have to establish and maintain accounts for their respective customers. A beneficial owner's rights with respect to us and the Federal Reserve Banks may be exercised only through the Holder of the related Fed Book-Entry Certificate. Neither we nor the Federal Reserve Banks will have any direct obligation to a beneficial owner of a Fed Book-Entry Certificate that is not the Holder of that Certificate. The Federal Reserve Banks will act only upon the instructions of the Holder in recording transfers of a Fed Book-Entry Certificate.

We have a fiscal agency agreement in effect with the Federal Reserve Bank of New York. Under this agreement, the regulations (found at 24 C.F.R. Part 81, Subpart E) that govern our use of the book-entry system and the pledging and transfer of interests apply to the Fed Book-Entry Certificates. These regulations may be modified, amended, supplemented, superseded, eliminated or otherwise altered without the consent of any Certificateholder. The Federal Reserve Banks' operating circulars and letters also apply. The Fed Book-Entry Certificates are freely transferable on the records of any Federal Reserve Bank but are not convertible to physical certificates. Fed Book-Entry Certificates maintained on the book-entry system of a Federal Reserve Bank can be separately traded and owned.

Method of Payment. Our fiscal agent for the Fed Book-Entry Certificates is the Federal Reserve Bank of New York. On each Distribution Date, the Federal Reserve Banks, acting on our behalf, will make payments on the Fed Book-Entry Certificates by crediting Holders' accounts at the Federal Reserve Banks.

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>
Fixed Rate	IO
Floating Rate	1-A-1, 2-A-1 and 3-A-1
Inverse Floating Rate	1-A-2, 2-A-2 and 3-A-2
Interest Only	IO, 1-A-2, 2-A-2 and 3-A-2
Principal Only	PO and OP
RCR**	1-A-3, 2-A-3, 3-A-3 and KO
No Payment Residual	R and RL

* See "—Class Definitions and Abbreviations" below.

** See "Combination and Recombination" above and Schedule 1 for a further description of the RCR Classes.

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 the month after the Settlement Date specified in the Reference Sheet.

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 Classes (collectively, the “Delay Classes”)	Calendar month preceding the month in which the Distribution Date occurs
The Floating Rate and Inverse Floating Rate Classes	One-month period beginning on the 25th day of the month preceding the month in which the Distribution Date occurs

The Dealer will treat the Principal Only Classes as Delay Classes solely for the purpose of facilitating trading.

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.

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 Classes 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 and Inverse Floating Rate Classes for the related Interest Accrual Period will be final and binding, absent manifest error. You may obtain each such interest rate by telephoning us 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 Reuters 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 5.32%.

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>
Pass-Through	PO, OP, 1-A-1, 2-A-1 and 3-A-1
Notional	IO, 1-A-2, 2-A-2 and 3-A-2
RCR**	1-A-3, 2-A-3, 3-A-3 and KO

* See “—Class Definitions and Abbreviations” below.

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

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

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

- the Subgroup PO Principal Distribution Amount,
plus
- the Subgroup 1 Principal Distribution Amount,
plus
- the Subgroup 2 Principal Distribution Amount,
plus
- the Subgroup 3 Principal Distribution Amount.

<p>On each Distribution Date, we will pay the Subgroup PO Principal Distribution Amount as principal of the PO Class, until its principal balance is reduced to zero.</p> <p>On each Distribution Date, we will pay the Subgroup 1 Principal Distribution Amount, concurrently as principal of the 1-A-1 and OP Classes, pro rata (or 93.3333335611% and 6.6666664389%, respectively), until their principal balances are reduced to zero.</p> <p>On each Distribution Date, we will pay the Subgroup 2 Principal Distribution Amount as principal of the 2-A-1 Class, until its principal balance is reduced to zero.</p> <p>On each Distribution Date, we will pay the Subgroup 3 Principal Distribution Amount as principal of the 3-A-1 Class, until its principal balance is reduced to zero.</p>	<p>} Pass-Through Classes</p>
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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.

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 applicable Servicing Fee Rate and (ii) the rate at which the Guaranty Fee is calculated with respect to that loan.

Servicing Fee Rate. The percentage identified on the Mortgage Loan Schedule.

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

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

- the Applicable Fraction for Subgroup PO of the monthly payment of principal due on each such Mortgage Loan during the related Due Period, *plus*
- the Applicable Fraction for Subgroup PO of the Stated Principal Balance of each such Mortgage Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Applicable Fraction for Subgroup PO of the Stated Principal Balance of each such Mortgage Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- the Applicable Fraction for Subgroup PO of any partial or full principal prepayment reported as having been received during the related Due Period from borrowers on any such Mortgage Loan.

Subgroup 1 Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category A and Category B Loans, without duplication:

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

Subgroup 2 Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category B and Category C Loans, without duplication:

- the Applicable Fraction for Subgroup 2 of the monthly payment of principal due on each such Mortgage Loan during the related Due Period, *plus*
- the Applicable Fraction for Subgroup 2 of the Stated Principal Balance of each such Mortgage Loan that Fannie Mae, the Servicer or the Seller repurchases during the related Due Period, *plus*
- the Applicable Fraction for Subgroup 2 of the Stated Principal Balance of each such Mortgage Loan reported as having become a Liquidated Loan during the related Due Period, *plus*
- the Applicable Fraction for Subgroup 2 of any partial or full principal prepayment reported as having been received during the related Due Period from borrowers on any such Mortgage Loan.

Subgroup 3 Principal Distribution Amount. For any Distribution Date, the aggregate of the following amounts for all Category C and Category D Loans, without duplication:

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

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.
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.

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 the Regulations 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 PPC levels specified in the related table;
- there are no defaults, losses, additional delinquencies or liquidations with respect to the Mortgage Loans;
- the Interest Only Loans have the remaining term to expiration of their interest only period specified under “The Mortgage Loans” in this prospectus;
- there are no substitutions of the Mortgage Loans after the Issue Date;
- one-month LIBOR is equal to 5.32%.
- Lehman Brothers Holdings Inc. does not exercise its optional clean-up call;
- the settlement date for the sale of the Certificates occurs on February 28, 2007; and
- each Distribution Date for the Certificates occurs on the 25th day of the month, beginning in March 2007.

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

A 100% PPC Prepayment Assumption assumes a CPR (defined below) of 8% for the related Mortgage Loans in the first month after the origination of such loan and an additional approximately 1.45454545% CPR for each month thereafter, building to 24% CPR in the twelfth month after the origination of such loan. Beginning in the twelfth month after the origination of such loan and in each month thereafter, 100% PPC assumes a 24% CPR each month.

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

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 PPC. 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 PPC. Moreover, it is unlikely that

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

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

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

<u>Class</u>	<u>Price</u>
PO	67.0000%
OP	70.0000%
KO	68.9419%

Sensitivity of the PO Class to Prepayments
PPC Prepayment Assumption

	<u>25%</u>	<u>50%</u>	<u>100%</u>	<u>125%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yields to Maturity ...	4.0%	6.7%	12.8%	16.1%	19.5%	26.7%

Sensitivity of the OP Class to Prepayments

	PPC Prepayment Assumption					
	<u>25%</u>	<u>50%</u>	<u>100%</u>	<u>125%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yields to Maturity ...	3.5%	5.8%	11.1%	14.0%	17.0%	23.3%

Sensitivity of the KO Class to Prepayments

	PPC Prepayment Assumption					
	<u>25%</u>	<u>50%</u>	<u>100%</u>	<u>125%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yields to Maturity ...	3.7%	6.1%	11.7%	14.7%	17.8%	24.5%

The Fixed Rate Interest Only Class. The yield to investors in the Fixed Rate Interest Only Class will be very sensitive to the rate of principal payments (including prepayments) of the related Mortgage Loans. The Mortgage Loans generally can be prepaid at any time without penalty. On the basis of the assumptions described below, the yield to maturity on the Fixed Rate Interest Only Class would be 0% if prepayments of the related Mortgage Loans were to occur at the following constant rate:

<u>Class</u>	<u>% PPC</u>
IO	202% PPC

If the actual prepayment rate of the related Mortgage Loans were to exceed the level specified for as little as one month while equaling that level for the remaining months, the investors in the Fixed Rate Interest Only Class would lose money on their initial investments.

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

<u>Class</u>	<u>Price*</u>
IO	10.000%

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

Sensitivity of the IO Class to Prepayments

	<u>PPC Prepayment Assumption</u>					
	<u>25%</u>	<u>50%</u>	<u>100%</u>	<u>125%</u>	<u>150%</u>	<u>200%</u>
Pre-Tax Yields to Maturity ...	57.4%	50.2%	34.9%	26.9%	18.5%	0.6%

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

Changes in LIBOR 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 LIBOR increased.

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

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

<u>Class</u>	<u>Price*</u>
1-A-2	3.8750%
2-A-2	4.2500%
3-A-2	5.3125%

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

**Sensitivity of the 1-A-2 Class to Prepayments and LIBOR
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>PPC Prepayment Assumption</u>					
	<u>25%</u>	<u>50%</u>	<u>100%</u>	<u>125%</u>	<u>150%</u>	<u>200%</u>
1.32%	151.8%	143.8%	127.2%	118.5%	109.5%	90.5%
3.32%	83.5%	76.3%	61.2%	53.3%	45.1%	27.7%
5.32%	23.0%	16.5%	2.7%	(4.5)%	(12.1)%	(28.2)%
6.43%	*	*	*	*	*	*

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

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

<u>LIBOR</u>	<u>PPC Prepayment Assumption</u>					
	<u>25%</u>	<u>50%</u>	<u>100%</u>	<u>125%</u>	<u>150%</u>	<u>200%</u>
1.32%	146.6%	138.5%	121.5%	112.7%	103.4%	83.9%
3.32%	84.4%	77.0%	61.7%	53.6%	45.2%	27.3%
5.32%	28.7%	22.1%	8.1%	0.7%	(7.0)%	(23.5)%
6.75%	*	*	*	*	*	*

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

**Sensitivity of the 3-A-2 Class to Prepayments and LIBOR
(Pre-Tax Yields to Maturity)**

<u>LIBOR</u>	<u>PPC Prepayment Assumption</u>					
	<u>25%</u>	<u>50%</u>	<u>100%</u>	<u>125%</u>	<u>150%</u>	<u>200%</u>
1.32%	125.3%	117.1%	100.0%	90.9%	81.5%	61.6%
3.32%	76.8%	69.3%	53.6%	45.3%	36.7%	18.3%
5.32%	32.5%	25.6%	11.3%	3.7%	(4.2)%	(21.2)%
6.32%	11.4%	4.9%	(8.8)%	(16.0)%	(23.6)%	(39.8)%
7.28%	*	*	*	*	*	*

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

Weighted Average Lives of the Certificates

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

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

The weighted average lives of the Certificates will be influenced by, among other factors, the rate at which principal payments are made on the related Mortgage Loans. For the purpose of the preceding sentence, principal payments include scheduled payments, principal prepayments, liquidations due to default, casualty and condemnation and payments made pursuant to either our guaranty of payment or our option to repurchase. The interaction of the above factors may result in differing

principal prepayment speeds on the Classes of Certificates. Accordingly, we cannot give any assurance as to the weighted average lives of the Certificates.

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

It is *unlikely* that all the Mortgage Loans:

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

In addition, the diverse remaining terms to maturity of the Mortgage Loans could produce slower or faster principal payments than indicated in the tables at the specified constant percentages of PPC. This 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	PO Class						IO† Class						OP, 1-A-1, 1-A-2† and 1-A-3 Classes					
	PPC Prepayment Assumption						PPC Prepayment Assumption						PPC Prepayment Assumption					
	0%	50%	100%	125%	150%	200%	0%	50%	100%	125%	150%	200%	0%	50%	100%	125%	150%	200%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 2008	99	91	82	78	73	64	99	90	80	75	70	60	99	91	82	77	73	64
February 2009	98	79	62	54	46	33	99	78	60	52	44	31	99	79	62	54	46	33
February 2010	98	69	47	37	29	17	98	68	45	36	28	16	98	69	47	37	29	17
February 2011	97	60	35	26	19	9	97	60	34	25	18	8	97	60	35	26	19	9
February 2012	96	52	26	18	12	5	96	52	26	17	11	4	96	53	26	18	12	5
February 2013	95	46	20	12	7	2	96	45	19	12	7	2	95	46	20	12	8	2
February 2014	94	40	15	9	5	1	95	40	15	8	5	1	94	40	15	9	5	1
February 2015	92	34	11	6	3	1	94	34	11	6	3	1	93	35	11	6	3	1
February 2016	91	30	8	4	2	*	92	30	8	4	2	*	92	30	8	4	2	*
February 2017	89	26	6	3	1	*	91	26	6	3	1	*	90	26	6	3	1	*
February 2018	86	22	5	2	1	*	89	22	5	2	1	*	87	22	5	2	1	*
February 2019	84	19	3	1	*	*	87	19	3	1	*	*	85	19	3	1	*	*
February 2020	81	16	2	1	*	*	84	16	3	1	*	*	82	16	3	1	*	*
February 2021	79	14	2	1	*	*	82	14	2	1	*	*	80	14	2	1	*	*
February 2022	76	12	1	*	*	*	79	12	1	*	*	*	77	12	1	*	*	*
February 2023	73	10	1	*	*	*	77	10	1	*	*	*	74	10	1	*	*	*
February 2024	69	8	1	*	*	*	73	9	1	*	*	*	70	8	1	*	*	*
February 2025	66	7	1	*	*	*	70	7	1	*	*	*	67	7	1	*	*	*
February 2026	62	6	*	*	*	*	66	6	*	*	*	*	63	6	*	*	*	*
February 2027	58	5	*	*	*	*	62	5	*	*	*	*	59	5	*	*	*	*
February 2028	54	4	*	*	*	*	58	4	*	*	*	*	55	4	*	*	*	*
February 2029	49	3	*	*	*	*	53	3	*	*	*	*	50	3	*	*	*	*
February 2030	44	2	*	*	*	*	48	3	*	*	*	*	45	2	*	*	*	*
February 2031	39	2	*	*	*	0	43	2	*	*	*	*	40	2	*	*	*	*
February 2032	33	1	*	*	*	0	37	2	*	*	*	*	34	1	*	*	*	*
February 2033	27	1	*	*	*	0	30	1	*	*	*	*	28	1	*	*	*	0
February 2034	21	1	*	*	*	0	23	1	*	*	*	0	21	1	*	*	*	0
February 2035	14	*	*	*	*	0	15	*	*	*	*	0	15	*	*	*	*	0
February 2036	7	*	*	*	*	0	7	*	*	*	*	0	7	*	*	*	*	0
February 2037	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	20.3	7.1	3.8	3.0	2.5	1.8	20.9	7.1	3.7	3.0	2.4	1.7	20.4	7.1	3.8	3.0	2.5	1.8

Date	2-A-1, 2-A-2† and 2-A-3 Classes						3-A-1, 3-A-2† and 3-A-3 Classes						KO Class					
	PPC Prepayment Assumption						PPC Prepayment Assumption						PPC Prepayment Assumption					
	0%	50%	100%	125%	150%	200%	0%	50%	100%	125%	150%	200%	0%	50%	100%	125%	150%	200%
Initial Percent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
February 2008	99	90	81	77	72	63	99	90	80	75	70	60	99	91	82	77	73	64
February 2009	99	79	61	53	46	32	99	79	61	52	45	31	99	79	62	54	46	33
February 2010	98	69	46	37	29	17	98	69	46	36	28	16	98	69	47	37	29	17
February 2011	97	60	35	26	18	9	98	60	35	25	18	8	97	60	35	26	19	9
February 2012	97	53	26	18	12	4	97	52	26	18	11	4	96	53	26	18	12	5
February 2013	96	46	20	12	7	2	96	46	20	12	7	2	95	46	20	12	8	2
February 2014	95	40	15	9	5	1	95	40	15	8	5	1	94	40	15	9	5	1
February 2015	94	35	11	6	3	1	94	35	11	6	3	1	93	35	11	6	3	1
February 2016	92	30	8	4	2	*	93	30	8	4	2	*	91	30	8	4	2	*
February 2017	90	26	6	3	1	*	91	26	6	3	1	*	89	26	6	3	1	*
February 2018	88	22	5	2	1	*	89	22	5	2	1	*	87	22	5	2	1	*
February 2019	86	19	3	1	*	*	87	19	3	1	*	*	85	19	3	1	*	*
February 2020	83	16	3	1	*	*	85	17	3	1	*	*	82	16	3	1	*	*
February 2021	81	14	2	1	*	*	82	14	2	1	*	*	79	14	2	1	*	*
February 2022	78	12	1	*	*	*	80	12	1	*	*	*	76	12	1	*	*	*
February 2023	75	10	1	*	*	*	77	10	1	*	*	*	73	10	1	*	*	*
February 2024	72	8	1	*	*	*	74	9	1	*	*	*	70	8	1	*	*	*
February 2025	68	7	1	*	*	*	70	7	1	*	*	*	66	7	1	*	*	*
February 2026	64	6	*	*	*	*	66	6	*	*	*	*	63	6	*	*	*	*
February 2027	60	5	*	*	*	*	62	5	*	*	*	*	59	5	*	*	*	*
February 2028	56	4	*	*	*	*	58	4	*	*	*	*	54	4	*	*	*	*
February 2029	51	3	*	*	*	*	53	3	*	*	*	*	50	3	*	*	*	*
February 2030	46	3	*	*	*	*	48	3	*	*	*	*	45	2	*	*	*	*
February 2031	41	2	*	*	*	*	43	2	*	*	*	*	39	2	*	*	*	*
February 2032	35	1	*	*	*	*	37	2	*	*	*	*	34	1	*	*	*	*
February 2033	29	1	*	*	*	0	30	1	*	*	*	0	28	1	*	*	*	0
February 2034	22	1	*	*	*	0	23	1	*	*	*	0	21	1	*	*	*	0
February 2035	15	*	*	*	*	0	15	*	*	*	*	0	14	*	*	*	*	0
February 2036	7	*	*	*	*	0	7	*	*	*	*	0	7	*	*	*	*	0
February 2037	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weighted Average Life (years)**	20.7	7.2	3.8	3.0	2.5	1.8	21.0	7.2	3.8	3.0	2.4	1.8	20.4	7.1	3.8	3.0	2.5	1.8

* 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 Federal Deposit Insurance Corporation or the National Credit Union Administration. We will review the Mortgage Loan Schedule before we issue the Certificates and will conduct random spot checks after issuing the Certificates to confirm that we have all the documents we need.

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

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

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

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

Servicing of Mortgage Loans

Pursuant to the Sale and Servicing Agreement, the Servicers are responsible for servicing and administering the Mortgage Loans. The Sale and Servicing Agreement is a contract solely among Fannie Mae, the Servicers and the Seller. Certificateholders will not be deemed to be parties to it and will have no claims, rights, obligations, duties, or liabilities with respect to the Servicers. Except as

otherwise specified in this prospectus, the Servicers will be obligated to perform diligently all services and duties customary to servicing mortgages, as well as those specifically prescribed in the Sale and Servicing Agreement. Under the Sale and Servicing Agreement, we will monitor each Servicer's performance and have the right to remove one or both Servicers for cause at any time, if we consider such removal to be in the best interest of Certificateholders. Each Servicer's duties include general loan servicing, collecting and remitting principal and interest payments, administering mortgage escrow accounts, collecting insurance claims, and, if necessary, foreclosing on properties and administering and disposing of foreclosed properties.

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

Distributions on Mortgage Loans; Deposits in the Certificate Account

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

- scheduled principal and interest received during the related Due Period, *plus*
- unscheduled collections received (*i.e.*, voluntary prepayments) during the related Due Period, *plus*
- net liquidation proceeds received with respect to the Liquidated Loans during the related Due Period
- any Delinquency Advance that the Servicer must make in respect of delinquent payments of principal and interest with respect to the related Distribution Date.

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

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

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

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

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

Reports to Certificateholders

We will publish a class factor for each Class of Certificates on or shortly after the 11th calendar day of each month. If you multiply the class factor for a Certificate by the original principal balance or notional balance of the Certificate, you will obtain the current principal balance or notional balance of that Certificate, after giving effect to the principal payment to be made on the following Distribution Date.

We will make available for each Certificateholder the total principal and interest paid on that Holder's Certificates with respect to each Distribution Date. After the end of each calendar year, we will 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 the Servicers, 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 late payment charges, or otherwise.

Collection and Other Servicing Procedures

The Servicers are responsible for servicing the Mortgage Loans. In connection with its servicing activities, each Servicer has full power and authority to do or cause to be done any and all things it may deem necessary or appropriate, including the foreclosure or comparable conversion of a defaulted Mortgage Loan. Subject to certain conditions and limitations described in the Sale and Servicing Agreement, each Servicer may, in its discretion and without obligation, purchase from the Trust any Mortgage Loan that it services which has become delinquent as to four or more installments, in whole or in part. Fannie Mae will have a similar option to repurchase delinquent Mortgage Loans. The purchase price will be equal to the Stated Principal Balance of the delinquent Mortgage Loan together with accrued interest at the applicable Net Mortgage Rate. We will pay the purchase price to Certificateholders in the same manner as full prepayments of Mortgage Loans. See "Description of the Certificates—Principal Distribution Amount" in this prospectus.

Each Servicer must make advances to the Trust for delinquent payments of principal of and interest on the Mortgage Loans that it services until the final liquidation of the related Mortgaged Property.

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

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

- expenditures in connection with a foreclosed Mortgage Loan prior to liquidation (including real estate property taxes, hazard insurance premiums and property restoration or preservation),

- the cost of enforcement or judicial proceedings, including foreclosures, and
- the cost of managing and liquidating a Mortgaged Property acquired in satisfaction of the related Mortgage Loan.

We call these costs and expenses “Servicing Advances.” A Servicer may recover a Servicing Advance to the extent permitted by the related Mortgage Loan. If a Servicer does not recover the Servicing Advance from the borrower on whose behalf the advance was made, it may recover the Servicing Advance from net liquidation proceeds realized upon the liquidation of the related Mortgage Loan.

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

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

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

Subject to the limitations discussed below, the applicable Servicer may:

- enforce or waive enforcement of any term of any Mortgage Loan, or
- take any action or refrain from taking any action in servicing any Mortgage Loan.

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

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

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

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.

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 materially or 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, unless each Certificateholder consents, no amendment may

- reduce or delay the funds that we must pay on any Certificate,
- terminate or change our guaranty obligations,
- significantly change any permitted activity of the Trust,
- reduce the percentage of Certificateholders whose consent may be required or
- materially adversely affect the rights of the Holders of the R and RL Classes.

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 Lehman Brothers Holdings Inc. 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).

If the applicable Servicer exercises its optional clean-up call, we will retire all the Certificates. 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.

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

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

- REMIC Elections and Special Tax Attributes
- Taxation of Beneficial Owners of Regular Certificates
- Taxation of Beneficial Owners of a Residual Certificate
- Taxation of Beneficial Owners of RCR Certificates
- Taxes on the REMICs
- Reporting and Other Administrative Matters
- Backup Withholding
- Foreign Investors

REMIC Elections and Special Tax Attributes

We will elect to treat 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) 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”).

Because the Upper Tier REMIC and the Lower Tier REMIC will qualify as REMICs, the Regular and Residual Certificates and any related RCR Certificates will be “regular or residual interests in a REMIC” within the meaning of section 7701(a)(19)(C)(xi) of the Code and “real estate assets” within the meaning of section 856(c)(5)(B) of the Code. If at any time during a calendar year less than 95% 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 Mortgage Loan will be a “qualified mortgage” if the Mortgage Loan, respectively, is “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code. The assets of the Lower Tier REMIC will include, in addition to the Mortgage Loans, payments on the Mortgage Loans held pending distribution on the Regular and Residual Certificates and any reinvestment income thereon.

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

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

Definition of Original Issue Discount

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

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 Regular Certificates will be 100% PPC.

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 Mortgage 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 the Notional Classes.

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

The gain or loss, if any, will be capital gain or loss, provided the Regular Certificate is held as a “capital asset” (generally, property held for investment) within the meaning of section 1221 of the Code and none of the following apply. First, gain that might otherwise be capital gain will be treated as ordinary income to the extent that the gain does not exceed the excess, if any, of (i) the amount that would have been includible in the income of the Regular Owner had income accrued at a rate equal to 110% of the “applicable Federal rate” (generally, an average of current yields on Treasury securities) as of the date of purchase over (ii) the amount actually includible in the Regular Owner’s income. Second, gain recognized by a Regular Owner who purchased a Regular Certificate at a market discount

will be taxable as ordinary income in an amount not exceeding the portion of the market discount that accrued during the period the Regular Certificate was held by the Regular Owner, reduced by any market discount includible in income under the rules described above under “—Regular Certificates Purchased with Market Discount.” Third, any gain or loss resulting from a sale or exchange described in section 582(c) of the Code (which generally applies to banks) will be taxable as ordinary income or loss.

Termination

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

Taxation of Beneficial Owners of a Residual Certificate

Amounts Paid to a Transferee of a Residual Certificate

Effective generally for Residual Certificates first held on or after August 1, 2006, Temporary Regulations issued by the Treasury Department have modified the general rule that the taxable income of the Upper Tier REMIC (or the Lower Tier REMIC) is not includible in the income of a foreign person (or, if excess inclusions, subject to withholding tax) until paid or distributed. See “Certain Federal Income Tax Consequences—*Taxation of Beneficial Owners of Residual Certificates*—Treatment of Excess Inclusions” and “—*Foreign Investors*—Residual Certificates” below. Under the Temporary Regulations, the amount of taxable income allocable to a foreign partner in a domestic partnership that is the beneficial owner of a Residual Certificate must be taken into account by the foreign partner on the last day of the partnership’s taxable year, except to the extent that some or all of that amount is required to be taken into account at an earlier time as a result of a distribution to the foreign partner or a disposition of the foreign partner’s indirect interest in the Residual Certificate. Similar rules apply to excess inclusions allocable to a foreign person that holds an interest in a real estate investment trust, regulated investment company, common trust fund or certain cooperatives.

The Treasury Department has 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. 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 Mortgage Loan will be a “qualified mortgage” if the Mortgage Loan is “principally secured by an interest in real property” within the meaning of section 860G(a)(3) of the Code.

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

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

such fees generally will be allowed to such a Residual Owner only to the extent that such fees, along with certain of the Residual Owner's other miscellaneous itemized deductions, exceed 2% of the Residual Owner's adjusted gross income. In addition, such a Residual Owner may not be able to deduct any portion of such fees in computing the Residual Owner's alternative minimum tax liability. A Residual Owner's share of such fees generally will be determined by (i) allocating the amount of such expenses for each calendar quarter on a *pro rata* basis to each day in the calendar quarter, and (ii) allocating the daily amount among the Residual Owners in proportion to their respective holdings on that day. Similar rules apply in the case of (i) estates and trusts, and (ii) individuals owning an interest in 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 Upper Tier REMIC will pay to the transferee an amount that will equal at least 30% of the excess inclusion, and that each amount will be paid at or after the time at which the excess inclusion accrues and not later than the close of the calendar year following the calendar year of accrual. Certain transfers by a Non-U.S. Person to a U.S. Person or another Non-U.S. Person are also disregarded if the transfer has the effect of allowing the transferor to avoid tax on accrued excess inclusions. See “Description of the Certificates—Special Characteristics of the R 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.

Taxation of Beneficial Owners of RCR Certificates

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

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

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

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

Taxes on the REMICs

The REMICs will not be subject to federal income tax except with respect to income from prohibited transactions and in certain other instances described below. It is not anticipated that the REMICs will engage in any transactions that will give rise to a tax on the REMICs. 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 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

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

Foreign Investors

Regular Certificates

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

Residual Certificates

Amounts paid to a Residual Owner that is a Non-U.S. Person generally will be treated as interest for purposes of applying the 30% (or lower treaty rate) withholding tax on income that is not effectively connected with a U.S. trade or business. Amounts not constituting excess inclusions that are paid on a Residual Certificate to a Non-U.S. Person generally will be exempt from U.S. federal income and withholding taxes, subject to the same conditions applicable to distributions on Regular Certificates, as described above, but only to the extent that the Mortgage Loans held by the 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 LLP, that the Certificates qualify under the definition of “guaranteed governmental mortgage pool certificates” and, as a result, the purchase and holding of Certificates by Plans will not cause the underlying mortgage loans or the assets of Fannie Mae to be subject to the fiduciary requirements of ERISA or to the prohibited transaction requirements of ERISA and the Code.

PLAN OF DISTRIBUTION

We will acquire the Mortgage Loans from the Seller in exchange for the Certificates pursuant to the Sale and Servicing Agreement. The Dealer, which has been retained by the Seller, proposes to offer the Certificates 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.

LEGAL MATTERS

Fannie Mae will be represented by Sidley Austin LLP and, with respect to federal tax matters, by Dewey Ballantine LLP. Legal representation for the Dealer will be provided by McKee Nelson LLP.

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Certain Assumed Characteristics of the Mortgage Loans
(As of February 1, 2007)

Category A

Issue Date Unpaid Principal Balance	Weighted Average Mortgage Rate	Weighted Average Net Mortgage Rate	Weighted Average Original Term (in Months)	Weighted Average Remaining Term (in Months)	Weighted Average Age (in Months)	Weighted Average Remaining IO term (in Months)
\$107,105,636.69	6.5139322208	5.9662081204	360	359	1	N/A
63,450,271.98	6.5740376726	6.0188083921	360	359	1	102

Category B

Issue Date Unpaid Principal Balance	Weighted Average Mortgage Rate	Weighted Average Net Mortgage Rate	Weighted Average Original Term (in Months)	Weighted Average Remaining Term (in Months)	Weighted Average Age (in Months)	Weighted Average Remaining IO term (in Months)
68,469,107.38	7.0695765647	6.5888777106	360	359	1	N/A
49,382,783.16	7.0571431497	6.5474342524	360	358	2	99

Category C

Issue Date Unpaid Principal Balance	Weighted Average Mortgage Rate	Weighted Average Net Mortgage Rate	Weighted Average Original Term (in Months)	Weighted Average Remaining Term (in Months)	Weighted Average Age (in Months)	Weighted Average Remaining IO term (in Months)
35,582,081.54	7.6805554637	7.1737002221	360	358	2	N/A
20,637,930.30	7.6908585685	7.1689893768	360	358	2	98

Category D

Issue Date Unpaid Principal Balance	Weighted Average Mortgage Rate	Weighted Average Net Mortgage Rate	Weighted Average Original Term (in Months)	Weighted Average Remaining Term (in Months)	Weighted Average Age (in Months)	Weighted Average Remaining IO term (in Months)
29,177,836.77	8.3193773543	7.8336787069	360	357	3	N/A
14,969,574.28	8.3714114632	7.7330246569	360	357	3	106

Available Recombinations (1) (2)

REMIC Certificates		RCR Certificates						
Classes	Original Principal Balance	RCR Classes	Original Principal Balance	Interest Rate	Interest Type (3)	Principal Type (3)	CUSIP Number	Final Distribution Date
Recombination 1								
1-A-1	\$218,576,702	1-A-3	\$218,576,702	6.75%	PT	FIX	31396VAM0	March 2037
1-A-2	218,576,702 (4)							
Recombination 2								
2-A-1	82,595,300	2-A-3	82,595,300	7.00	PT	FIX	31396VAN8	March 2037
2-A-2	82,595,300 (4)							
Recombination 3								
3-A-1	63,483,823	3-A-3	63,483,823	7.50	PT	FIX	31396VAP3	March 2037
3-A-2	63,483,823 (4)							
Recombination 4								
PO	8,506,773	KO	24,119,394	(5)	PT	PO	31396VAQ1	March 2037
OP	15,612,621							

(1) In any exchange under Recombination 1, 2 or 3, the relative proportions of the REMIC Certificates to be delivered (or if applicable, received) in such exchange will equal the proportions reflected by the outstanding principal balances of the related REMIC Classes at the time of exchange. The REMIC Certificates and RCR Certificates in Recombination 4 may be exchanged only in the proportions shown in this Schedule 1.

(2) If, as a result of a proposed exchange, a Certificateholder would hold a REMIC Certificate or RCR Certificate of a Class in an amount less than the applicable minimum denomination for that Class, the Certificateholder will be unable to effect the proposed exchange. See “Description of the Certificates—General—*Authorized Denominations*” in this prospectus.

(3) See “Description of Certificates—Class Definitions and Abbreviations” in the REMIC Prospectus and “Description of the Certificates—Distributions of Interest” and “—Distributions of Principal” in this prospectus.

(4) Notional balances. These classes are interest only classes. See page 8 for a description of how their notional balances are calculated.

(5) Principal Only Class.

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.

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\$388,775,219
(Approximate)



Guaranteed REMIC Pass-Through Certificates Fannie Mae REMIC Trust 2007-W2

PROSPECTUS

LEHMAN BROTHERS

February 13, 2007